



**ADJUSTMENTS BUDGET
2022-23 FINANCIAL YEAR**

EXECUTIVE SUMMARY

BACKGROUND

In terms of section 28 of MFMA,

- (1) The municipality may revise an approved annual budget through an adjustment
- (2) An adjustment 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 revenue that have become available over and above those anticipated in the annual budget, but only revise or accelerate spending programmes already budgeted for;
 - (c) may, within a prescribed framework, authorize unforeseen and unavoidable expenditure recommended by the mayor of the municipality;
 - (d) may authorize the utilization of projected savings in one vote towards spending under another vote;
 - (e) may authorize 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 council;
 - (f) may correct any errors in the annual budget; and
 - (g) may provide for any other expenditure within a prescribed framework.

DISCUSSION

The adjustment budget is prepared to meet the Integrated Development Plan priorities as well as the strategic objectives of the Molemole Municipality. The Departments have been consulted to enhance the production of a credible balance budget. The limited funds available for the IDP priorities and strategic objectives. The IDP, as informed by the agreed strategies, is available and enhances alignment with the budget. Municipal budget and reporting regulations (MBRR) were promulgated on 17 April 2009 as per Government Gazette no. 32141. As part of the regulations an MBRR format is also prescribed in which Municipalities must submit the adjustment budget for adoption and/or approval, As Molemole complied with the MBRR format.

The adjustment budget makes provision for all the functions and responsibilities of the Molemole Municipality as provided for in the 2022/2023 financial year.

The following is a concise summary of the Adjustment Budget for the 2022/2023 financial year:

| ADJUSTMENT BUDGET PROPOSAL 2022 23 FINANCIAL YEAR | | | | | | | |
|---|-------------------------|-------------------------|-----------|--------------------------|-----------------|------------|---|
| DESCRIPTION | Original Budget 2022/23 | YTD REVENUE/EXPENDITURE | YTD % | Draft Adjustment 2022/23 | Adjustments | % Adjusted | Reasons for adjustments |
| REVENUE | | | | | | | |
| SUB TOTAL : PROPERTY RATES | (49 396 847) | (16 444 108) | 33 | (41 085 651) | 8 311 196 | -16,8 | The municipality budgeted based on the previous years signed AFS where the Actual was around R 49 million. An assessment was performed based on the mid year performance report and the budget is revised accordingly. |
| SUB TOTAL : FINES PENALTIES AND FORFEITS | (1 402 949) | 176 725 | (13) | (718 907) | 684 042 | -48,8 | The municipality adjusted down wards based on the mid year performance and audited AFS. |
| SUB TOTAL : TRANSFERS & SUBSIDIES | (212 260 000) | (144 548 254) | 68 | (215 516 443) | -3 256 443 | 1,5 | The amount is inclusive of the rollover for INEP grant that was approved by National Treasury. The municipality got a discretionary grant from Lgseta. |
| SUB TOTAL : SERVICE CHARGES | (25 590 177) | (5 586 146) | 22 | (25 590 177) | - | 0,0 | inconsistance of consumer usage that lead to the reduction in actual performance.The loadshedding had a negative impact on the usage. Management considers the fact that winter season is approaching which will have a positive impact on the usage. |
| SUB TOTAL : INTEREST DIV RENT ON LAND | (3 902 647) | (1 471 542) | 38 | (8 677 303) | -4 774 656 | 122,3 | Interest on investment increased based on the current 2022/23 financial year investments the municipality has entered into.Currently the municipality invested R90 million with the expected return of about R1.9 million excluding the call investment deposit returns. The municipality to date have recieved R3 million in interest. |
| SUB TOTAL : INT DIV RENT ON LAND NON-EXC | (721 965) | (426 645) | 59 | (876 000) | -154 035 | 21,3 | The municipality increased the inteerst on oustandind debtors based on the mid year performance. |
| SUB TOTAL : AGENCY SERVICES | (756 352) | (7 903 255) | 1 045 | (756 352) | - | 0,0 | No adjustments |
| SUB TOTAL : OPERATIONAL REVENUE | (232 842) | (411 617) | 177 | (232 842) | - | 0,0 | The municipality recieved a discretionary grant from Lgseta which was misallocated and have been corrected,there is no need for adjustment. |
| SUB TOTAL : RENTAL FROM FIXED ASSETS | (266 190) | (96 016) | 36 | (266 190) | - | 0,0 | No adjustments |
| SUB TOTAL : SALES & RENDERING OF SERV | (143 176) | (19 054) | 13 | (1 280 560) | -1 137 384 | 794,4 | The municipality auctioned the assets which led to the municipality receiving a revenue from the auction. |
| SUB TOTAL : LICENCES AND PERMITS | (8 055 111) | (3 891 997) | 48 | (8 055 111) | - | 0,0 | No adjustments |
| | | | | | - | | |
| TOTAL INCOME | (302 728 577) | (180 621 910) | 60 | (303 055 536) | -326 959 | 0,1 | |

2. Operating Revenue increased from **R302** million to **R303** million for 2022/23 financial year, which shows an increase of R 326 thousand as compared to the original budget.

2.1 Property rates

A decrease of R8 million which was due to the municipality budgeted based on the previous years signed AFS where the Actual was around R 49 million.

2.2 Service charges

The municipality did not adjust due inconsistency of consumer usage that lead to the reduction in actual performance. The load shedding had a negative impact on the usage. Management considers the fact that winter season is approaching which will have a positive impact on the usage.

2.3 Interest earned

Interest on investment increased by R 4.7 million based on the current 2022/23 financial year investments the municipality has entered into. Currently the municipality invested R90 million with the expected return of about R1.9 million excluding the call investment deposit returns. The municipality to date have received R3 million in interest.

2.4 Transfers recognized – operational

The amount is inclusive of the rollover for INEP grant that was approved by National Treasury. The municipality got a discretionary grant from Lgseta

3. OPERATING EXPENDITURE

Operating expenditure amounts to **R244** million for the 2022/23 financial year

| ADJUSTMENT BUDGET PROPOSAL 2022 23 FINANCIAL YEAR | | | | | | | |
|---|-------------------------|-------------------------|-----------|--------------------------|-----------------|-------------|---|
| DESCRIPTION | Original Budget 2022/23 | YTD REVENUE/EXPENDITURE | YTD % | Draft Adjustment 2022/23 | Adjustments | % Adjusted | Reasons for adjustments |
| OPERATIONAL EXPENDITURE | | | | | | | |
| SUB TOTAL : EMPLOYEE RELATED COST | 104 547 620 | 49 355 679 | 47 | 103 525 816 | -1 021 804 | -1,0 | Savings incurred from positions that was appointed late in the financial year. |
| SUB TOTAL : REMUNERATION OF COUNCILLORS | 13 973 932 | 6 687 049 | 48 | 14 477 932 | 504 000 | 3,6 | The increment is due to the data allowance that must be payable to councillors and the performance on mid year. |
| SUB TOTAL : CONTRACTED SERVICES | 41 802 799 | 23 309 671 | 56 | 40 001 163 | -1 801 636 | -4,3 | The municipality allocated the savings realised on certain projects to were there was a need. |
| SUB TOTAL : OPERATIONAL COST | 38 766 740 | 17 864 611 | 46 | 38 639 803 | -126 937 | -0,3 | The municipality allocated the savings realised on certain projects to were there was a need. |
| SUB TOTAL - INVENTORY | 7 803 884 | 3 434 378 | 44 | 7 159 395 | -644 489 | -8,3 | The municipality realised savings from line items |
| SUB TOTAL : BULK PURCHASES | 11 926 907 | 5 487 726 | 46 | 13 126 907 | 1 200 000 | 10,1 | The municipality performed an assessment based on the audited 2021/22 financial year. The bulk purchase was under budgeted. |
| SUB TOTAL - INTEREST DIVID & RENT - LAND | 116 842 | 12 680 | 11 | 126 442 | 9 600 | 8,2 | The municipality initially budgeted for interest on landfill sites under operational cost. |
| SUB TOTAL : OPERATING LEASES | 2 456 540 | 1 855 404 | 76 | 3 556 540 | 1 100 000 | 44,8 | The municipality under budgeted for operational leases. |
| SUB TOTAL : BAD DEBTS WRITTEN OFF | 3 497 872 | 426 167 | 12 | 3 797 872 | 300 000 | 8,6 | The municipality based the assessment on the audited AFS. |
| SUB TOTAL : DEPRECIATION & AMORTISATION | 19 813 041 | 8 723 250 | 44 | 19 813 041 | - | 0,0 | No adjustments |
| | | | | | - | | |
| TOTAL : OPERATIONAL EXPENDITURE | 244 706 177 | 117 156 614 | 48 | 244 224 911 | -481 266 | -0,2 | |

3.1 Employee related costs

A decrease of R1 million was due to savings incurred from positions that was appointed late in the financial year.

3.2 Remuneration of Councilors

The increase of R 504 thousand was due to the data allowance that must be payable to councillors and the performance on mid-year.

3.3 Debt impairment

The municipality based the assessment on the audited AFS.

3.4 Depreciation

Provision for depreciation for the 2022/2023 financial year amounts to **R19 million** and makes provision for current assets, assets to be purchased.

3.5 Bulk purchase of Electricity

The municipality performed an assessment based on the audited 2021/22 financial year. The bulk purchase was under budgeted.

3.6 Contracted Services

The municipality allocated the savings realised on certain projects to where there was a need.

3.7 Other general expenditure

The municipality allocated the savings realised on certain projects to where there was a need.

4. Capital expenditure

The 2022/23 adjusted capital budget amounts to **R58,0** million which shows an increase as compared to the original budget of **R 58,8** million for 2022/23 financial year.

| DESCRIPTION | Original Budget 2022/23 | YTD REVENUE/EXPENDITURE | YTD % | Draft Adjustment 2022/23 | Adjustments | % Adjusted | Reasons for adjustments |
|----------------------------|-------------------------|-------------------------|-------|--------------------------|-------------|------------|---|
| CAPITAL EXPENDITURE | | | | | - | | |
| TOTAL CAPITAL ACQUISITIONS | 58 022 400 | | - | 58 830 625 | 808 225 | 1,4 | The net amount is inclusive of rollover projects from previous financial year and the projects that are halted which the major one is the extension Mogwadi office. |
| | | | | | - | | |