



**SPECIAL 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 special 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 Special 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.

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 to inconsistency of consumer usage that led 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 transfers increased from R60 million to R66 million due to additional funding received from Municipal Infrastructure grant (MIG).

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 1st of March 2024.

3. OPERATING EXPENDITURE

Operating expenditure remained the same at R273 million for the 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
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	-	-
Total Expenditure	260 944 811	12 304 472	273 249 283	271 043 339	283 099 921

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 **R73** million which shows an increase as compared to the original budget of **R 80** million for 2023/24 financial year.

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

An increase of R6,5 million due to additional funding received from Municipal Infrastructure Grant.