



**ADJUSTMENTS BUDGET
2021-22 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, leads to the Departments having to prioritize in line with the agreed strategies as informed by the Strategic Planning that took place from 19 to 20 May 2021. 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 2021/2022 financial year.

The following is a concise summary of the Adjustment Budget for the 2021/2022 financial year:

DRAFT ADJUSTMENT BUDGET PROPOSAL					
DESCRIPTION	Original Budget 2021/22	Draft Adjustment 2021/22	Adjustments	% Adjusted	Reasons for adjustments
REVENUE					
SUB TOTAL : PROPERTY RATES	(51,482,069)	(39,609,853)	- 11,872,216	-23	The previous figure was inclusive of journals which lead to an incorrect estimates during the budgeting period.
SUB TOTAL : FINES PENALTIES AND FORFEITS	(1,338,690)	(1,338,690)	-	-	None
SUB TOTAL : TRANSFERS & SUBSIDIES	(207,242,000)	(207,242,000)	-	-	None
SUB TOTAL : SERVICE CHARGES	(14,195,880)	(14,195,880)	-	-	None

SUB TOTAL : INTEREST DIV RENT ON LAND	(3,569,508)	(3,569,508)	-	-	None
SUB TOTAL : INT DIV RENT ON LAND NON-EXC	(688,897)	(688,897)	-	-	None
SUB TOTAL : AGENCY SERVICES	(721,709)	(721,709)	-	-	None
SUB TOTAL : OPERATIONAL REVENUE	(27,006,877)	(15,985,156)	11,021,721	-34	The municipality budgeted for sale of stands which we have advertised several times with non responsive to tender processes.
SUB TOTAL : RENTAL FROM FIXED ASSETS	(253,998)	(253,998)	-	-	None
SUB TOTAL : SALES & RENDERING OF SERV	(136,616)	(136,616)	-	-	None
SUB TOTAL : LICENCES AND PERMITS	(7,686,174)	(7,686,174)	-	-	None
TOTAL INCOME	(314,322,418)	(291,428,481)	22,918,937	-7	

2. Operating Revenue decreased from **R314** million to **R291** million for 2021/22 financial year, which shows a decrease of **7%** as compared to the original budget.

2.1 Property rates

A decrease of R11,8 million which was due to the incorrect estimates during the original budget period and low revenue collection in the current financial year.

2.2 Service charges

The main components of revenue from service charges are sale of electricity

R11, 711,304.00 and **Refuse** removal of **R2, 484,575.00**

2.3 Rent of facilities and equipment

Expected revenue for 2021/2022 amounts to **R253, 997.00** from rental of buildings.

2.4 Interest earned

This source of revenue refers to interest earned on the investment to the amount of

R2, 708,205.00 and the **R1, 515, 291.00** be earned from outstanding debtors.

2.5 Transfers recognized - operational

Bulk from this source is from equitable share of **R155, 513,000.00**, **R2, 300,000.00** for Financial Management Grant, **R1, 000,000.00** for Municipal Disaster Relief grant, **R1, 850,000.00** from MIG allocation for project Management Unit which is 5% of the allocation and **R1, 429,000.00** for Expanded Public Works Programme.

2.6 Agency Services

Commission on water amounts to **R438, 142.00** and sanitation amounts to **R283, 566.00**.

2.7 Other own revenue

Other revenue amounts to **R25, 081,173.00** million and consists of the following main Elements:

- Traffic fines R1, 338,689.00
- Licensing and Registration R7, 686,174.00
- Other operating revenue R16, 183,331.00 (Sale of stands and investments)

2.8 Transfers recognized – capital

An amount of **R35,150,000.00** million which is for MIG 2021/ 2022 allocation from National Government,**R10,000,000.00** for INEP and the **R1,000,000.00** from Municipal Disaster Relief grant and the total allocation for capital grants is **R46,150,000.00**.

3. OPERATING EXPENDITURE

Operating expenditure amounts to **R226** million for the 2021/22 financial year.

DRAFT ADJUSTMENT BUDGET PROPOSAL					
DESCRIPTION	Original Budget 2021/22	Draft Adjustment 2021/22	Adjustments	% Adjusted	Reasons for adjustments
EXPENDITURE					
SUB TOTAL : EMPLOYEE RELATED COST	105,732,276	98,229,953	(7,502,323)	-7	The municipality did an exercise between the salary budget and payroll system and we got savings
SUB TOTAL : REMUNERATION OF COUNCILLORS	15,010,262	14,347,010	(663,252)	-4	The municipality budgeted using the previous year council allowances.
SUB TOTAL : CONTRACTED SERVICES	44,843,741	39,368,143	(5,475,598)	-9	There are projects that were not implemented by mid year and can only be done in the next financial year.
SUB TOTAL : OPERATIONAL COST	35,177,946	31,009,586	4,168,360	-7	There are projects that were not implemented by mid year and can only be done in the next financial year.
SUB TOTAL - INVENTORY	6,589,473	6,189,473	400,000	-6	The municipality reduced the votes that were not spending. The projects will be budgeted in the new financial year.
SUB TOTAL : BULK PURCHASES	11,468,179	12,768,179	1 300 000	12	The approved budget did not consider the increase Nersa increase. It was budget using the CPI.

SUB TOTAL - INTEREST DIVID & RENT - LAND	1,055,833	150,000	(905,833)	-89	The interest portion on lease payment we incurred savings from it as we appointed late in the second quarter.
SUB TOTAL : OPERATING LEASES	3,718,461	2,548,320	1,170,141	-31	The municipality appointed the service provider in the second quarter of the financial year.
SUB TOTAL : BAD DEBTS WRITTEN OFF	6,337,664	3,909,664	(2,428,000)	-47	The municipality over budgeted the vote during the original budget period. The municipality adjusted based on the actual audited expenditure for the 2020/21 financial year.
SUB TOTAL : DEPRECIATION & AMORTISATION	18,994,790	19,104,790	110 000	-	None
			-		
TOTAL : EXPENDITURE	247,928,625	226,747,191	21,181,434	-8	

3.1 Employee related costs

The following were taken into consideration

Total Employee related costs amounts to **R98 million** which represents 43% of total operating expenditure. The norm in terms of Circular 71 should be between 25% and 40% as the municipality we are above the norm by 3%

3.2 Remuneration of Councilors

The original budget was **R15 million**, the adjusted budget was decreased to **R14 million** due to the current councilors allowance structure which shows a decrease of **7%**.

3.3 Debt impairment

The original budget was **R6 million** and is reduced to **R 2.4 million** which relates to the provision for working capital.

3.4 Depreciation

Provision for depreciation for the 2021/2022 financial year amounts to R19 million and makes provision for current assets, assets to be purchased.

3.5 Bulk purchase of Electricity

A provision of R12 million was made.

3.6 Contracted Services

An amount of **R44 million** was made available for 2021/2022 financial year during the original budget.

The municipality decreased the provision to **R 39 million** which is 10% less from the original budget.

It includes the repairs and maintenance budget of **R 17 million** which represents **8%** of the total operating expenditure and it is in line with the norm of 8% as per Circular 71.

3.7 Other general expenditure

Other general expenditure amounts to **R32 million** and represents 17% of total operating expenditure for the 2021/2022 financial year.

4.1 Capital expenditure

The 2021/22 adjusted capital budget amounts to **R64,5 million** which shows a decrease as compared to the original budget of **R 65,4 million** for 2021/22 financial year.

DRAFT ADJUSTMENT BUDGET PROPOSAL					
DESCRIPTION	Original Budget 2021/22	Draft Adjustment 2021/22	Adjustments	% Adjusted	Reasons for adjustments
CAPITAL EXPENDITURE					
TOTAL CAPITAL ACQUISITIONS	65,393,793	64,689,607	(705,186)	-1	The decrease is due savings on project that where appointed by mid year.
			-		
TOTAL MUNICIPAL BUDGET	313,322,058	291,428,481	21,893,577	-7	

