

OFFICE OF THE SPEAKER

18 February 2022

For submission to Council

**SUBMISSION OF THE ADJUSTMENT BUDGET FOR THE MTREF PERIOD
2021/22 TO 2023/24**

Purpose

The Speaker has received the mid year assessment of performance, and decided that an adjustment budget be prepared and submitted to council.

Background

The mid year assessment of Mohokare Local Municipality has been performed and this gave rise to the instruction from the Mayor that an adjustment budget is to be prepared.

The adjustment budget is tabled in the following formats:

Adjustment Budget Schedule

- B Schedule

See Annexure A

Applicable legislation and policies:

MFMA Act 56 of 2003

In terms of section 28 (1) the municipality may revise an approved annual budget through an adjustment budget.

Furthermore in terms of section 28.(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 revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programs already budgeted for.
- c) May, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality; may authorize the utilization of projected savings in one vote towards spending under another vote.
- d) May authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonable have been foreseen at the time to include projected roll overs when the annual budget for the current year was approved by the council.
- e) May correct any errors in the annual budget.

- f) May provide for any other expenditure within a prescribed framework.
- g) An adjustments budget must be in a prescribed form.
- h) Only the mayor may table an adjustments budget in the municipal council; but an adjustments budget in terms of subsection (2) (b) to (g) may only be tabled within any prescribed limitations as to timing or frequency.
- i) When an adjustments budget is tabled, it must be accompanied by:
 - o An explanation how the adjustments budget affects the annual budget; - a motivation of Any material changes to the annual budget;
 - o An explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years;
 - o Any other supporting documentation that may be prescribed.
- j) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.
- k) Section 22(b), 23(3) and 24(3) apply in respect of an adjustments budget and in such application a reference in those sections to an annual budget must be read as a reference to an adjustment budget.

“unauthorised expenditure”, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—

- (a) overspending of the total amount appropriated in the municipality’s approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act;

Mid-year budget and performance assessment

72. (1) The accounting officer of a municipality must by 25 January of each year—

- (a) assess the performance of the municipality during the first half of the financial year, taking into account—
 - (i) the monthly statements referred to in section 71 for the first half of the financial year;
 - (ii) the municipality’s service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
 - (iii) the past year’s annual report, and progress on resolving problems identified in the annual report; and
 - (iv) the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and
- (b) submit a report on such assessment to—
 - (i) the mayor of the municipality;
 - (ii) the National Treasury; and

(iii) the relevant provincial treasury.

Municipal Budget Circulars for the 2021/22 MTREF

This circular provides further guidance to municipalities and municipal entities for the preparation of their 2021/22 Budgets and Medium Term Revenue and Expenditure Framework (MTREF). It must be read together with MFMA Circulars No. 48, 51, 54, 66, 67, 70, 74 and 75.

DISCUSSION – PREPARATION AND OTHER DETAILS:

Executive summary

Description	Current year 2021/22		
	Original Budget	1st Adjustment Budget	Movement
Financial Performance			
Revenue from non-exchange transactions			
Property Rates	9 680 024	9 680 024	-
Fines	35 000 000	12 500 000	- 22 500 000
Government Grants and subsidies received - Operational	80 762 000	80 762 000	-
Revenue from exchange transactions			
Service charges	87 787 251	87 787 251	-
Rental of facilities and equipment	570 000	570 000	-
Interest earned - external investments	450 000	250 000	- 200 000
Interest earned - outstanding debtors	6 500 000	150 000	- 6 350 000
Dividends received	10 000	10 000	-
Other income	12 785 200	12 885 200	100 000
Total Revenue	233 544 474	204 594 474	- 28 950 000
Expenditure			
Employee related costs	87 729 199	85 369 179	- 2 360 020
Remuneration of Councillors	4 893 214	5 469 988	576 773
Depreciation and amortisation	24 888 062	24 888 062	-
Debt impairment	35 016 280	35 016 280	-
Finance Cost	9 123 450	9 123 450	-
Bulk Purchases	28 522 122	32 022 124	3 500 002
Other Materials	7 932 000	11 699 000	3 767 000
Contracted Services	9 608 208	8 109 016	- 1 499 192
General Expenditure	22 880 736	21 250 944	- 1 629 791
Total expenditure	230 593 271	232 948 043	2 354 772
Operational Surplus/ (Deficit)	2 951 203 -	28 353 569 -	31 304 772
Transfers received (Conditional Grant funding) - Capital Projects	78 350 000	78 350 000	-
Surplus/ (Deficit) for the year	81 301 203	49 996 431	- 31 304 772

Expected expenditure

General comments:

All expenditure items were evaluated on a line by line basis and deductions where applicable was discussed with the relevant directorate.

Salaries

The adjusted salary budget is as follows:

Description	Current year			2021/22 Medium Term Revenue & Expenditure Framework	
	Original Budget	Adjusted budget	Movement	Budget year +1 2022/23	Budget year +2 2023/24
Salaries	47 907 672	47 454 522	453 150	49 827 248	52 318 611
Remote Allowance	242 820	214 500	28 320	225 225	236 486
Allowance - Acting	1 465 650	2 033 674	568 024	2 135 358	2 242 126
Annual Bonus	4 291 925	4 291 925	-	4 506 521	4 731 847
Allowance - Telephone	108 539	89 429	19 110	93 900	98 595
Allowance - Standby	996 228	1 015 744	19 516	1 066 531	1 119 858
Housing Subsidy	884 006	764 741	119 265	802 978	843 127
Overtime	5 034 300	4 108 459	925 841	4 313 882	4 529 576
Shift Allowance	2 140 644	2 007 871	132 773	2 108 265	2 213 678
Maintenance Allowance	20 160	19 200	960	20 160	21 168
Long Services Bonus	339 168	471 357	132 189	494 925	519 671
Allowance - Vehicle	5 371 944	4 759 642	612 302	4 997 624	5 247 505
Industrial Council Levy	34 224	34 306	82	36 021	37 822
Skills Development Levy	748 164	748 164	-	785 572	824 851
Ward Allowances	346 500	346 500	-	363 825	382 016
Leave Paid-out	483 725	372 260	111 465	390 873	410 417
Medical Aid Fund	4 991 016	4 963 012	28 004	5 211 163	5 471 721
Pension Fund	9 101 280	9 101 280	-	9 556 344	10 034 161
U/F	589 584	479 876	109 708	503 870	529 063
EPWP - Salaries	977 550	991 000	13 450	1 040 550	1 092 578
PMU - Salaries	1 123 152	1 101 717	21 435	1 156 803	1 214 643
Mayor - Allowance	878 451	749 195	129 256	786 655	825 988
Speaker - Allowance	-	401 838	401 838	421 930	443 026
Chief Whip - Allowance	330 316	310 120	20 196	325 626	341 907
Councillors - Allowance	2 488 466	3 145 569	657 103	3 302 847	3 467 989
Mayor - Telephone Allowance	32 762	34 868	2 106	36 611	38 442
Speaker - Telephone Allowance	-	26 468	26 468	27 791	29 181
Chief Whip - Telephone Allowance	32 762	34 868	2 106	36 611	38 442
Councillors Telephone Allowance	294 941	378 197	83 256	397 107	416 962
Councillors - Travelling Allowance	520 190	157 543	362 647	165 420	173 691
Councillors - SDL	68 904	54 212	14 692	56 923	59 769
Mayor Medical Aid	44 582	25 000	19 582	26 250	27 563
Chief Whip - Medical Aid	44 582	10 000	34 582	10 500	11 025
Councillors - Medical Aid	160 539	123 519	37 020	129 695	136 180
Councillors - UIF	-	18 592	18 592	19 522	20 498
	92 094 746	90 839 167	1 255 579	95 381 125	100 150 181

- The budget for salaries has decreased with 1.36% (R 1 255 579) from the original budgeted amount.
- We believe that this decrease was because on the original budget we had anticipated that salary increase for 2021/22 financial will be around 6% as guided by the MFMA Budget Circular No. 108, but the actual salary increase for 2021/22 was 3.5%. We also shifted funds from segments that do not perform to segments that we used most.
- Main reason for the movements in employee costs can be attributed to the following:
 - o An increase in the budget for salaries and other allowances can be seen from inspecting the table above. This increase relates mainly to the increase in medical aid fund contributions by the relevant medical schemes.
- Provision is made for all employees as at 31 January 2022.
- The budget for remuneration of councilors has increased by 11.79% (R 576 773). This is due to the increased number of wards in the municipality which led to the increased number of councilors.
- The ratio of employee related costs to operating income stands at 44.40%. This ratio is calculated taking into consideration Operating Grants and Electricity sales as allocated to Mohokare Local Municipality through the consolidated budget received from Centlec.
- When the amounts relating to Operating Grants and Electricity sales are excluded the percentage increases to 97.62%.

Bulk Purchases:

The increase in Bulk Purchases was made based on the incorporation of Eskom expenditure with Centlec expenditure.

Other Materials:

The increase in Other Materials was made based on the fact that since the municipality doesn't have enough fleet (Yellow fleet & Bakkies), the municipality hires fleet from third parties for service delivery. There is also a significant increase for procurement of water chemicals.

Operational & Capital Grants with Capital Expenditures

The adjusted grants budget is as follows:

Description	Current year			2021/22 Medium Term Revenue & Expenditure Framework	
	Original Budget	1st Adjustment budget	Movement	Budget year +1 2022/23	Budget year +2 2023/24
Revenue:					
<i>Operational Grants</i>					
NT Grant - Equitable Share	76 781 000	76 781 000	-	81 272 000	80 887 000
NT Grant - FMG	2 850 000	2 850 000	-	3 000 000	3 000 000
NT Grant - EPWP	1 131 000	1 131 000	-	-	-
	80 762 000	80 762 000	-	84 272 000	83 887 000
<i>Capital Grants</i>					
NT Grant - MIG	18 788 000	18 788 000	-	19 991 000	20 710 000
NT Grant - WSIG	31 000 000	31 000 000	-	32 088 000	22 900 000
NT Grant - RBIG	20 000 000	20 000 000	-	-	-
NT Grant - INEP	8 562 000	8 562 000	-	5 500 000	5 500 000
CoGTA Provincial Grant	-	-	-	-	-
	78 350 000	78 350 000	-	57 579 000	49 110 000
Expenditure:					
<i>Capital Grants</i>					
NT Grant - M G	18 788 000	18 788 000	-	19 991 000	20 710 000
NT Grant - WSIG	31 000 000	31 000 000	-	32 088 000	22 900 000
NT Grant - RBIG	20 000 000	20 000 000	-	-	-
NT Grant - INEP	8 562 000	8 562 000	-	5 500 000	5 500 000
CoGTA Provincial Grant	-	-	-	-	-
	69 788 000	69 788 000	-	57 579 000	49 110 000
<i>Capital expenditure (Own funds)</i>					
Desktops and Laptops	250 000	250 000	-	262 500	275 625
Furniture and Office Equipment	522 500	65 000	457 500	68 250	71 663
CCA - IT Equipment	-	472 500	472 500	496 125	520 931
Machinery and Equipment	320 000	320 000	-	336 000	352 800
Yellow Fleet - Cost Acquisition	1 300 000	-	1 300 000	-	-
New Bakkies - Service Delivery	2 100 000	-	2 100 000	-	-
	4 492 500	1 107 500	- 3 385 000	1 162 875	1 221 019

- No changes were made to the Municipality's allocated conditional grants as per the breakdown above.
- Capital expenditure funded by internally generated funds has decreased by 75.35% (R 3 385 000).
- This reduction was based on the fact that the municipality currently doesn't have enough funds to acquire its own fleet. The municipality has opted to budget for lease of fleet instead.

Financial implications

Should Treasury find that the reporting received from Mohokare Local Municipality is not up to standard, they could withhold Equitable Share hampering the service delivery of Mohokare Local Municipality.

Legal implications

Compliance with Section 28 (1) of the Municipality Finance Management Act No, 56 of 2003

Parties consulted

The Municipal Manager
Chief Financial Officer
IDP Manager

Recommendation

1. It is recommended that Council approves the adjustment budget of the municipality for the financial year 2021/22 as well as the two projected outer years 2022/23 and 2023/24.

Submitted by:

R.J. Thuhlo
Speaker

Annexure A

Summary of the Adjustment Budget:

Description	Current year 2021/22				Movement
	Original Budget		Adjustment Budget		
	Breakdown	Total	Breakdown	Total	
Revenue from non-exchange transactions					
Property Rates		9,680,024		9,680,024	
Property rates	11 071 274		11 071 274		
Equitable Share-Indigent Share - Levies	1 391 250		1 391 250		
Rebate - Property Rates					
Fines		35,000,004		12,500,000	22,500,004
Traffic Fines, (0701/8300,0000)	35 000 004		12 500 000		
Government Grants and subsidies received - Operational		80,762,000		80,762,000	
Equitable Share	76 781 000		76 781 000		
FMG Grant	2 850 000		2 850 000		
EPWP Grant	1 131 000		1 131 000		
Government Grants and subsidies received - Capital		78,350,000		78,350,000	
MIG	18 788 000		18 788 000		
INEP	8,562,000		8,562,000		
RBIG	20,000,000		20,000,000		
GoGTA					
WSIG	31,000,000		31,000,000		
Revenue from exchange transactions					
Service charges		87,787,251		87,787,251	
Refuse Removal Levies	6,297,250.77		6,297,250.77		
Equitable Share-Indigent Share - Refuse	1,113,000		1,113,000		
Water Levies	44,081,603.13		44,081,603.13		
Free Basic Services - water	1,590,000		1,590,000		
Sewerage Levies	10,444,504.90		10,444,504.90		
Equitable Share Indigent Share - Sewerage	1,113,000		1,113,000		
Electricity Sales	34,489,891.80		34,489,891.80		
Free Basic Services - electricity	3,710,000		3,710,000		
Rental of facilities and equipment		570,000		570,000	
Rent - Houses	550,000.00		550,000.00		
Vodacom Rental Finance					
Rent - Hall	20,000.00		20,000.00		
Rent - Buildings Council Property					
Interest earned - external investments		450,000		250,000	200,000
Interest - Bank Accounts	450,000		250,000		
Interest earned - outstanding debtors		6,500,000		150,000	6,350,000
Interest on Arrear Debtors	6,500,000		150,000		
Dividends received		10,000		10,000	
Dividends Received Finance	10,000		10,000		
Licences and Permits		200		200	
Permits	200		200		
Other income		12,785,000		12,885,000	100,000
Building Plan & Inspection Fees	5,000		5,000		
Cemetery Fees	78,000		78,000		
Tender Documents	20,000		20,000		
Sewerage Blockages	2,000		2,000		
Rates Certificate	15,000		15,000		
Payroll Commission	185,000		185,000		
Sundry Income			100,000		
Vat Received	11,800,000		12,500,000		

Total Revenue

311,894,478

282,944,474

28,950,004

Expenditure

Employee related costs

87,198,251

85,369,179 1,829,072

Salaries
 Remote Allowance
 Acting Allowance
 Annual Bonus
 Allowance - Telephone
 Allowance - Standby
 Housing Subsidy
 Overtime
 Shift Allowance
 Maintenance Allowance
 Long Services Bonus
 Allowance - Vehicle
 Industrial Council Levy
 Skills Development Levy
 Ward Allowances
 Leave Paid-out
 Medical Aid Fund
 Pension Fund
 PMU Salary related expenditure
 EPWP Salary related expenditure
 UIF

47,907,672	47,454,522
242,820	214,500
1,465,650	2,033,674
4,291,925	4,291,925
108,539	89,429
996,228	1,015,744
884,006	754,741
5,034,300	4,108,459
2,140,644	2,007,871
20,160	19,200
339,168	471,357
5,371,944	4,759,642
34,224	34,306
748,164	748,164
346,500	346,500
483,725	372,260
4,991,016	4,963,012
9,101,280	9,101,280
1,123,152	1,101,717
977,550	991,000
589,584	479,876

Remuneration of Councillors

4,896,495

5,469,988 573,493

Mayor - Allowance
 Speaker - Allowance
 Chief Whip - Allowance
 Councillors - Allowance
 Mayor - Telephone Allowance
 Speaker - Telephone Allowance
 Chief Whip - Telephone Allowance
 Councillors - Telephone Allowance
 Councillors - SDL
 Mayor - Medical Aid
 Chief Whip - Medical Aid
 Councillors - Medical Aid
 Councillors - Travelling allowance
 Councillors - UIF

878,451	749,195
-	401,838
330,316	310,120
2,488,466	3,145,569
32,762	34,868
-	26,468
32,762	34,868
294,941	378,197
68,904	54,212
44,582	25,000
44,582	10,000
160,539	123,519
520,190	157,543
-	18,592

Depreciation and amortisation

24,888,062

24,888,062

24,888,062

24,888,062

Debt impairment

35,016,280

35,016,280

35,016,280

35,016,280

Repairs and maintenance

3,360,000

5,690,000 2,330,000

Maintenance of Buildings and Facilities
 Maintenance of Vehicles - Technical Services
 Yellow Fleet Maintenance - Technical Services
 Maintenance of Vehicles - Community Services
 Yellow Fleet Maintenance - Community Services
 Maintenance of Vehicles - Corporate Services
 Mayoral Car Maintenance
 Road Maintenance
 Maintenance of equipment - Water Distribution
 Maintenance of equipment - Sanitation
 Maintenance of equipment - Electricity
 Maintenance of equipment - Administration
 Plant Hire - Service Delivery and Maintenance

250,000	350,000
700,000	550,000
-	100,000
-	50,000
-	100,000
-	20,000
-	100,000
50,000	150,000
450,000	450,000
450,000	250,000
250,000	300,000
10,000	20,000
1,200,000	3,250,000

Other Materials

4,559,496

6,009,000 1,449,504

Water Chemicals
 Waste Water Chemicals & Commodities
 Materials & Supplies (COV D)
 Consumables
 Water Samples & Instruments

3,000,000	5,000,000
587,496	500,000
100,000	100,000
122,000	150,000
750,000	250,000

Finance Cost

9,128,450

9,128,450

Fines & Penalties	5 400 000	5 400 000		
Interest - HP	123 450	123 450		
Bulk Purchases		28 522 124	32 022 124	3 500 000
Bulk Electricity Purchases - Centlec	28 522 124		30 022 124	
Bulk Electricity - Eskom	-		2 000 000	
Capital expenditure - Grant funded		77 394 650	77 394 650	
MIG	17 832 650		17 832 650	
INEP	8 562 000		8 562 000	
RBIG	31 000 000		31 000 000	
WSIG	20 000 000		20 000 000	
Capital expenditure - Internally generated funding		4 492 500		1 107 500 - 3 385 000
CCA - Furniture and Office Equipment	522 500		65 000	
CCA - IT equipment	-		472 500	
CCA - Desktops/Laptops	250 000		250 000	
CCA - Machinery and equipment	320 000		320 000	
Yellow Fleet - Cost Acquisition	1 300 000		-	
New Bakkies - Service Delivery	2 100 000		-	
Contracted Services		10 055 484		8 109 016 - 1 946 468
Professional Services - Financial System	4 331 120		2 639 016	
Professional Services - VAT	-		500 000	
Professional Services - Valuation Roll	-		250 000	
Professional Services - Debt Collection	-		150 000	
Professional Services - Mailing of Accounts	-		300 000	
Professional Services - Payroll Services	-		200 000	
Professional Services - Traffic Management System	-		450 000	
FMG Projects	3 418 164		2 850 000	
Valuer and Assessor	21 200		-	
SPLUMA	285 000		270 000	
SURVEY GENERAL LEGAL	500 000		500 000	
Professional Services - Dam Safety	1 500 000		-	
General Expenditure		22 973 620		21 250 944 - 1 722 676
Advertisements (Tenders, Staff recruitment, municipal news)	413 510		229 575	
Audit Fees	5 790 465		5 790 465	
Bank Charges	420 000		300 000	
Domestic Accommodation	614 000		498 250	
Accommodation - Non-municipal employees	-		200 000	
Subsistence & Traveling	1 874 348		1 259 129	
Business & Advisory (Audit Committee, Legal Costs)	771 750		360 000	
Car Valet & Washing Services	9 975		5 000	
Signage	11 025		11 025	
Electricity Purchases (Municipal Facilities)	18 900		25 000	
Postage & Courier Services	341 250		35 750	
EPWP Operational Expenditure	210 000		140 000	
Litter Picking & Street Cleaning	55 125		1 200 000	
Cleaning Materials (Municipal Offices)	132 300		100 000	
Security Services	157 500		200 000	
Pest Control & Fumigation	5 250		5 250	
Medical Services	105 000		50 000	
Grading of Sportfields	16 485		15 000	
Fire Protection & Services	32 550		30 250	
Employee Wellness	210 000		200 000	
Youth Development Programmes	47 250		47 250	
Public Participation	63 000		63 000	
Mayoral Programmes	320 500		300 000	
Entertainment (Mayor, Senior Management, Council Meetings)	214 410		210 000	
Licence & Internet fees	1 212 750		500 000	
Antivirus Software	44 100		60 000	
Insurance	1 653 750		800 000	
Disaster Fund	52 500		52 500	
Telephone Charges	2 025 844		1 900 000	
Cleaning & Grass Cutting	17 371		10 500	
Vehicle Licences	157 500		160 000	
Veterinary Services	15 275		5 250	
Uniforms & Protective Clothing	787 500		450 000	
Pupulation - Annual Reports	130 000		60 000	

Printing & Stationery	559,629	450,000
Licences & Rights	68,250	68,250
Training (Councillors & Officials)	551,250	250,000
Illegal Dumping Cleaning Campaign	109,980	35,000
Hiring of bakkies	-	800,000
Fuel & Oil (Mayoral car, Speaker's car, Municipal fleet, Hire)	2,025,844	2,400,000
Deeds Licence	55,125	50,000
Rental Charges (Mayor & Speaker's Vehicles)	68,250	600,000
Transport fee - Plant hire	-	100,000
Professional & Regulatory bodies	66,150	65,000
Performing Arts Licence	22,050	20,000
Operating Lease - Vehicles	-	200,000
Lease of Photocopiers	496,125	450,000
Membership Fee - SALGA	922,488	900,000
Total expenditure	312,480,412	311,450,193 - 1,030,219
Surplus/ (Deficit) for the year	- 585,934	- 28,505,719 - 27,919,785