



**ADJUSTMENTS BUDGET  
2023-24 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 2023/2024 financial year.

**The following is a concise summary of the Adjustment Budget for the 2023/2024 financial year:**

**2. Operating Revenue increased from R333 million to R343 million for 2022/23 financial year, which shows an increase of R 10 million as compared to the original budget.**

Description	Budget Year 2023/24			Budget Year +1 2024/25	Budget Year +2 2025/26
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>Revenue By Source</b>					
<b>Exchange Revenue</b>					
Service charges - Electricity	12 335 647	-	12 335 647	12 952 430	13 600 052
Service charges - Waste Management	3 544 709	-	3 544 709	3 721 945	3 908 042
Agency services	1 680 948	-	1 680 948	1 764 996	1 853 246
Interest	9 600 000	500 000	10 100 000	7 571 218	7 927 065
Rental from Fixed Assets	247 951	-	247 951	260 349	273 366
Licence and permits	-	1 168 740	1 168 740	-	-
Operational Revenue	1 594 184	- 1 168 740	425 444	1 673 897	1 757 593
<b>Non-Exchange Revenue</b>					
Property rates	46 063 444	- 10 042 302	36 021 142	48 366 617	50 784 948
Fines, penalties and forfeits	620 795	-	620 795	651 836	684 428
Licences or permits	13 120 041	-	13 120 041	13 776 044	14 464 846
Transfer and subsidies - Operational	183 700 650	17 431 343	201 131 993	192 509 050	185 454 150
Transfers and subsidies - capital (monetary allocations)	58 548 350	1 852 657	60 401 007	51 508 950	53 726 850
Interest	2 268 435	-	2 268 435	-	-
<b>Total Revenue</b>	<b>333 325 154</b>	<b>9 741 698</b>	<b>343 066 852</b>	<b>334 757 332</b>	<b>334 434 586</b>

## **2.1 Property rates**

The Budget for property rates was initially done on the gross basis which is before the discount or rebate applicable to different categories is applied instead of the net basis which is after the deduction of the rebate. A review was performed during the adjustment budget process to ensure that the budget is aligned to realistic budget. Therefore, property rates were reduced by R10 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 500 thousand based on the current 2023/24 financial year investments the municipality has entered into. Currently the municipality invested R100 million with the expected return of about R2 million excluding the call investment deposit returns. The municipality to date have received R6 million in interest.

## **2.4 Transfers recognized – Capital**

The amount is inclusive of R22 million received from National Treasury for Municipal Disaster Grant, which is made up of two transfers one for R4,5 million and the other for R17 million grant that was approved by National Treasury.

## **2.5 Licence permits**

There is an increase of R1,1 million that is expected to be generated from the Business registration that is going to be implemented effective from the 1<sup>st</sup> of March 2024.

### 3. OPERATING EXPENDITURE

Operating expenditure increased from R 260 million to R273 million for the 2022/23 financial year.

Description	Budget Year 2023/24			Budget Year +1 2024/25	Budget Year +2 2025/26
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
Expenditure By Type					
Employee related costs	107 286 637	3 759 611	111 046 248	117 566 966	123 422 326
Remuneration of councillors	19 640 387	- 3 162 387	16 478 000	20 620 415	21 649 434
Bulk purchases - electricity	13 783 253	-	13 783 253	14 472 416	15 196 037
Inventory consumed	8 245 842	- 2 328 460	5 917 382	8 263 500	8 676 675
Debt impairment	3 987 768	-	3 987 768	3 662 156	3 845 264
Depreciation and amortisation	22 082 155	-	22 082 155	23 186 308	24 345 623
Interest	132 765	2 010 000	2 142 765	139 404	146 375
Contracted services	45 768 528	18 270 034	64 038 562	42 959 702	45 072 693
Operational costs	40 017 476	- 6 754 326	33 263 150	40 172 472	40 745 494
Losses on disposal of Assets	-	510 000	510 000	-	-
<b>Total Expenditure</b>	<b>260 944 811</b>	<b>12 304 472</b>	<b>273 249 283</b>	<b>271 043 339</b>	<b>283 099 921</b>

#### 3.1 Employee related costs

There is an increase of R3 million due to misclassification of employee benefits that were incorrectly allocated under remuneration of councillors.

#### 3.2 Remuneration of Councillors

There is a decrease of R3 million due to misclassification of employee benefits that were incorrectly allocated under remuneration of councillors.

### **3.3 Inventory Consumed**

A decrease of R2,7 million is based on savings in the previous year the price of petrol and diesel price where increasing drastically, which led to the current projections. The municipality budgeted based on the previous year expenditure and increased with the CPI

### **3.4 Contracted Services**

An increase of R18 million is as a result of projects that were initially allocated as capital projects now allocated correctly as operational expenses. Namely indigent management system, INEP Electrification projects.

### **3.5 Other general expenditure**

There is a decrease of R 6,7 million as some of the operational projects had to be discontinued due to budget constraints and low revenue collection. These includes: distribution of seeds R 600 thousand, Installation of GIS R 1.4 million. There was also savings from the already appointed projects which attributed to the decrease.

### **3.6 Interest**

An increase of R 2 million is as a result of the draft landfill report the municipality received from the valuer with assumptions to date.

#### 4. Capital expenditure

The 2023/24 adjusted capital budget amounts to **R72** million which shows an increase as compared to the original budget of **R 73** million for 2023/24 financial year.

Description	Budget Year 2023/24			Budget Year +1 2024/25	Budget Year +2 2025/26
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>Capital expenditure - Vote</b>					
<b>Multi-year expenditure to be adjusted</b>					
Vote 01 - Corporate Services	4 032 000	- 270 904	3 761 096	4 450 000	140 598
Vote 02 - Municipal Manager	100 000	- 22 100	77 900	-	-
Vote 03 - Mayors Office	-	-	-	-	-
Vote 04 - Budget And Treasury	2 100 000	- 1 670 000	430 000	-	-
Vote 05 - Community Services	400 000	-	400 000	14 835 790	21 404 925
Vote 06 - Technical Services	65 748 350	2 888 000	68 636 350	46 284 160	31 734 327
Capital multi-year expenditure sub-total	72 380 350	924 996	73 305 346	65 569 950	53 279 850

##### 4.1 Corporate Services

A decrease of R 271 thousand is as a result of savings realized on projects already appointed and allocated where there is a need.

##### 4.2 Municipal Manager's Office

A decrease of R22 thousand is as a result of savings realized on projects already appointed and allocated where there is a need.

### **4.3 Budget and Treasury**

A decrease of R 1.6 million is as a result of projects initially budgeted as capital projects now allocated to operational budget.

### **4.4 Technical Services**

A decrease of R2,8 million is due to the municipality receiving Municipal Disaster Grant amounting to R4 5 million which was received in June 2023 to be implemented in the current financial year and R17 million which was received in the current financial year and the INEP grant projects that was misclassified contracted services under contractors amounting to R19,8 million.