



**EPHRAIM MOGALE LOCAL  
MUNICIPALITY  
ADJUSTMENTS BUDGET  
2019/2020  
&**

**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**

This presented adjustment budget is an improvement on previous years simply due to the fact that it speaks to our improved 2019/2020 Auditor General Report's qualified opinion. Looking into the current expenditure in revenue being increased.

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. We urgently need to look at opportunities that will ultimately grow our municipality.

The water shortage and drought affected most parts of the country. With the need to increase the agricultural sector for food security and job creation, government intervention becomes crucial in normal household where they struggle to afford basic municipal rates & taxes. The overall adjustment has been adjusted upwards based on the increments in property rates, earned interests both external investments & outstanding Debtors.

The adjustment budget is based from the both 1<sup>st</sup> & 2<sup>nd</sup> Lekgotla resolutions where implementation of effective financial management is crucial. Appropriate funds were transferred from low- to high-priority projects. A critical review was also undertaken of the need to increase expenditures of capital projects & grants. The detail of the adjustment budget is presented in the schedules attached as annexure to this report.

## **2. Resolution**

To approve the Adjustment Budget for 2019/2020 financial year in terms of section 28 of the MFMA

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 adjustments budget for 2019/2020 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.

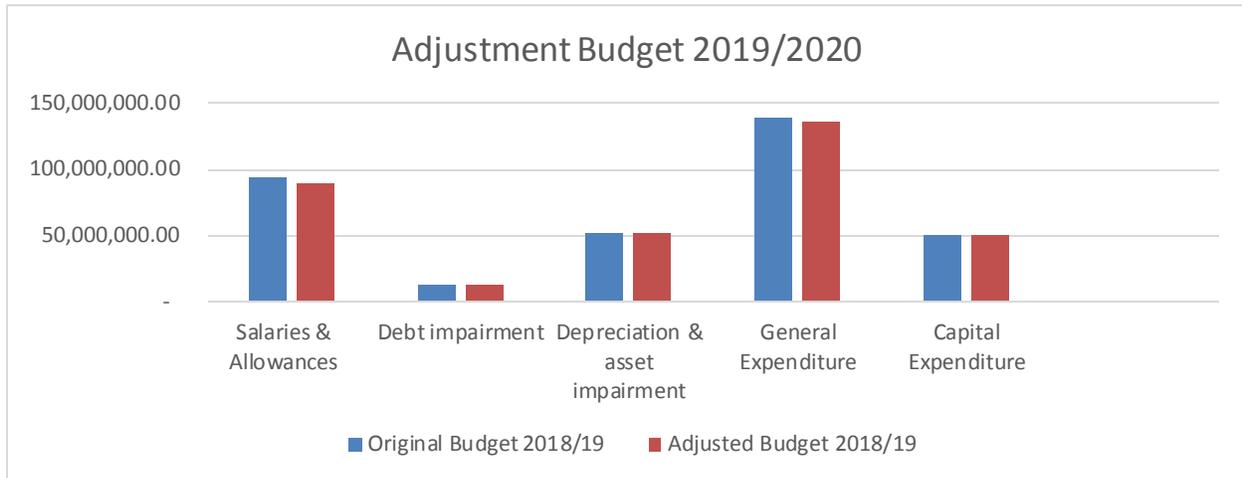
The adjustment budget is based on the performance trend for the last six months, and was done in consultation with various departments within the municipality.

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 to the shifting of funds from one project to another.

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:



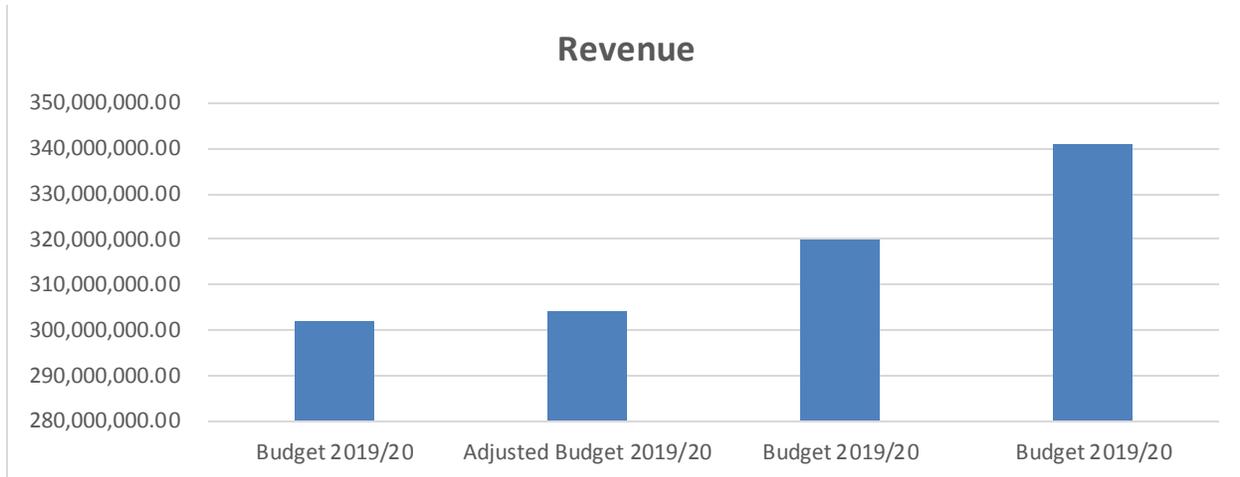
The graph illustrate that there has been slightly movement in 2019/2020 financial year adjustment budget.

The overall operational budget (Salaries, General expenditure, repairs and maintenance, depreciation and General Expenditure) has slightly decreased mainly as a results of vacant positions not yet appointed. E.G CFO.

The original capital budget was R50.2 Million which was adjusted upward to R50.3 Million. The increase of mainly as a result of ICT department increasing Laptops and Computer equipment.

## 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 2019/20		Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>R thousands</b>	A	H		
<b>Revenue By Source</b>				
Property rates	37,509	37,406	39,534	41,669
Service charges - electricity revenue	61,292	60,063	64,602	68,091
Service charges - water revenue	-	-	-	-
Service charges - sanitation revenue	-	-	-	-
Service charges - refuse revenue	4,464	4,783	4,706	4,960
Rental of facilities and equipment	164	182	173	183
Interest earned - external investments	3,685	5,570	3,884	4,093
Interest earned - outstanding debtors	7,463	7,900	7,866	8,290
Dividends received	-	-	-	-
Fines, penalties and forfeits	112	134	118	124
Licences and permits	3,522	4,878	3,712	3,912
Agency services	-	-	-	-
Transfers and subsidies Operational	148,974	148,974	158,589	170,444
Transfers and subsidies - capital	33,443	33,443	35,160	37,630
Other revenue	1,442	1,110	1,520	1,602
Gains on disposal of PPE	-	-	-	-
<b>Total Revenue</b>	<b>302,070</b>	<b>304,442</b>	<b>319,863</b>	<b>340,999</b>

The original total revenue budget was R302 Million which was adjusted upward to R304 Million due to the following:

### Grants and Subsidies

- There was no additional grant received, however R1 Million rollover from Leeufontein Sports complex was not approved.

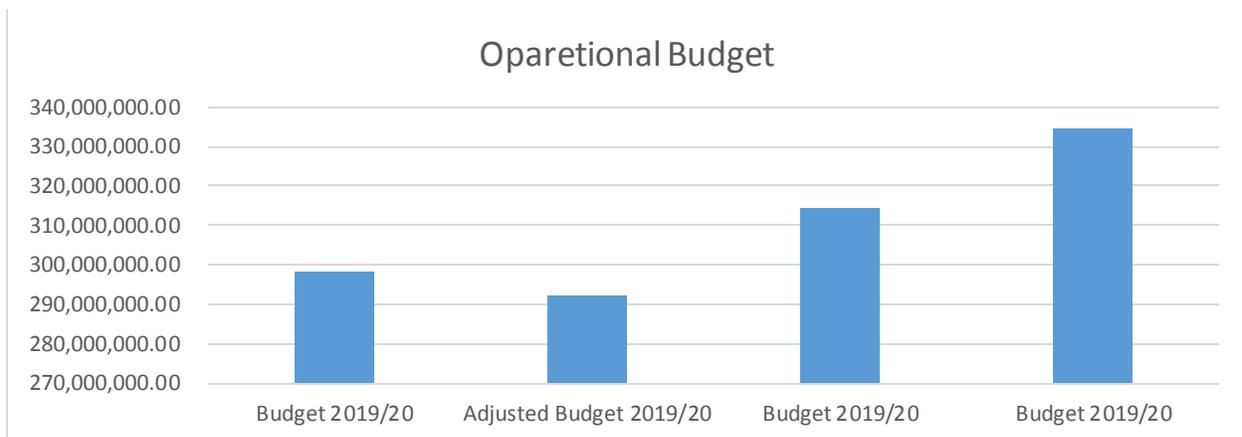
### Interest earned - external investments

- External investment has also increased by over R3 Million as a results of interest accrued from municipal primary bank account.

### Interest earned - outstanding debtors

- Revenue on outstanding debtors has also increased by due to non-payment of municipal accounts.

### Operational expenditure



Description	Budget Year 2019/20		Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	H		
<b>Expenditure By Type</b>				
Employee related costs	93,982	90,067	98,476	105,332
Remuneration of councillors	14,533	14,533	15,547	16,630
Debt impairment	13,321	13,321	14,253	15,251
Depreciation & asset impairment	52,000	52,000	53,000	54,000
Finance charges	146	106	54	57
Bulk purchases	42,224	39,000	49,395	56,804
Other materials	2,331	1,881	2,591	2,762
Contracted services	36,956	38,287	38,273	35,720
Transfers and subsidies	-	-	-	-
Other expenditure	42,882	42,900	42,657	48,116
Loss on disposal of PPE	-	-	-	-
<b>Total Expenditure</b>	<b>298,375</b>	<b>292,096</b>	<b>314,244</b>	<b>334,672</b>

The operational budget was initially budgeted for R298 Million and has been adjusted downward to R292 Million. The decrease is mainly as a result of the following reasons:

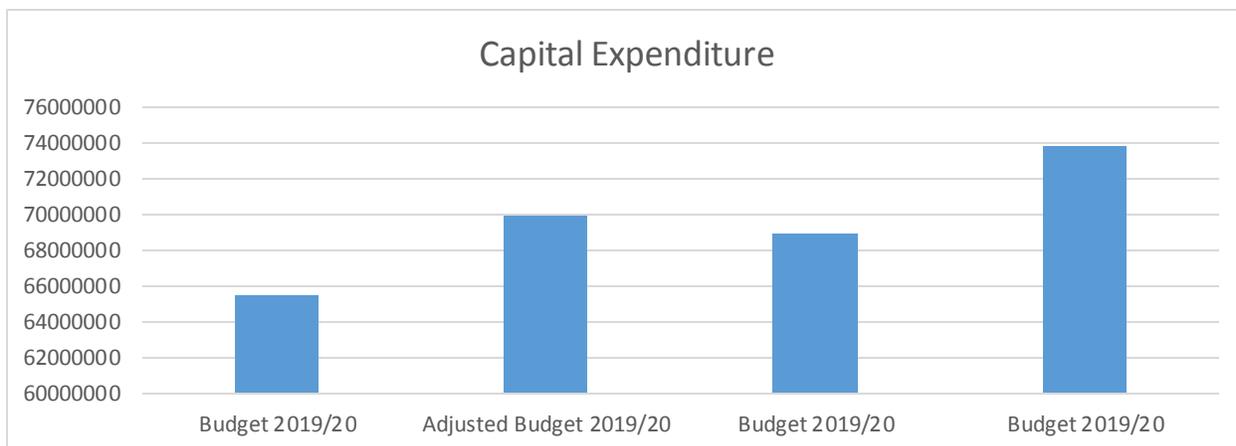
#### **Employee related cost**

- Employee related cost has decreased by R3.9 Million as a result of vacant position not yet filled. E.G CFO.

#### **Bulk Purchase**

- Bulk purchase has decreased based on the six month trend which can be attributed to recent electricity load shedding

## Capital expenditure



Description	Budget Year 2019/20		Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b>R thousands</b>				
<b>Capital Expenditure - Functional</b>				
<b>Governance and administration</b>	<b>1,980</b>	<b>2,140</b>	<b>2,650</b>	<b>2,040</b>
Finance and administration	1,980	2,140	2,650	2,040
<b>Community and public safety</b>	<b>800</b>	<b>800</b>	<b>530</b>	<b>562</b>
Community and social services	700	700	530	562
Housing	100	100	–	–
Health	–	–	–	–
<b>Economic and environmental services</b>	<b>40,537</b>	<b>40,537</b>	<b>37,188</b>	<b>43,580</b>
Planning and development	–	–	–	–
Road transport	40,537	40,537	37,188	43,580
<b>Trading services</b>	<b>6,300</b>	<b>6,284</b>	<b>13,520</b>	<b>6,800</b>
Energy sources	6,300	6,284	12,020	6,800
Waste management	–	–	1,500	–
<b>Other</b>	<b>600</b>	<b>600</b>	<b>–</b>	<b>–</b>
<b>Total Capital Expenditure - Functional</b>	<b>50,217</b>	<b>50,361</b>	<b>53,888</b>	<b>52,982</b>

The original capital budget was R50.2 Million which was adjusted upward to R50.3 Million.

The slight increase is mainly as a result of ICT department increasing Laptops and Computer equipment.

Below is the detail adjustment capital budget for 2019/2020 financial year.

Function	SegmentDesc	Funding	Total Original Budget 2019/2020	ADJUSTMENT BUDGET 2019/2020
Licencing and Traffic	Vehicle - Traffic	Own	600,000	600,000
<b>Licencing and Traffic Total</b>			600,000	600,000
Administration	Purchase of Furniture (500/305065)	Own	300,000	300,000
<b>Administration Total</b>			300,000	300,000
Electricity: Electricity	Replace 50 kWh Meters	Own	100,008	84,218
Electricity: Electricity	Replace Streetlight Wood Poles at Mamphokgo 20	Own	200,004	200,004
Electricity: Electricity	Replace PEX Cable in Ext 5	Own	750,000	750,000
Electricity: Electricity	Upgrade Municipal ESKON Supply	Own	2,000,004	2,000,004
Electricity: Electricity	Industrial Substation Second Supply Phase 3	Own	3,250,008	3,250,008
<b>Electricity: Electricity Total</b>			6,300,024	6,284,234
Finance: Finance	Money-safe	Own	10,008	10,008
Finance: Finance	CASH COUNTING MACHINES	Own	60,000	60,000
<b>Finance: Finance Total</b>			70,008	70,008
Housing: Housing and Building	Air Conditioning	Own	100,008	100,008
<b>Housing: Housing and Building Total</b>			100,008	100,008
ICT	Television	Own	28,008	28,008
ICT	Purchase Of ICT Equipments	Own	77,004	137,004
ICT	master tower pole	Own	95,004	95,004
ICT	Purchase of routers and wireless access point	Own	100,008	100,008
ICT	PURCHASE OF PRINTERS	Own	130,008	130,008
ICT	ICT Computers	Own	180,000	280,000
ICT	Community wifi	Own	1,000,008	1,000,008
<b>ICT Total</b>			1,610,040	1,770,040
Paks & Cemeteries	Lawnmower	Own	200,004	200,004
Paks & Cemeteries	Landscaping & Greening (425/305071)	Own	500,004	500,004
<b>Paks &amp; Cemeteries Total</b>			700,008	700,008
Roads: Roads& Stormwater	Leeufontein Sports Complex	Own	2,500,008	2,500,008
Roads: Roads& Stormwater	Stormwater Extension 6(650/305147)	MIG	6,000,000	6,000,000
Roads: Roads& Stormwater	MAKGATLE	MIG	7,500,000	7,500,000
Roads: Roads& Stormwater	Malebitsa internal road	MIG	7,384,152	7,384,152
Roads: Roads& Stormwater	Phetwane Internal Road (650/305184)	MIG	8,384,160	8,384,160
Roads: Roads& Stormwater	Mashemong/Mooihoek Internal Street	MIG	8,768,304	8,768,304
<b>Roads: Roads&amp; Stormwater Total</b>			40,536,624	40,536,624
<b>Grand Total</b>			<b>50,216,712</b>	<b>50,360,922</b>

#### 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. The net assets is R976 Million. 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 of R97 Million during adjustment budget. See *attached B Schedule*

**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)

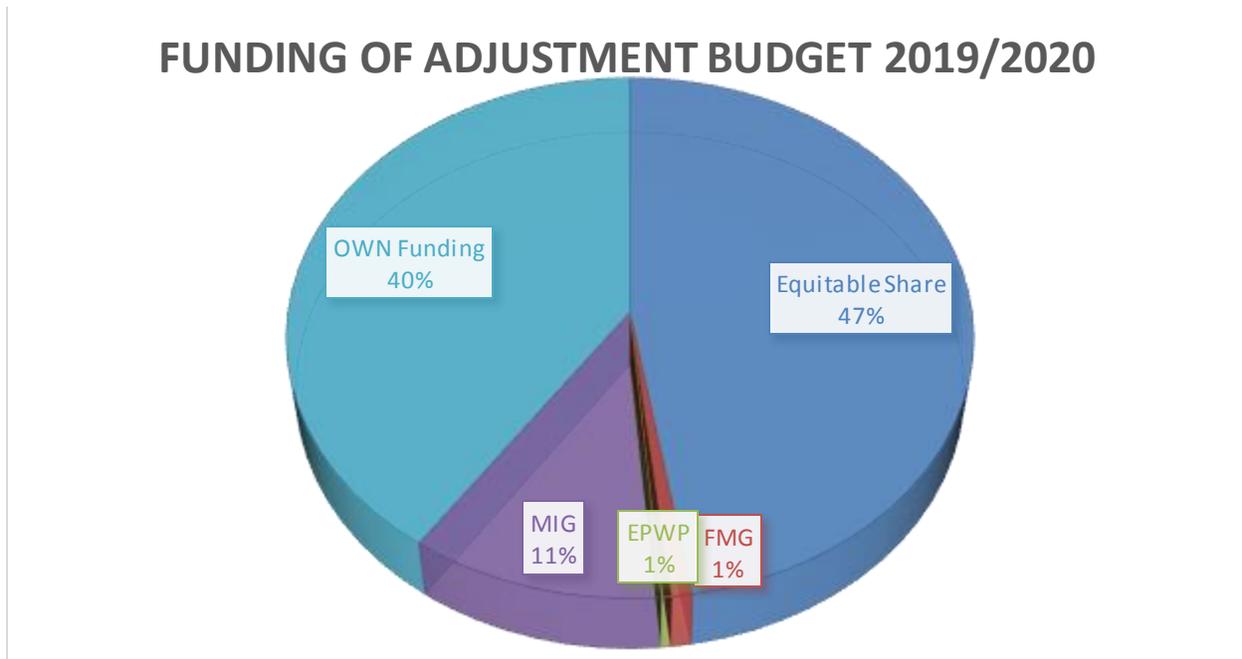
**5. Adjustments to budget assumption**

- 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 adjustment budget for 2019/2020 financial year is R290 million while the original budget was R286 Million  
 Adjustment budget has been funded by the following:



**7. Adjustments to expenditure on allocations and grant programmes**

There was no new allocation on grant.

**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 = R509 000

- Staff bursary =R392 000
- Free basic electricity =R1 400 000

### **9. Adjustments to councilor's allowance and employee benefits**

- Employee related cost has decreased by R3.9 Million as a result of vacant position not yet filled. E.G CFO.

### **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 R50.2 Million which was adjusted upward to R50.3 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, **Phasha K**, the acting municipal manager of **Ephraim Mogale Local Municipality**, hereby certify that the adjustment budget and supporting documentation for 2019/2020 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 : Phasha K

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

Signature \_\_\_\_\_

Date \_\_\_\_\_