



**EPHRAIM MOGALE LOCAL
MUNICIPALITY
ADJUSTMENTS BUDGET
2018/2019
&**

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***

ADJUSTMENTS BUDGET

1. Mayor's Report

The 2018/2019 Budget adjustment reflect the continuing improvement of previous financial years which speaks to municipality improved 2016/2017 Auditor General Report of Qualification Opinion. This improvement also reflected in the Council of Government Finance, Audit and Risk Officers (CIGFARO) Award on the most improve financial management institutions.

This also reflected that the municipality is applying sound financial management principles when compiling and implementing its financial plan to in ensuring that the municipality remains financially viable and services are provided sustainably, economically and equitably to all communities.

Our vision of making our municipality "Agricultural Hub of Choice", means that we need increase the agricultural sector for food security and grow our local economy that will create jobs mostly for young people. We should also bear in mind the challenges the agricultural sector is facing, that of drought which will harm and delay the processes of achieving our vision.

Once-more, this 2018/2019 reflect the overall adjustment of upwards based on various reason that include the budget of leave encashment as agreed upon in the bargaining, transfer of appropriate funds from low – to – high priority projects, increase in property rates based on the last six months performance and increase in capital projects. All this contributed towards the total upward adjustment of the budget

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 2018/2019 financial year in terms of section 28 of the MFMA

	Original Budget 2018/2019	Adjustment Budget 2018/2019	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue	282,216,827	278,978,574	299,808,086	320,532,762
Operational Expenditure	284,262,827	287,743,070	309,387,086	333,658,482
Capital Expenditure	45,653,999	46,464,630	40,783,000	40,310,000

- ✓ 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 2018/2019 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.

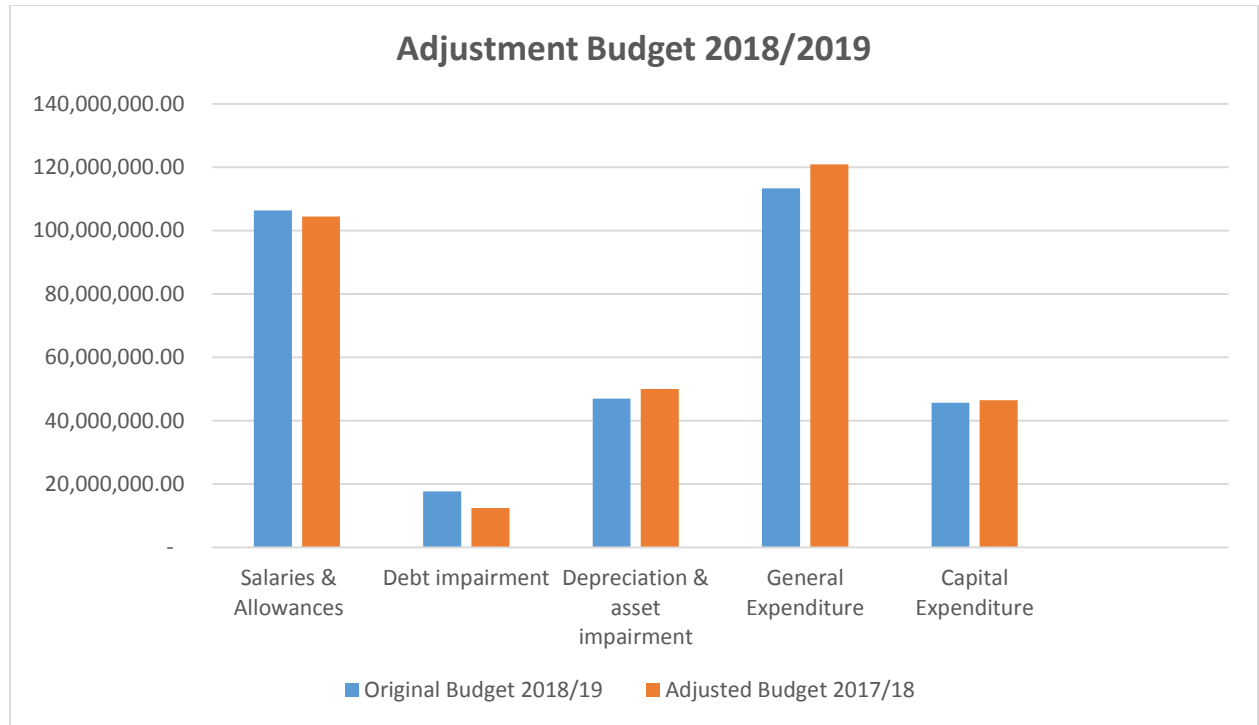
The adjustment budget is based on the performance trend for the last six months, and was done in consultation with various departments within the municipality.

There are no material repercussions 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 owing 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.

Moreover; 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:

1. Adjustment Budget summary



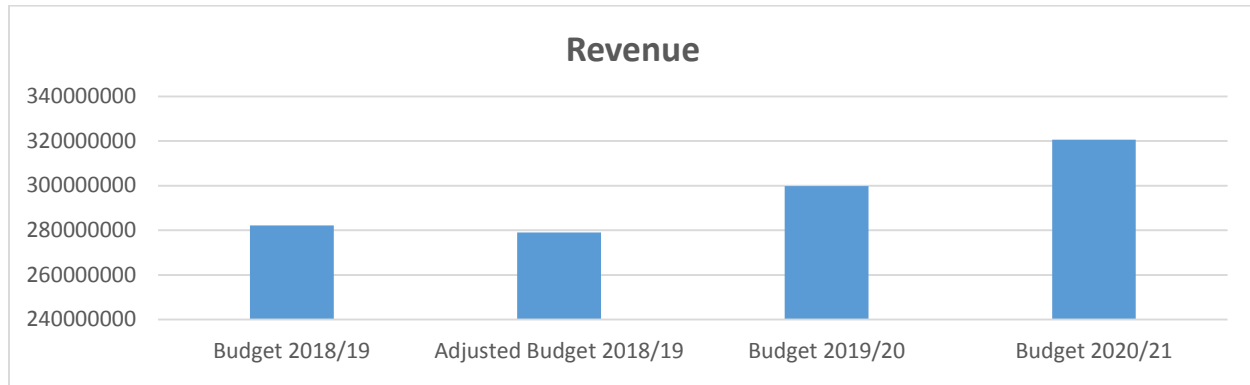
The graph illustrate that there has been insignificant movement in 2018/19 financial year adjustment budget. The overall operational budget for Salaries and General expenditure has decreased; while depreciation and General expenditure increased. It is also important

Capital budget has slightly increased as a result of MIG rollover of R1,8 Million.

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.

2. Revenue Adjustment budget summary



	Budget Year 2019/20		Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget
		7		
REVENUE BY SOURCE				
GRANTS				
National Government:				
Local Government Equitable Share	129 676 000,00	129 676 000,00	141 749 000,00	153 984 000,00
Energy Efficiency and Demand Management	2 215 000,00	2 215 000,00	2 680 000,00	3 112 000,00
Finance Management	1 594 000,00	1 594 000,00		
EPWP Incentive		-		
Municipal Infrastructure Grant (MIG)	32 823 000,00	34 624 782,99	33 443 000,00	35 160 000,00
Total Grants	166 308 000,00	168 109 782,99	177 872 000,00	192 256 000,00
Revenue By Source: Own revenue				
Property rates	37 810 282,65	35 654 755,19	39 776 417,35	41 844 791,05
Service charges - electricity revenue	49 999 696,75	53 799 696,75	52 585 257,72	55 304 401,00
Service charges - refuse revenue	4 232 266,40	4 232 266,40	4 452 344,25	4 683 866,15
Service charges - other		-		
Rental of facilities and equipment	225 010,18	155 221,22	236 710,71	249 019,66
Interest earned - external investments	9 274 062,76	3 502 634,76	9 756 314,02	10 263 642,35
Interest earned - outstanding debtors	6 020 291,76	7 093 806,54	6 333 346,93	6 662 680,97
Fines, penalties and forfeits	96 258,00	96 258,00	101 263,42	106 529,11
Licences and permits	2 641 960,31	2 641 960,31	2 779 342,25	2 923 868,05
Agency services	887 682,47	887 682,47	933 841,96	982 401,75
Other revenue	4 721 312,00	2 804 523,00	4 981 248,00	5 255 560,00
Gains on disposal of PPE		-		
Total Own Revenue	115 908 823,29	110 868 804,65	121 936 086,62	128 276 760,10

The original total revenue budget was R282 Million which was adjusted Downwards to R278 Million due to the following:

Property rates

Property rates has decreased by R2 Million based on six month performance.

Interest earned - external investments

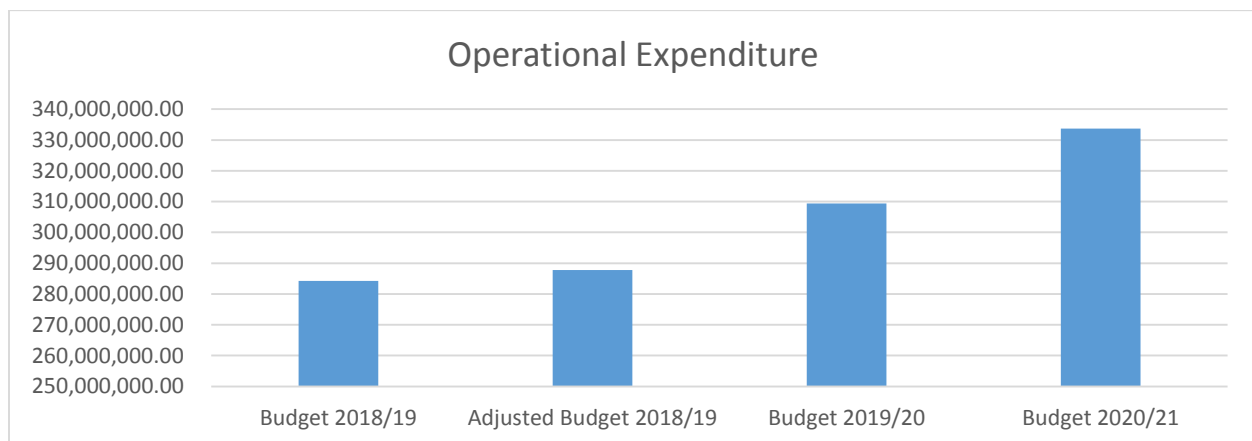
External investment has also decreased by R5 Million as a results of the impairment of the R 80 Million investment with VBS.

Grants

The Grants has increased as a results of R1,8 Million MIG rollover.

Operational expenditure

3. Operational adjustment budget summary



	Budget Year 2019/20		Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget
EXPENDITURE BY TYPE				
Employee related costs	92 789	90 906	124 668	132 778
Remuneration of councillors	13 525	13 525	14 336	15 196
Debt impairment	17 679	17 679	16 052	20 873
Depreciation & asset impairment	47 700	47 700	50 562	53 596
Finance charges	448	448	474	503
Bulk purchases	34 341	36 400	37 791	41 261
Other materials	12 214	12 214	12 218	12 963
Contracted services	12 288	12 313	5 971	6 149
Transfers and subsidies	2 653	2 653	2 812	2 981
Other expenditure	50 627	53 735	44 502	47 359
Loss on disposal of PPE		–		
Total Expenditure	284 263	287 571	309 387	333 658

Budget forecast of Operational expenditure The operational budget was initially budgeted for R284 Million and has been adjusted upward to R287 Million. The increase of R3 Million is due to the following reasons:

Depreciation

Depreciation has increased by R2.3 Million based on audited results.

Legal Cost

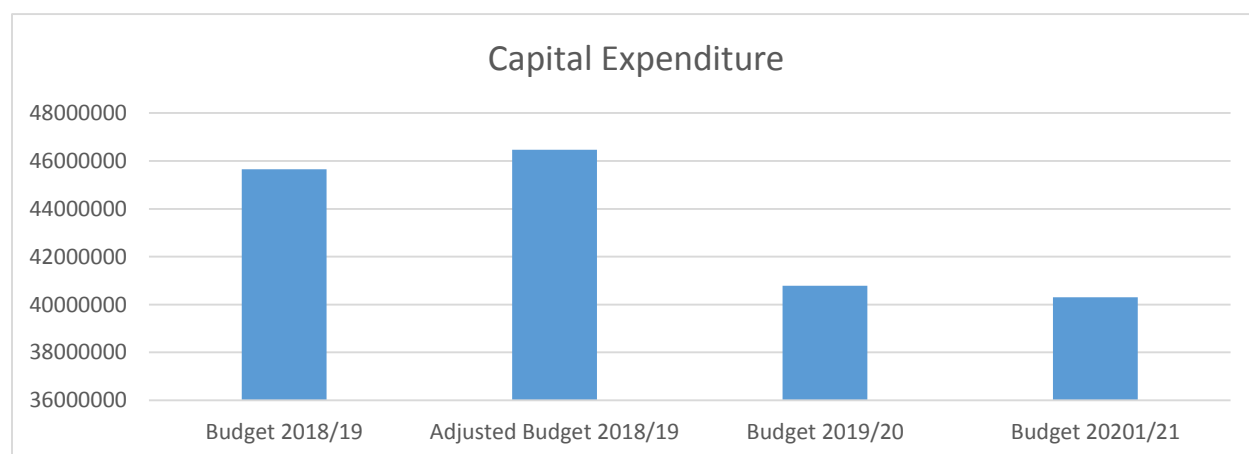
Legal cost has also increased by R3 Million as a result more litigation in 2018/2019 financial year.

However the following some operational expenditure has decreased:

Employee related cost

Employee related cost has slightly decreased mainly as a result vacant position not yet filled. E.G Senior Manager Planning

4. Capital expenditure



CAPITAL EXPENDITURE

CAPITAL EXPENDITURE	Budget Year 2019/20		Budget Year +1 2020/21	Budget Year +2 2021/22
	Original Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget
FINANCE	200 000,00	252 000,00	-	-
CORPORATE SERVICES MANAGEMENT	1 023 000,00	1 261 500,00	200 000,00	200 000,00
TECHNICAL SERVICES	40 818 998,86	41 365 733,78	37 983 000,00	39 610 000,00
PLANNING & ECONOMIC DEVELOPMENT	300 000,00	200 000,00	-	-
COMMUNITY SERVICES MANAGEMENT	3 312 000,00	3 385 400,00	2 600 000,00	500 000,00
TOTAL CAPITAL EXPENDITURE	45 653 998,86	46 464 633,78	40 783 000,00	40 310 000,00

The original capital budget was R45.6 Million which was slightly adjusted upward to R46 Million. The increase of R811 000 is due to the following reasons:

Capital budget has increased as a result of approved MIG rollover of R1,8 Million

Technical services has also increased capital budget by R367 due to Extension 6 storm water project which was funded from operational budget.

5. Detail adjustment capital budget for 2018/2019 financial year.

Function	SegmentDesc	TotalBudget	ADJUSTMENT BUDGET INPUTS
Administrative and Corporate Support	Purchase Of Water Dispensors	60 000,00	30 600,00
Administrative and Corporate Support	Purchase of Furniture (500/305065)	500 004,00	529 404,00
Parks & Cemeteries	Landscaping & Greening (425/305071)	750 000,00	750 000,00
Electricity: Electricity	Network Design Software	60 000,00	70 000,00
Electricity: Electricity	Truck Mounted Crane	399 996,00	530 000,00
Electricity: Electricity	TRANSFORMER REPLACEMENT 500KVA	500 004,00	500 000,00
Electricity: Electricity	Install RMU Cable to Connect Ext 5&6	849 996,00	890 000,00
Electricity: Electricity	Replace PEX Cable in Ext 5	1 500 000,00	1 500 000,00
Electricity: Electricity	Upgrade Municipal ESKON Supply	3 000 000,00	3 000 000,00
Fleet Management: Fleet Mangement	TOOLS & EQUIPMENTS	200 004,00	200 004,00
Finance: Finance	Laptops FMG		52 000,00
Housing: Housing and Building	Air Conditioning	300 000,00	200 000,00
Information Technology	Television	12 996,00	12 996,00
Information Communication Technology (ICT)	Purchase Of ICT Equipments	39 996,00	89 996,00
Information Communication Technology (ICT)	PURCHASE OF PRINTERS	69 996,00	88 496,00
Information Communication Technology (ICT)	Server		140 000,00
Information Communication Technology (ICT)	Sound System	85 996,00	85 996,00
Information Communication Technology (ICT)	ICT Computers	120 000,00	120 000,00
Information Communication Technology (ICT)	Replacement Of Switches	134 000,00	164 000,00
Licensing and Regulation: Licencing and Traffic	Dashboard Camera	12 000,00	12 000,00
Licensing and Regulation: Licencing and Traffic	Machinery and Equipments	500 000,00	573 400,00
Roads: Roads & Stormwater	Upgrading Of Letebejane/Ditholong Int	7 565 141,00	3 796 502,59
Roads: Roads & Stormwater	Ngwalemong Internal Streets	7 791 947,00	4 184 226,58
Roads: Roads & Stormwater	E6 STORM WATER		300 000,00
Roads: Roads & Stormwater	Mamphogo Sports Complex (650/30517)	12 151 228,00	12 151 228,00
Roads: Roads & Stormwater	Leeufontein Sports Complex	-	7 443 085,75
Roads: Roads& Stormwater	Mashemong/Mooihoek Internal Street	7 000 683,00	7 000 683,00
Solid Waste Removal: Solid Waste	TIPPER TRUCK	950 004,00	950 004,00
Solid Waste Removal: Solid Waste	Landfill Site Weighbridge 12M	1 100 004,00	1 100 004,00
Grand Total		45 653 995,00	46 464 625,92

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 summarizes 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.
- As it stands 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 are not offered by Ephraim Mogale Local municipality hence there are no inputs
 - (a) Water services (Sekhukhune District Municipality)
 - (b) Sanitation services (Sekhukhune District Municipality)

5. Adjustments to budget assumption

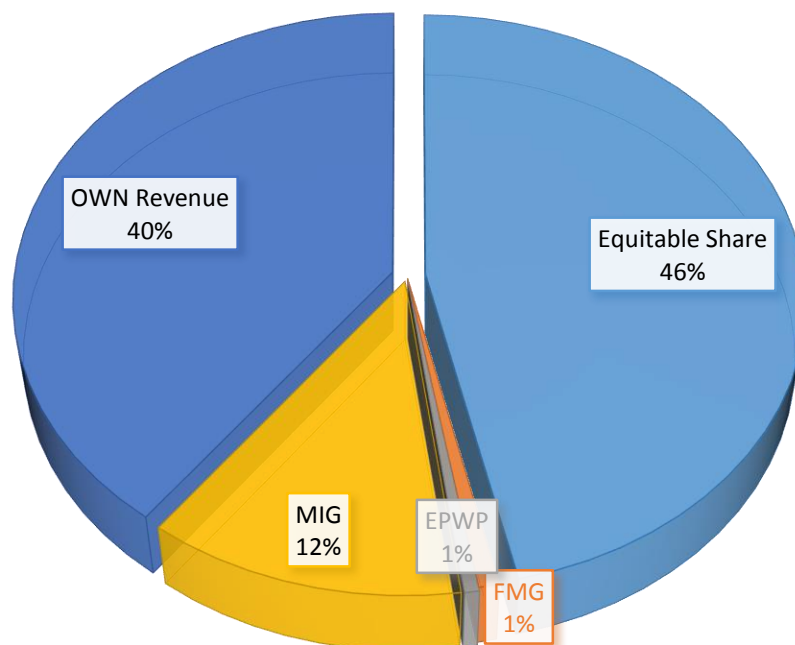
- The adjustment budget was done in terms of MFMA and municipal budget reporting regulation. This budget was done in line with the mid-year budget assessment of the municipality and projections were based on the trend of actual figures for the six month of the financial year.
- Budgets adjustment was prepared in an environment of uncertainty consequently assumptions had be made about internal and external factors that could impact on the budget for the duration of the financial year; Amongst others, following factors were considered:
 - (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 2018/2019 financial year is R278million while the original budget was R282 Million

Adjustment budget has been funded by the following:

FUNDING OF ADJUSTMENT BUDGET 2018/2019



7. Adjustments to expenditure on allocations and grant programmes

- The municipality received R1,8 Million MIG rollover.

8. Adjustments to allocation and grants made by the municipality

The municipality has budgeted an amount of R2 650 000 in the 2018/2019 adjustment budget.

- Community bursary = R650 000
- Staff bursary = R200 000
- Free basic electricity = R1 800 000

9. Adjustments to councilor's allowance and employee benefits

- ✓ Employee related costs have been lessened by 1.8 Million owing to positions that are not filled as yet e.g. Director and manager planning; moreover the decrement was encouraged by noticeable number of officials resigning from the institution.

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

As already mentioned in the executive summary; the capital budget was adjusted upward from R 45 Million to R 46 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