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A NNEXURE

MEDIUM TERM REVENUE EXPENDITURE FORECAST

MEETING TO BE HELD ON

28 FEBRUARY 2023

**ADJUSTMENT BUDGET OF
MOQHAKA LOCAL
MUNICIPALITY**



**2022/23 TO 2024/25
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS**

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Purpose

The purpose of the report is to obtain approval for adjustments to the approved 2022/23 Medium Term Revenue and Expenditure Framework (MTREF) in terms of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

Background

The 2022/23 MTREF was approved by Council on **30 June 2022** in accordance with section 24(1) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and applicable National Treasury guidelines.

In terms of section 72 of the MFMA *'the accounting officer of a municipality must assess the performance of the municipality during the first half of the financial year'*,

It is further stated in section 72 of the MFMA that *"the accounting officer must as part of the review make recommendations as to whether an adjustments budget is necessary and recommend revised projections for revenue and expenditure to the extent that this may be necessary"*.

The MFMA Section 69 (2) further stipulates that *"when necessary, the accounting officer must prepare an adjustment budget and submit it to the Executive Mayor for consideration and tabling in the municipal council"*.

Section 28 (2) of the MFMA provides guidelines on when and how an adjustments budget can be prepared. The guidelines are the following:

- A municipality may revise an approved annual budget through an adjustments budget.
- An adjustments budget -
 - (a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
 - (b) may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
 - (c) may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the Executive Mayor of the municipality;
 - (d) may authorise the utilisation of projected savings in one vote towards spending under another vote;
 - (e) may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;
 - (f) may correct any errors in the annual budget; and
 - (g) may provide for any other expenditure within a prescribed framework.

Adjustment Budget

The following table outlines the consolidated overview of the adjusted Medium-term Revenue and Expenditure Framework:

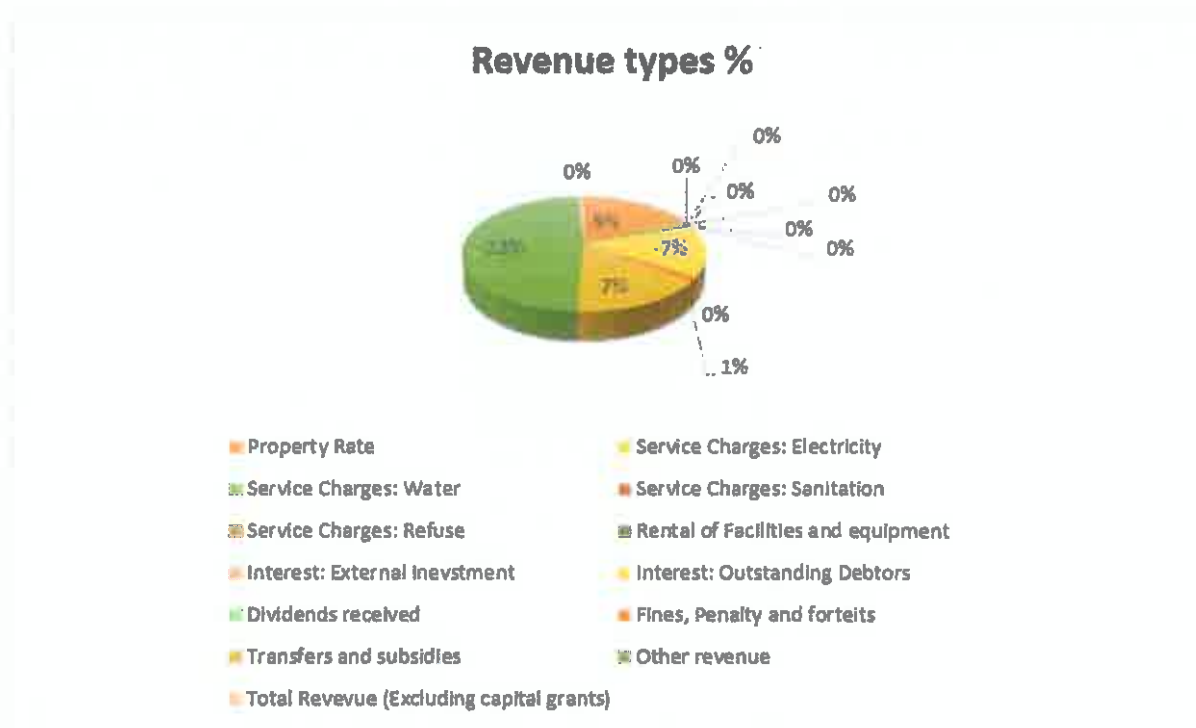
Table 1 Consolidated Overview of the 2022/23 MTREF

R thousands	Annual Budget 2022/23	Adjustment Budget 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Total Operating Revenue	1 129 762.00	1 135 158.00	1 179 471.00	1 232 547.00
Total Operating Expenditure	1 088 570.00	1 059 395.00	1 136 229.00	1 187 117.00
(Surplus)/Deficit for the Year	41 192.00	75 763.00	43 242.00	45 430.00
Total Capital Expenditure	80 773.00	102 888.00	84 527.00	88 121.00

The following table is a summary of the adjusted budget.

Table 2 Summary of revenue classified by main revenue source.

Revenue types			
R thousands	Annual Budget 2022/23	Adjustment Budget 2022/23	%
Property Rate	89 572	81 939	-9%
Service Charges: Electricity	427 795	428 094	0%
Service Charges: Water	176 892	177 413	0%
Service Charges: Sanitation	63 341	63 341	0%
Service Charges: Refuse	43 966	43 996	0%
Rental of Facilities and equipment	7 598	7 577	0%
Interest: External Investment	25	25	0%
Interest: Outstanding Debtors	33 695	31 421	-7%
Dividends received	1 572	1 572	0%
Fines, Penalty and forfeits	4 697	4 727	1%
Transfers and subsidies	261 818	280 543	7%
Other revenue	18 792	14 537	-23%
Total Revenue (Excluding capital grants)	1 129 763	1 135 185	0%



Remarks

Property Rates:

The property rate was adjusted in line with the performance of the various property rates line items as at mid-year. The decrease is also in line with the adjustment budget circular that indicates under collection should be adjusted accordingly.

Interest: Outstanding Debtors

The interest was adjusted in line with the performance of the various interest line items as at mid-year. The increase in the outstanding interest is also in reference to the current outstanding debtors.

Transfer and subsidies:

This resulted as additional R15 million was allocated to Department of Water affairs for Infrastructure hence the increase in transfers and grants receipts.

Other Revenue

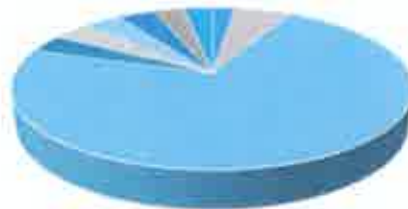
The other revenue movement was mainly adjusted in line with the various line items performance at mid-year. This percentage is reduced due to the low collection of revenue streams and as per adjustment budget circular states that under-collection should adjusted accordingly.

Table 3: Summary of operating expenditure by standard classification Item

The following table is a high-level summary of the adjusted budget and MTREF (classified per main type of operating expenditure):

OPERATING EXPENSES			
DESCRIPTION R thousands	Annual Budget 2022/23	Adjustment Budget 2022/23	%
Employee related costs	364 984	374 675	3%
Remuneration of councillors	22 249	23 727	7%
Debt impairment	84 072	8 686	-90%
Depreciation & asset impairment	10 958	10 958	0%
Finance charges	8 696	8 696	0%
Bulk purchases - electricity	345 829	361 045	4%
Inventory consumed	1 400	1 400	0%
Contracted services	141 853	148 095	4%
Transfers and subsidies	250	261	4%
Other expenditure	108 224	112 986	4%
Losses	55	57	4%
Total Expenditure (Excluding capital grants)	1 088 570	1 050 586	-3%

OPERATING EXPENSES %



- Employee related costs
- Debt impairment
- Finance charges
- Inventory consumed
- Transfers and subsidies
- Losses
- Remuneration of councillors
- Depreciation & asset impairment
- Bulk purchases - electricity
- Contracted services
- Other expenditure
- Total Expenditure (Excluding capital grants)

Remarks

Employee Related Costs

The increase is mainly driven by the alignment of the employee related cost to the employee appointments made during the first part of the 2022/23 financial year which could not be accurately determined at the beginning of the financial year.

Debt Impairment

The decrease in debt impairment is due to reallocation of funds to critical service delivery items.

TABLE 4: TRANSFERS AND GRANT RECEIPTS

The table below provides a summary of the adjusted grants receipts:

Description	Original Budget	Adjusted Budget	Adjusted Budget +1 2023/24	Adjusted Budget +2 2024/25
<i>R thousands</i>				
RECEIPTS:				
Operating Transfers and Grants				
National Government:	259 733	263 458	271 161	283 364
Local Government Equitable Share		-		
Equitable Share	257 433	261 158	268 760	280 854
Local Government Financial Management Grant	2 300	2 300	2 401	2 509
Provincial Government:	-	15 000	-	-
Infrastructure Grant	-	15 000	-	-
District Municipality:	-	-	-	-
Other grant providers:	2 085	2 085	2 177	2 273
<i>National Economical Development and Labour Council</i>	1 428	1 428	1 491	1 558
<i>National Skills Fund</i>	657	657	686	717
Total Operating Transfers and Grants	261 818	280 543	273 338	285 638
Capital Transfers and Grants				
National Government:	55 886	55 886	58 345	60 971
Municipal Infrastructure Grant	45 594	45 594	47 600	49 742
Water Services Infrastructure Grant	10 292	10 292	10 745	11 228
Provincial Government:	-	1 120	-	-
Infrastructure Grant	-	1 120	-	-
Other grant providers:	(2)	(2)	(2)	(2)
<i>Office of the Pension Fund Adjudicator</i>	(2)	(2)	(2)	(2)
Total Capital Transfers and Grants	55 884	57 004	58 343	60 969
TOTAL RECEIPTS OF TRANSFERS & GRANTS	317 703	337 548	331 682	346 607

Comments on Adjustments:

Additional R15 million was allocated to Department of Water affairs for Infrastructure hence the increase in transfers and grants receipts.

Table 5: Medium-term capital budget per vote

CAPITAL BUDGET (Own Funds)								
R thousands	Political Office	Municipal Manager	Corporate Services	Finance Service	Technical Service	Community & Social Services	LED	Total
Vehicles					1500000			1 500 000
Equipment & Heavy Machinery	-	115 000	72 400	70 000	2 304 501	2 742 981	650 000	5 954 882
Office Furniture	102 400	404 000	334 800	1 465 000	80 000	888 379	1 794 240	5 068 819
ICT Hardware	102 400	125 000	2 000 000	236 200	-	268 000	325 000	3 056 600
Disaster Emergency Housing						250 000		250 000
Disaster Mitigation Project						100 000		100 000
Disaster Emergency Fund						1 000 000		1 000 000
Disaster Emergency Electricity						1 800 000		1 800 000
Cemetery Fencing								-
Cemetery System						300 000		300 000
Disaster Early Warning System						250 000		250 000
Fencing						1 950 000	150 000	2 100 000
Landfill Site Fencing						4 000 000		4 000 000
PMU Administration					2 279 700			2 279 700
RAMMULOTSII CONSTRUCT OF 0,83KM PAVE ROAD					4200000			4 200 000
Total								31 886 001

Comments on Adjustments:

The capital from own funding budget was adjusted in line with the cash collection during the first half of the financial year. This is mainly as a result that the own funding capital is highly dependent on the municipality’s collection performance.

The following table provides a breakdown of budgeted cash flow:

Description	Budget Year 2022/23			Budget Year +1 2023/24	Budget Year +2 2024/25
	A	3 A1	10 H		
R thousands					
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Property rates	75 832	75 832	75 832	78 865	82 414
Service charges	820 134	820 134	820 134	853 674	892 080
Other revenue	19 217	19 217	19 217	20 219	21 129
Transfers and Subsidies - Operational	261 161	261 161	261 161	272 637	284 915
Transfers and Subsidies - Capital	56 543	56 543	56 543	98 182	55 505
Interest	-	-	-	-	-
Dividends	1 572	1 572	1 572	1 641	1 715
Payments					
Suppliers and employees	(813 930)	(813 930)	(813 930)	-	-
Finance charges	-	-	-	-	-
Transfers and Grants	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	420 528	420 528	420 528	1 325 218	1 337 767
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts					
Proceeds on disposal of PPE	-	-	-	-	-
Decrease (increase) in non-current receivables	-	-	-	-	-
Decrease (increase) in non-current investments	(21)	251	282	10	12
Payments					
Capital assets	(80 773)	(80 773)	(80 773)	(84 327)	(88 121)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(80 803)	(80 522)	(80 491)	(84 316)	(88 109)
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Short term loans	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-
Payments					
Repayment of borrowing	(1 840)	(1 840)	(1 840)	(1 913)	(1 999)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1 840)	(1 840)	(1 840)	(1 913)	(1 999)
NET INCREASE/ (DECREASE) IN CASH HELD	337 885	338 167	338 198	1 238 889	1 247 659
Cash/cash equivalents at the year begin:	(10 233)	(10 233)	(10 233)	(10 642)	(11 121)
Cash/cash equivalents at the year end:	327 652	327 934	327 966	1 228 247	1 236 538

The cash flow was projected at a collection rate of 85% on revenues except for the operating and capital grants which has been budgeted for at 100% on the original budget. These projections did not change, as the mid-year performance of the collection rate was also at 85% which is in line with the original projections. The municipality has also made provision to meet 100% of its obligations to the extent where possible however 90% percent for other expenditure has been provisioned.