ADJUSTMENT BUDGET OF

MOQHAKA LOCAL MUNICIPALITY

2023/24 TO 2025/26

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 2023/24 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 2023/24 MTREF was approved by Council on **30 June 2023** 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 2023/24 MTREF

R thousands	Annaul Budget 2023/24	Adjustment Budget 2023/24	Budget year +2 2024/25	Budget year +3 2025/26
Total Operating Revenue	1 191 279	1 265 300	1 211 962	1 268 924
Total Operating Expenditure	1 110 817	1 186 185	1 103 695	1 155 568
(Surplus)/Deficit for the Year	**80 462**	**79 115**	**108 267**	**113 356**
Total Capital Expenditure	134 568	129 648	141 162	147 797

The total operating revenue for the adjustment budget of 2023/24 financial year has been forecasted at **R1 265 billion**. When compared to the 2023/24 Annual Budget, operational revenue has experienced a growth of **6.2%.**

The total operating expenditure for the adjustment budget of 2023/24 financial year has been forecasted at **R1 186 billion**. When compared to the 2022/23 Annual Budget, operational expenditure has been projected at **6.7%.** The anticipated surpluses to be raised will be used to predominantly fund capital expenditure and to further ensure cash backing of funds and reserves.

The capital budget amounts to **R129** million for 2023/24, which is a R4 million decrease from 2022/23 Annual Budget. The capital budget will mainly be funded from grants over the MTREF with gazetted grants of **100** million as per the Division of Revenue bill 2023/24 and **R29** million from the municipal own funding.

The following table is a summary of the adjusted budget.

Table 2 Summary of revenue classified by main revenue source.

Revenue Types			
	Annual Budget 2023/2	Adjustment Budget 2023/24	%
R thousands			
Exchange Revenue			
Service Charges: Electricity	450 787	492 121	0.09
Service Charges: Water	186 451	186 451	-
Service Charges: Waste Managem	66 698	66 748	0.00
Service Charges: Waste Managem	46 296	46 296	-
Sale of Goods and Rendering of S	8 635	9 786	0.13
Interest earned from Receivables	33 086	33 086	-
Interest earned from Current and	25	25	-
Dividends Received	1 655	1 655	-
Rental from Fixed Assets	8 003	8 136	0.02
Operational Revenue	10 743	11 734	0.09
Non - Exchange Revenue			
Property Rate	86 281	86 281	-
Fines, Penalties and Forfeits	4 974	5 254	0.06
Transfer and subsidies - Operatio	284 237	314 237	0.11
Interest	2 843	2 843	-
Operational Revenue	565	646	0.14
Total Revenue (Excluding Capita	**1 191 279**	**1 265 299**	0.06

Remarks

Service Chargers: Electricity

During the Annual Budget the municipality under budgeted according to the NERSA guideline. This was identified but could not be fixed in time due to our system related challenges, hence the increase on the service charges of electricity.

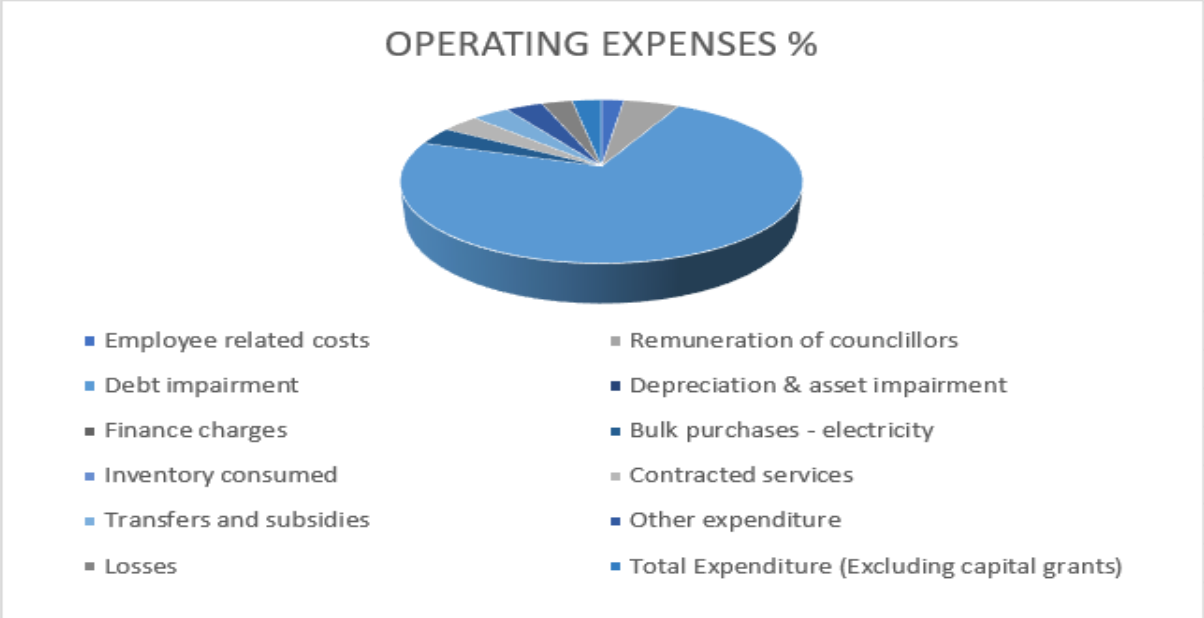
Other Revenue

The other revenue movement was mainly adjusted in line with the various line items performance at mid-year. This percentage is increased due to performance under Fines issued by the Community and LED departments. We could also notice good indication of an increase in the rental of facilities hence the slight change in forecast on the line items.

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 2023/24**	**Adjustment Budget 2023/24**	**%**
Employee relate costs	395747	397682	0.00
Remuneration of councillors	25032	28196	0.13
Bulk purchases - eletricity	318545	407424	0.28
Inventory consumed	1474	1474	-
Debt Impairment	58749	46275	-0.21
Depreciation and Amortiation	9413	9409	-0.00
Interest	8600	8600	-
Contracted Services	159894	150012	-0.06
Transfers and Subsidies	461	1000	1.17
Operational Costs	132846	136055	0.02
Losses on Disposal of Assets	58	58	-
Total Expenditure (Excluding Capital grants)	**1 110 819**	**1 186 185**	0.07



Remarks

Bulk purchases

The increase on the bulk purchases is to align the expenditure votes according to the increase purposed by NERSA at 18%. The correction could not be done on the Final Annual Budget due to system challenges.

Asset Impairment

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

Transfers and subsidies

Additional R30 million was allocated to Department of Water affairs for Infrastructure hence the increase in transfers and grants receipts.

TABLE 4: TRANSFERS AND GRANT RECEIPTS

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

		Original Budget	Prior Adjusted	Multi-year capital	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands		A	A1	B	C	D	E	F		
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		282 282	–	–	–	–	–	282 282	296 114	310 031
Local Government Equitable Share							–	–		
Equitable Share	3	279 982	–	–	–	–	–	279 982	293 701	307 505
Local Government Financial Management Grant		2 300	–	–	–	–	–	2 300	2 413	2 526
Provincial Government:		–	–	–	–	30 000	30 000	30 000	–	–
Infrastructure Grant		–	–	–	–	30 000	30 000	30 000	–	–
Other grant providers:		1 955	–	–	–	–	–	1 955	2 051	2 147
National Economical Development and Labour Council		1 263	–	–	–	–	–	1 263	1 325	1 387
National Skills Fund		692	–	–	–	–	–	692	726	760
Total Operating Transfers and Grants	6	284 237	–	–	–	30 000	30 000	314 237	298 165	312 178
Capital Transfers and Grants										
National Government:		70 481	–	–	–	–	–	70 481	73 935	77 409
Integrated National Electrification Programme Grant		2 050	–	–	–	–	–	2 050	2 150	2 252
Municipal Disaster Relief Grant		–	–	–	–	–	–	–	–	–
Municipal Infrastructure Grant		47 531	–	–	–	–	–	47 531	49 860	52 203
Water Services Infrastructure Grant		20 900	–	–	–	–	–	20 900	21 924	22 955
Provincial Government:		1 179	–	–	–	–	–	1 179	1 237	1 295
Capacity Building and Other Grants		–	–	–	–	–	–	–	–	–
Infrastructure Grant		1 179	–	–	–	–	–	1 179	1 237	1 295
Other grant providers:		2	–	–	–	–	–	2	2	2
Office of the Pension Fund Adjudicator		2	–	–	–	–	–	2	2	2
Total Capital Transfers and Grants	6	71 662	–	–	–	–	–	71 662	75 173	78 706
TOTAL RECEIPTS OF TRANSFERS & GRANTS		355 899	–	–	–	30 000	30 000	385 899	373 338	390 885

Comments on Adjustments:

Additional R30 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

R Thousands Description	POLITICAL OFFICE	MUNICIPAL MANAGER	FINANCE SERVICES	CORPORATE SERVICES	TECHNICAL SERVICES	COMMUNITY & SOCIAL SERVICES	LED & PLANNING	TOTAL
Vehicles	-	-	-	-	2 000 000	1 800 000	-	3 800 000
Furniture & Equipment	-	257 650	702 877	180 000	99 240	573 180	502 000	2 314 947
Machinery & Equipment	-	350 000	73 710	-	3 853 000	3 064 553	941 300	8 282 563
Hand Tools Pums & Purification	-	-	-	-	300 000	-	-	300 000
ICT Hardware				1 500 000				1 500 000
Unforseen Capital Finance Services Admin			1 000 000					1 000 000
Disaster Emergency Housing						1 000 000		1 000 000
Disaster Mitigation Project						500 000		500 000
Disaster Emergency Fund						1 000 000		1 000 000
Disaster Emergency Electrification						1 500 000		1 500 000
Fence						3 056 000		3 056 000
Eletrifitication of Tuinhof						150 000		150 000
3x Slathers Public Gardens						100 000		100 000
Cemetry System						324 000		324 000
Landfill Site Fencing						3 000 000		3 000 000
PUM Administration					10 000			10 000
Guard House Pumps & Purification					800 000			800 000
FIREARMS						159 950		159 950
Complete Comput Security						150 000		150 000
Breathlyser						30 000		30 000
Speed Camera						189 540		189 540
Total	**-**	**607 650**	**1 776 587**	**1 680 000**	**7 062 240**	**16 597 223**	**1 443 300**	**29 167 000**

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	Ref	Budget Year 2023/24									Budget Year +1 2024/25	Budget Year +2 2025/26
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands		A	A1	B	C	D	E	F	G	H		
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates		79 851	–	–	–	–	–	–	–	79 851	83 764	87 701
Service charges		864 166	–	–	–	–	–	–	–	864 166	906 510	949 116
Other revenue		(39 235)	–	–	–	–	–	–	–	(39 235)	6 068	11 823
Transfers and Subsidies - Operational	1	283 908	–	–	–	–	–	–	–	283 908	297 819	311 817
Transfers and Subsidies - Capital	1	109 540	–	–	–	–	–	–	–	109 540	67 682	65 393
Interest		–	–	–	–	–	–	–	–	–	–	–
Dividends		1 655	–	–	–	–	–	–	–	1 655	1 736	1 818
Payments												
Suppliers and employees		(858 460)	–	–	–	–	–	–	–	(858 460)	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		**441 425**	–	–	–	–	–	–	–	**441 425**	**1 363 579**	**1 427 667**
CASH FLOWS FROM INVESTING ACTIVITIES												
Decrease (increase) in non-current investments		264	–	–	–	–	–	–	–	264	277	290
Payments												
Capital assets		(69 481)	–	–	–	–	–	–	–	(69 481)	(72 886)	(76 311)
NET CASH FROM/(USED) INVESTING ACTIVITIES		**(69 217)**	–	–	–	–	–	–	–	**(69 217)**	**(72 609)**	**(76 021)**
Repayment of borrowing		(1 937)	–	–	–	–	–	–	–	(1 937)	(2 032)	(2 127)
NET CASH FROM/(USED) FINANCING ACTIVITIES		**(1 937)**	–	–	–	–	–	–	–	**(1 937)**	**(2 032)**	**(2 127)**
NET INCREASE/ (DECREASE) IN CASH HELD		**370 271**	–	–	–	–	–	–	–	**370 271**	**1 288 939**	**1 349 519**
Cash/cash equivalents at the year begin:	2	(10 775)	–	–	–	–	–	–	–	(10 775)	(11 303)	(11 835)
Cash/cash equivalents at the year end:	2	359 495	–	–	–	–	–	–	–	359 495	1 277 635	1 337 684

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 extend where possible however 90% percent for other expenditure has been provisioned.