



**EPHRAIM MOGALE LOCAL
MUNICIPALITY
SPECIAL ADJUSTMENTS
BUDGET
2020/2021
&**

S U P P O R T I N G D O C U M E N T A T I O N

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ABBREVIATIONS

MFMA- Municipal Finance Management Act 56 of 2003

MBRR- Municipal Budget and Reporting Regulations

MTREF- Medium Term Revenue and Expenditure Framework

EPWP – Expanded Public Works Programme

FMG – Finance Management Grant

INEP – Integrated National Electricity Program

MIG –Municipal Infrastructure Grant

MSIG – Municipal Systems Improvement Grant

EEDG –Energy Efficiency and Demand Side Management Grant

PART 1-ADJUSTMENTS BUDGET

1. Mayor's Report

2. Resolution

To approve the special Adjustment Budget for 2020/2021 financial year.

To approve revision to the monthly and quarterly service delivery targets and performance indicators in the service delivery budget implementation plan, to correspond with adjustment budget.

To note that no amendment to budget related policies are necessitated by budget adjustment.

That the municipal manager implement the decision accordingly

3. Executive Summary

The Special adjustments budget for 2020/2021 was compiled in accordance with the requirements of the Municipal Finance Management Act, Act 56 of 2003, as well as the Municipal Budget and Reporting Regulations which gives a clear directive on the prescribed reporting framework and structure to be used.

The application of sound financial management principles for the compilation of the municipal's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

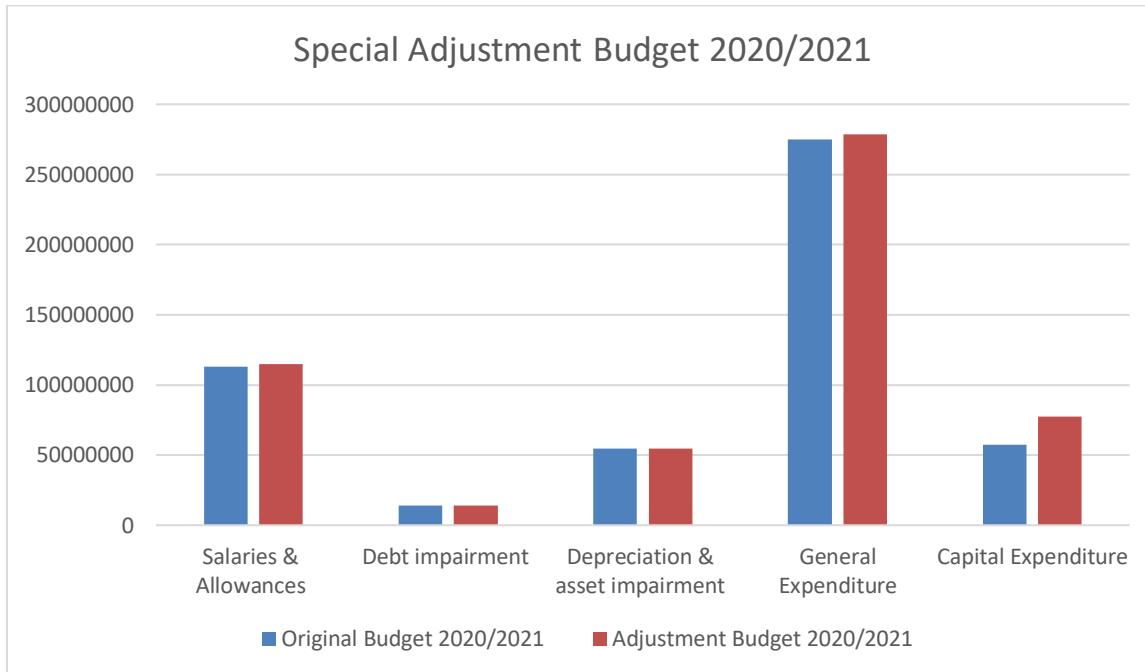
The adjustment budget is based additional grant allocated to the municipality, and was done in consultation with various departments within the municipality.

There are no material implications on service delivery for the remainder of this financial year as a result of this adjustments budget. Service Delivery Budget implementation Plan will be affected by adjustment budget due additional funding allocated to the municipality.

Section 28 of the Municipal Finance Management act, provide that a municipality may revise an approved budget through an adjustment budget.

An adjustment budget needs to be funded. Additional funding can only be allocated from service identified in the votes, where additional revenue is collected in additional to the revenue budgeted for or under certain conditions from cash-backed reserved accumulated surpluses

The proposed adjustment budget can be summarised as follow:



The graph illustrate that there has been slightly movement in 2020/2021 financial year Special adjustment budget.

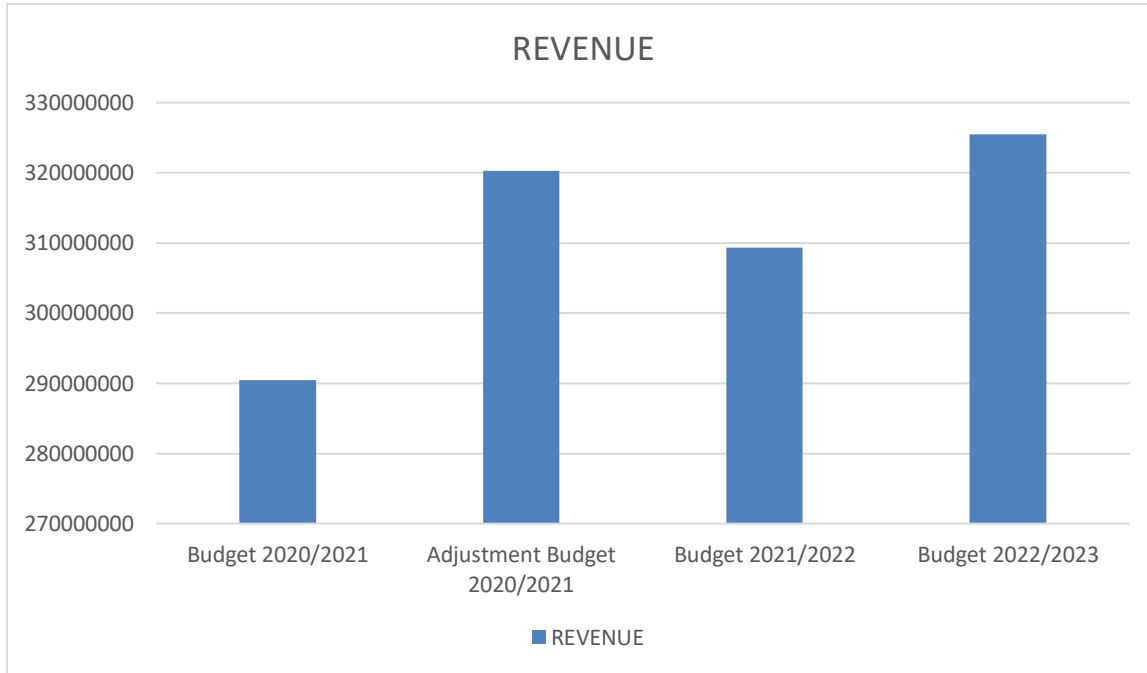
The overall operational budget (Salaries, General expenditure, repairs and maintenance, and General Expenditure) has slightly increased by R4 Million in total as a results of increase in equitable share.

The original capital budget was R57 Million which was adjusted upward to R78 Million.

The Municipality has received additional funding from Equitable share of R 30 274 000

Revenue

The following Graph and table represent the summary of annual budget and proposed amendment on the adjustment budget as well as two outer years.



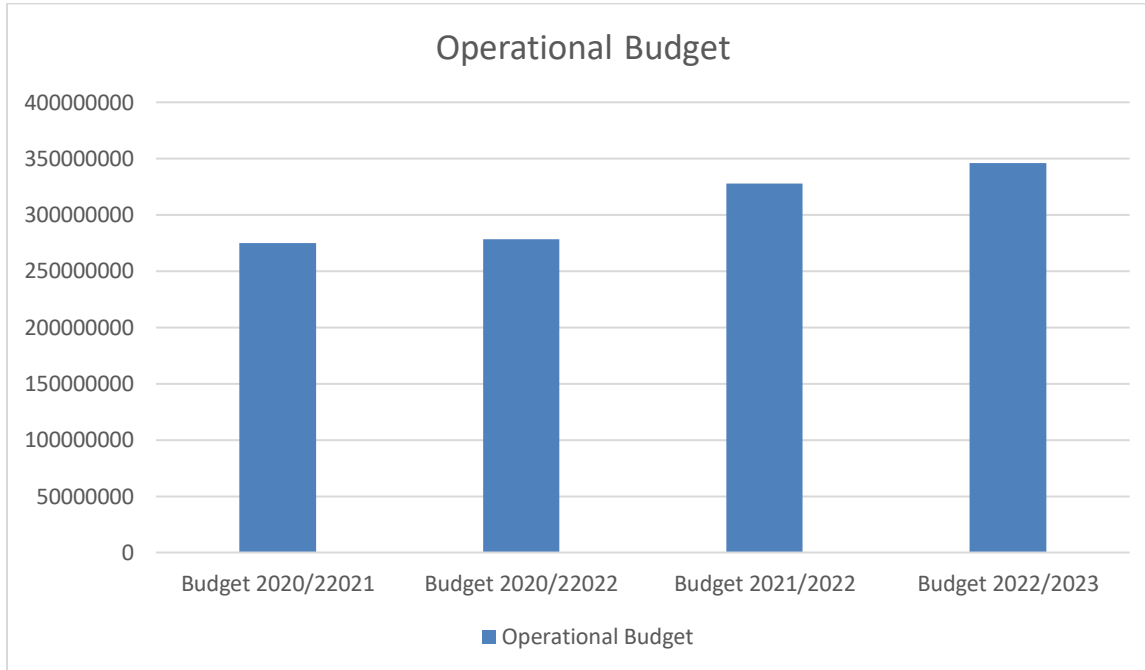
Description	Budget Year 2020/21		Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget
		10		
R thousands	A	H		
Revenue By Source				
Property rates	39,126	39,126	41,004	42,973
Service charges - electricity revenue	63,836	63,836	68,301	71,580
Service charges - water revenue	-	-	-	-
Service charges - sanitation revenue	-	-	-	-
Service charges - refuse revenue	5,003	5,003	5,243	5,494
Rental of facilities and equipment	190	190	200	209
Interest earned - external investments	4,000	4,000	5,837	5,837
Interest earned - outstanding debtors	8,263	8,263	8,660	9,076
Dividends received	-	-	-	-
Fines, penalties and forfeits	140	140	147	154
Licences and permits	5,102	5,102	5,347	5,604
Agency services	-	-	-	-
Transfers and subsidies	163,620	193,494	173,342	183,313
Other revenue	1,161	1,161	1,216	1,275
Gains		-		
Transfers and subsidies - capital	33,238	33,238	35,885	37,822
Total Revenue	323,680	353,554	345,183	363,337

The original total revenue budget was R323 Million which was adjusted upward to R353 Million.

Grants and Subsidies

- The municipality received additional equitable share of R30 Million
- The Energy Efficiency Demand Side Management Grant was reduced from R 4 000 000 to R 3 600 000

Operational expenditure



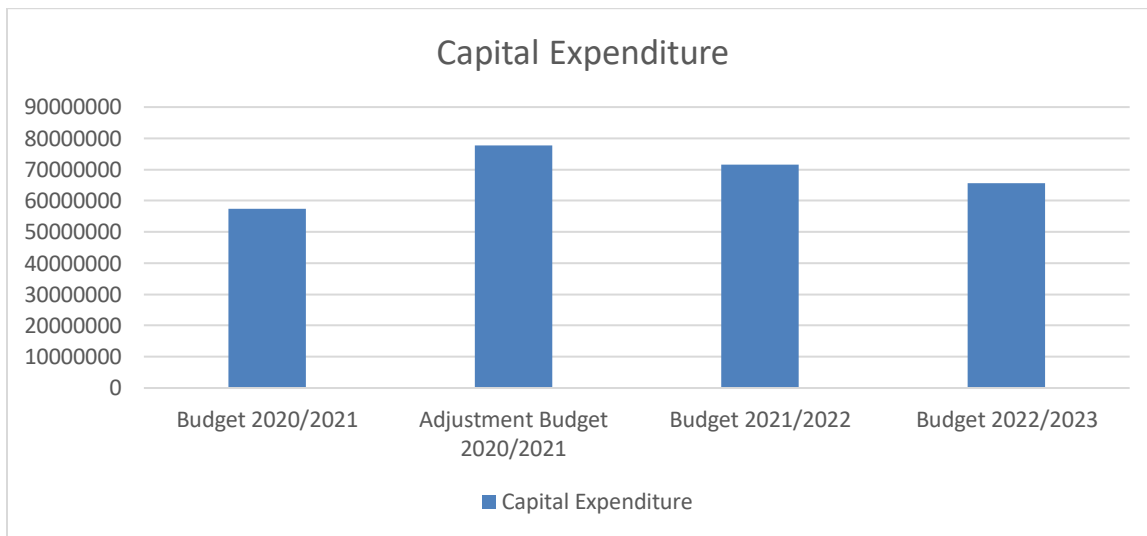
Description	Budget Year 2020/21		Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	H		
Revenue By Source				
Expenditure By Type				
Employee related costs	97,557	99,327	99,882	103,562
Remuneration of councillors	15,623	15,623	15,696	15,769
Debt impairment	13,987	13,987	14,686	15,421
Depreciation & asset impairment	54,600	54,600	57,330	60,197
Finance charges	41	41	41	43
Bulk purchases	42,000	42,000	51,578	59,314
Other materials	1,952	1,952	1,971	2,097
Contracted services	40,479	40,479	41,228	41,302
Transfers and subsidies		-		
Other expenditure	8,641	10,505	45,198	48,196
Losses		-		
Total Expenditure	274,879	278,514	327,610	345,900

The operational budget was initially budgeted for R274 Million and has been adjusted upward to R278 Million.

The increased variance of R4 Million is as a result of increase it items such as

- Covid -19 Supply and materials
- Danger allowance
- Training
- Maintenance of streets
- Legal cost

Capital expenditure



LIM471 Ephraim Mogale - Table B5 Adjustments Capital Expenditure Budget by vote and funding

Description	Budget Year 2020/21		Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget
		12		
R thousands	A	H		
Capital expenditure - Vote				
Governance and administration	1,055	1,210	-	-
Executive and council	-	-	-	-
Finance and administration	1,055	1,210	-	-
Internal audit	-	-	-	-
Community and public safety	825	4,025	3,165	-
Community and social services	575	3,475	3,165	-
Sport and recreation	-	-	-	-
Public safety	-	300	-	-
Housing	100	100	-	-
Health	150	150	-	-
Economic and environmental services	48,576	62,176	53,591	53,631
Planning and development	-	-	-	-
Road transport	48,576	62,176	53,591	53,631
Environmental protection	-	-	-	-
Trading services	6,860	10,680	14,743	12,070
Energy sources	6,860	10,680	14,743	11,170
Waste management	-	-	-	900
Total Capital Expenditure - Functional	57,316	78,091	71,499	65,701
Funded by:				
National Government	42,576	63,351	39,591	35,931
Transfers recognised - capital	42,576	63,351	39,591	35,931
Borrowing	-	-	-	-
Internally generated funds	14,740	14,740	31,908	29,770
Total Capital Funding	57,316	78,091	71,499	65,701

The original capital budget was R57 Million which was adjusted upward to R78 Million.

- The major variance is a result of more funds being allocated to Roads and stormwater and Electricity department.

► Below is the detail of Capital budget

Function	SegmentDesc	FUNDING	Draft Budget 2020/2021	Final Special Adjustment	Draft Budget 2021/2022	Draft Budget 2022/2023
Licencing and Traffic	Vehicle - Traffic	OWN	-	-		
Licencing and Traffic	Speed Camera			300,000.00		
Health Services	Sanitising equipment	OWN	150,000.00	150,000.00		
HR	Shredding	OWN	50,000.00	50,000.00		
HR	Recording system	OWN	40,000.00	40,000.00		
Administration	Purchase of Furniture (500/305065)	OWN	350,000.00	350,000.00		
Electricity: Electricity	Replace 30 kWh Meters	OWN		-		
Electricity: Electricity	Replace Streetlight Wood Poles at Mamphokgo 20	OWN	250,000.00	250,000.00	260,000.00	270,000.00
Electricity: Electricity	Replace PEX Cable in Ext 5	OWN		-		
Electricity: Electricity	Upgrade Municipal ESKON Supply	OWN	2,000,000.00	5,000,000.00	3,000,000.00	3,000,000.00
Electricity: Electricity	Industrial Substation Second Supply Phase 3	OWN	1,000,000.00	1,200,000.00		
Electricity: Electricity	Replace old PEX 11kV Cable from 713 to 561	OWN	1,600,000.00	1,600,000.00		
Electricity: Electricity	Install RMU Cable to Connect Ext 5&6	OWN	930,000.00	1,300,000.00		
Electricity: Electricity	Network Design Software	OWN	80,000.00	80,000.00		
Electricity: Electricity	Truck Mounted Crane	OWN	700,000.00	950,000.00		
Electricity: Electricity	Replace minisubstation Stand 338 - 630kVA	OWN		-	1,500,000.00	
Electricity: Electricity	New LDV with Toolbox	OWN		-	500,000.00	600,000.00
Electricity: Electricity	Replace Streetlight wood poles at Mmotwaneng 20	OWN	250,000.00	250,000.00	260,000.00	270,000.00
Electricity: Electricity	Tools (3 Tool sets -boxes complete with tools)	OWN	50,000.00	50,000.00		
Electricity: Electricity	Industrial Substation Second Supply Phase 4 (CABLE)	OWN		-	3,250,000.00	
Electricity: Electricity	Replace old PEX cable ERF 749 to 754	OWN		-	400,000.00	
Electricity: Electricity	Replace Old 35mm ² PILC 11kV Cable from Erf181 to 830	OWN		-	2,000,000.00	
Electricity: Electricity	Replace minisubstation stand 1028	OWN		-	1,500,000.00	
Electricity: Electricity	Replace 6 wood poles on overhead line - Dumpsite	OWN		-	100,000.00	
Electricity: Electricity	Overhead line PORTION 1230 "B"	OWN		-	100,000.00	
Electricity: Electricity	Extends street lights in Ficus street (14)	OWN		-	872,992.42	
Electricity: Electricity	Replace minisubstation - Stand 749	OWN		-		1,600,000.00
Electricity: Electricity	Replace 11KV Overhead Line with cable Industria Street	OWN		-		650,000.00
Electricity: Electricity	Generator - corporate services 220kVA	OWN		-	1,000,000.00	
Electricity: Electricity	Generator for Fungtions	OWN		-		400,000.00
Electricity: Electricity	Replace wired & 1st generation prepaid meters with wire	OWN		-		300,000.00
Electricity: Electricity	Replace minisubstation - Stand Sportfield	OWN		-		1,700,000.00
Electricity: Electricity	Replace old PEX 11kV Cable from 812 to 1/900	OWN		-		880,000.00
Electricity: Electricity	REPLACE OLD 35mm ² PILC 11kV CABLE FROM Erf423 to 381	OWN		-		1,500,000.00
Finance: Finance	Money-safe	OWN		-		
Finance: Finance	CASH COUNTING MACHINES	OWN		-		
Housing and Building	Air Conditioning	OWN	100,000.00	100,000.00		
ICT	Television	OWN		-		
ICT	Purchase Of ICT Equipments	OWN		-		
ICT	master tower pole	OWN	95,004.00	120,004.00		
ICT	Purchase of routers and wireless access point	OWN	100,008.00	100,008.00		
ICT	Purchase of UPS	OWN	100,000.00	100,000.00		
ICT	PURCHASE OF PRINTERS	OWN	20,000.00	150,000.00		
ICT	ICT Computers	OWN	300,000.00	300,000.00		
ICT	Community wifi	OWN		-		
Communications	Podium	OWN	30,000.00	30,000.00		
Communications	camera	OWN	20,000.00	20,000.00		
Communications	Loud H	OWN	25,000.00	25,000.00		
Communications	Digital information board	OWN		-	70,000.00	
Paks & Cemtries	BACK HOE ACTOR (TLB)	OWN		-	1,200,000.00	
Paks & Cemtries	Lawnmower	OWN		-		
Paks & Cemtries	Landscaping & Park Development (425/305071)	OWN	500,000.00	1,400,000.00		
Paks & Cemtries	Replacing one compactor truck unit	OWN		2,000,000.00	1,895,000.00	
Roads: Roads & Stormwat	Leeufontein Sports Complex	OWN	6,500,000.00	6,500,000.00	2,500,000.00	
Roads: Roads & Stormwat	Stormwater Extension 6(650/305147)	OWN	4,000,000.00	4,000,000.00		
Roads: Roads & Stormwat	MAKGATLE	MIG	8,000,000.00	8,000,000.00	2,000,000.00	8,000,000.00
Roads: Roads & Stormwat	Malebitsa internal road	MIG	8,076,000.00	8,076,000.00	4,000,000.00	10,000,000.00
Roads: Roads & Stormwat	Phetwane Internal Road (650/305184)	MIG	7,900,100.00	7,900,100.00	6,000,000.00	10,000,000.00
Roads: Roads & Stormwat	Mashemong/Mooihoek Internal Street	MIG	7,600,000.00	7,600,000.00	8,000,000.00	7,930,900.00
Roads: Roads & Stormwat	Dichoeng Internal street	MIG		-	3,000,000.00	
Roads: Roads & Stormwat	Vaalbank Internal roads	MIG		-	5,545,375.00	
Roads: Roads & Stormwat	Rathoke internal road	MIG		-	5,545,375.00	
Roads: Roads & Stormwat	Mamphokgo	OWN	500,000.00	500,000.00		
Roads: Roads & Stormwat	Regae Bus route	OWN	1,000,000.00	6,000,000.00	5,000,000.00	5,000,000.00
Roads: Roads & Stormwat	Mabitsi internal street	OWN	1,000,000.00	6,000,000.00	5,000,000.00	5,000,000.00
Roads: Roads & Stormwat	Leeufontein Rehabilitation of streets	OWN	4,000,000.00	4,000,000.00	3,000,000.00	
Roads: Roads & Stormwat	Purchasing of Motor grader	OWN		3,600,000.00	4,000,000.00	4,000,000.00
Roads: Roads & Stormwat	Purchasing of TLB	OWN		-		1,250,000.00
Roads: Roads & Stormwat	Purchasing of Tipper Trucks	OWN		-		900,000.00
Roads: Roads & Stormwat	Purchasing of 1 LDVS	OWN		-		500,000.00
Roads: Roads & Stormwat	Road Mechanical broom sweeper	OWN		-		1,200,000.00
Roads: Roads & Stormwat	Dumper Truck	OWN		-		750,000.00
			57,316,112.00	78,091,112.00	71,498,742.42	65,700,900.00

4. Adjustment budget tables

a. Table B1-Adjustment budget summary

- The table provides an overview of the amounts on adjustment budget approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
- Table B1 is a budget summary and provides a concise overview of the Municipality budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- Table B1 is a budget summary and provides a concise overview of the Municipality budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).*(See attached B Schedule and executive summary for further explanation)*

b. Table B2-Adjustment budget financial performance (Revenue and expenditure by standard classification)

- Table B2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification.).*(See attached B Schedule and executive summary for further explanation)*

c. Table B3-Adjustment budget financial performance (Revenue and expenditure by municipal vote)

- Table B3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality.).*(See attached B Schedule and executive summary for further explanation)*

d. Table B4-Adjustment budget financial performance (Revenue and expenditure)

- This table summarises income and expenditure by type.*(See attached B Schedule and executive summary for further explanation)*

e. Table B5-Adjustment capital expenditure budget by vote and funding

- Table B5 shows a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.).(See attached B Schedule and executive summary for further explanation)

f. Table B6-Adjustment budget financial position

- Table B6 shows a good financial management practice, and improves of the impact of the budget on the statement of financial position.
- Movements on Capital budget and recent unbundling of community asset has yield an impact on our financial position. See attached B Schedule

g. Table B7-Adjustment budget cash flow

- The budgeted cash flow statement is the first measurement in determining if the budget is funded.
- It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
- The Budgeted cash flow show a favorable closing balance which clearly indicate that the municipality will be able to finance the adjustment budget. The municipality has a positive/favourable cash flow balance during adjustment budget.

h. Table B8-Cash back reserves/Accumulated surplus reconciliation

- This table provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

i. Table B10-Basic service delivery measurement

- This table proves an overview of service delivery levels for each main Service
- The following services is not offered by Ephraim Mogale Local municipality hence there are no inputs
 - (a) Water (Sekhukhune District Municipality)
 - (b) Sanitation (Sekhukhune District Municipality)

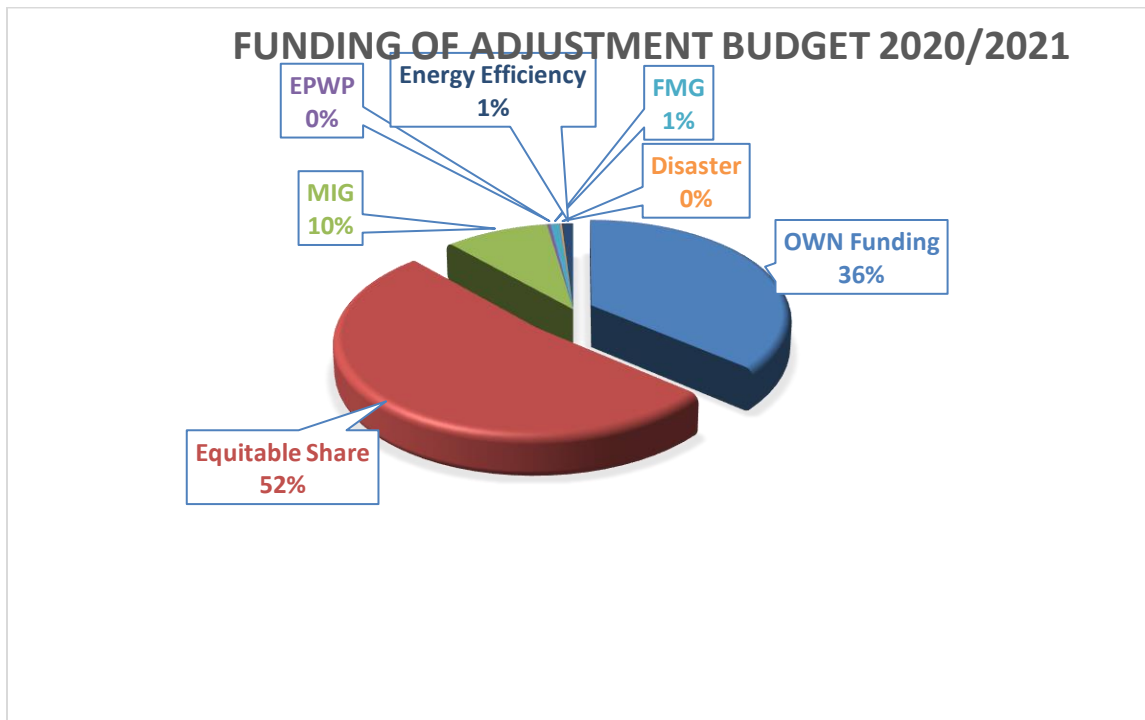
5. Adjustments to budget assumption

- The adjustment budget was done in terms of MFMA and municipal budget reporting regulation. This budget was done in line with the mid-year budget assessment of the municipality and projections were based on the trend of actual figures for the six month of the financial year.
- Budgets adjustment was prepared in an environment of uncertainty and assumptions need to be made about internal and external factors that could impact on the budget during the course of the financial year.
- We have also look at the following factors
 - (a) Economic climate
 - (b) Poverty levels
 - (c) Inflation
 - (d) Service delivery cost increases
 - (e) Increase of staff costs and demands

6. Adjustments to budget funding

The projected funding on the Special adjustment budget for 2020/2021 financial year is R323 million while the original budget was R353 Million

Adjustment budget has been funded by the following:



7. Adjustments to expenditure on allocations and grant programmes

The Municipality has received additional Equitable share of R30 Million

8. Adjustments to allocation and grants made by the municipality

The municipality has budgeted an amount of R2.3 Million in the 2019/2020 adjustment budget.

- Community Bursary = R534 454
- Staff bursary = R411 604
- Free basic electricity = R1 484 000

9. Adjustments to councilor's allowance and employee benefits

- Employee related cost has increased by R1.7Million as a results including danger allowance and additional Interns.

10. Adjustments to service delivery and budget implementation plan

- The monthly and quarterly service delivery targets and performance indicators will be revised to correspond with the adjustment budget.

11. Adjustment to capital expenditure

The original capital budget was R57 Million which was adjusted upward to R78 Million

The Capital details are shown in the following tables:

- Supporting Table SB16 Adjustments Budget - monthly capital expenditure (municipal vote)
- Supporting Table SB17 Adjustments Budget - monthly capital expenditure (standard classification)
- Supporting Table SB18a Adjustments Budget - capital expenditure on new assets by asset class
- Supporting Table SB18b Adjustments Budget - capital expenditure on renewal of existing assets by asset class
- Supporting Table SB18c Adjustments Budget - expenditure on repairs and maintenance by asset class
- Supporting Table SB19 List of capital programmes and projects affected by Adjustments Budget



EPHRAIM MOGALE LOCAL MUNICIPALITY

QUALITY CERTIFICATE

I, **Mantaneng Phaahla**, the acting municipal manager of **Ephraim Mogale Local Municipality**, hereby certify that the special adjustment budget and supporting documentation for 2020/2021 have been prepared in accordance with the Municipal Finance Management Act and the Regulations made under the Act, and that the adjustment budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Print Name : **Mantaneng Phaahla**

Municipal manager of : **Ephraim Mogale Local Municipality (Lim471)**

Signature _____

Date _____

