



Budget Adjustment

MFMA Section 28 Report

2022/2023

Govan Mbeki Municipality

Table Of Contents

1.1	Chapter 1: Overview	2
1.2	Background	2
1.3	Regulation	2
1.4	Financial overview	3
2.	Chapter 2: Section 13: Quality Certification By Accounting Officer	5
3.	Chapter 3: Executive summary	6
3.1	Executive Summary	6
3.2	Operating budget.....	7
3.2.1	Adjustments Budget Financial Performance (revenue per source).....	7
3.2.2	Adjustments Budget Financial Performance (expenditure).....	8

1.1 Chapter 1: Overview

1.2 Background

The 2022/23 MTREF was approved by Council on 31 May 2022 in accordance with Section 24(1) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA) and applicable National treasury finance management reform requirements.

Section 72 of the MFMA stipulates that the Accounting Officer must by 25 January assess the performance of the municipality during the first half of the financial year. Section 72 (3), read with section 54 (1) (f) & section 54 (2) stipulates that as part of the performance assessment of the municipality during the first half of the financial year, the Accounting Officer must make recommendations as to whether an adjustments budget is necessary and recommend revised projections for revenue and expenditure, to the extent that it may be necessary.

The Mid-year budget assessment report considered by Council indicated the necessity for tabling an Adjustments Budget for the 2022/23 financial year for inter alia, the following:

- To adjust the revenue estimates downward/upward owing to a declining/increasing trend in certain operating revenue sources.
- To authorise the utilisation of projected savings in one vote towards spending under another vote.
- To ensure that additional Capital expenditure is included in the budget, and
- To facilitate the inclusion of rolled over/transfer grant funding.

Circular 99 of Municipal Finance Management Act (Act 56 of 2003) states that Adopting a funded budget has become more critical now than before as it has direct bearing on the financial sustainability of the institution. It has been agreed that no municipality will adopt an unfunded budget in the future, and if the budget is unfunded, it must at least have a surplus and positive cashflow. There are cases that may warrant a plan as this may not be achievable over one year. As a result, such municipalities must, together with their 2022/23 MTREF adjustment budget, table updated Financial Recovery Plan and the impact assessment plan detailing how the municipal council will improve from an unfunded to a funded position. This will be essential when the National and provincial treasuries are assessing the budget to determine its credibility.

1.3 Regulation

In terms of Section 28 of the Municipal Finance Management Act (Act 56 of 2003) a municipality may revise an approved annual budget through an adjustment budget. It is important to note that the adjustment budget is not a re-budgeting process, thus fiscal discipline must be adhered to at all times. Only the Mayor may table an adjustment budget in the municipal council and it may only be tabled within prescribed limitations as to timing or frequency. In terms of the Municipal Budget and Reporting Regulations, only one adjustment budget may be tabled in Council during the financial year, after tabling of the mid-year budget and performance assessment, but not later than 28 February.

1.4 Financial overview

The following table summarises the outcome of the 2022/23 Adjustment Budget:

Table 1: Consolidated overview of the 2022/23 Adjustment Budget

Description	Original Budget 2022/23	Adjusted Budget 2022/23	Budget 2023/2024	Budget 2024/2025
Total Operating Revenue	2 828 607 870.00	2 832 961 555.00	3,006,803,830	3,202,686,084
Total Operating Expenditure	2 775 339 700.00	2 735 157 319.00	2,861,631,096	2,979,796,946
Surplus /(Deficit) for year before grants & transfers	53 268 170.00	97 804 236.00	145,172,734	222,889,138
Grants and transfer revenue	96 048 475.00	96 048 475.00	90,649,000	94,942,000
Net surplus/(deficit) after grants and transfers	149 316 645.00	193 852 711.00	235,821,734	317,831,138
Total Capital Expenditure	165 881 875.00	198 260 882.00	158,464,200	163,639,408
Grants roll		23 479 007.00		
Unfunded Capital Expenditure through own funding	19 861 830.00	8 402 218.00		

The council approved the 2022/23 Original operational revenue budget to the amount of R 2 828 billion which has been adjusted to R 2 832 billion

The main purpose of this adjustment budget is therefore to adjust the material under and over budgeted figures as well as to accommodate unspent grant for LG Seta and Sport and Recreation.

The municipality take into account non-satisfactory performance on electricity and water as a result of water losses.

There are various revenue enhancement initiatives underway and/or implemented accordingly to ensure improved Municipal increase its collection rate across all service rendered to the community.

The initiatives include but not limited to:

- Service Level Agreements (SLA) have been concluded with the panel which will enable the municipality to utilise the appointed companies to effectively implement credit control.
 - Meter audit for Large Power Users is in progress.
 - Migration of SG Codes is ongoing.
 - Expedite the installation of meters
 - Disconnection of non-paying business.
 - Consultation with non-paying customers.
 - Increase Municipal tax base by billing of unbilled customers.
 - Effecting contract conditions that were never affected.
 - The process of collecting from the prospective buyer of municipal land that was disposed is underway
- Based on this, it is anticipated that the revenue will gradually increase and unable the municipality to meet its core obligation of service delivery across Govan Mbeki Municipality's jurisdiction

Table 2: Significant Operational Budget Adjustments

Significant Budget Adjustments	Original Budget with Virements	Actual to date	Adjustment	Adjusted Budget	Reason
Contracted Services	280 332 644.00	118 403 638.64	11 962 685.00	292 295 329.00	Legal costs were increased by R19 500 000 due to Nics payments and other legal cost incurred during the year
Inventory Consumed	473 254 076.00	236 926 516.88	9 570 800.00	478 524 876.00	Different section's stores segment are already overspent in the current year
Operational Cost	108 444 758.00	41 681 306.31	- 613 009.00	107 831 749.00	Decrease was made to fund the increase adjustment in inventory consumed
Transfers and Subsidies	27 882 768.00	- 7 565.89	- 146 315.00	27 736 453.00	Sport and recreation grant expenditure was original budget as R600 000 instead of R 453 685
TOTAL	889 914 246.00	397 003 895.94	20 774 161.00	906 388 407.00	

2. Chapter 2: Section 13: Quality Certification By Accounting Officer

QUALITY CERTIFICATE

I, **EN Maseko**, the Municipal Manager of **Govan Mbeki Municipality**, hereby certify that: -



The Adjusted Budget

Supporting documentation for the **Adjustment Budget** have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name: M Moloto

Chief Financial Officer of Govan Mbeki Municipality (MP307)

Signature:

Date:

Print Name: EN Maseko

Municipal Manager of Govan Mbeki Municipality (MP307)

Signature:

Date:

3. Chapter 3: Executive summary

3.1 Executive Summary

The Adjustment Budget was prepared in terms of the guidelines contained in Section 28(2) of the MFMA and furthermore ensures that the Municipality continues delivery on its core mandate and identified priorities and principles, achieve its developmental goals and entails prioritising all available resources towards essential services and contractual financial commitments.

In general, the aim with the compilation of the **2022/23 Adjustment Budget** is to align the expenditure to the revenue and ensure that the budget is funded. The Head of Departments need to apply belt tightening measures by reprioritising and down scaling of non-core functions to uphold service delivery towards core functions on a sustainable level. Furthermore, measures in place are the funds management tool, which assists in budgeted allocations not being exceeded and savings to be affected as far as possible.

The under mentioned principles gave guidance to the compilation of the **2022/23 Adjustment Budget**:

- A. The Budget must be funded in terms of the funding compliance procedure set out in MFMA Circular 108.
- B. Affordability within the context of sustainability must be considered and maintained.
- C. No additional funding capacity is available on the budget therefore no additional funding requests will be accommodated during the Adjustment Budget process Funding will only be considered subject to:
 - a. Additional revenue
 - b. A projected under collection in revenue that will result in a request to decrease the relevant revenue, must be accompanied by a corresponding decrease in expenditure.
 - c. Savings identified in other programmes and projects.
 - d. Grants to be received from an external source.
 - e. Submissions which relate to external funding sources must be accompanied by proof of confirmation from the relevant transferring authority.
 - f. Appropriation of funding form National/Provincial departments should be accompanied by acceptable documentation as per Municipal Budget and Reporting Regulations (MBRR).
- D. Filling of vacancies should be processed within current allocation.
- E. Overtime to be managed within the available resources and departments are encouraged to adopt a shift system to manage overtime expenditure.
- F. Repairs and Maintenance plans to be developed to ensure that service delivery is not compromised.
- G. Departments need to concentrate on core functions, proactively review and reprioritize their budget and identify savings that can be affected during the Adjustment Budget process to assist with the Municipality's financial position.
- H. No savings on grant funding will be accommodated, as all grant allocations must be spent according to the terms and conditions of the grant.
- I. Departments are encouraged to spent on the allocated grant funding, in case of unspent grants at year end rollover applications should be done and supported.

3.2 Operating budget

3.2.1 Adjustments Budget Financial Performance (revenue per source)

The following table reflects the approved 2022/23 MTREF, the proposed 2022/23 Adjustment Budget (revenue by source) and the subsequent outer years:

Classification	Original Budget 2022/23	Actual to date	Adjustment	Adjusted Budget 2022/23	Budget 2023/2024	Budget 2024/2025
Exchange Revenue	1 947 868 429.00	739 185 908.09		2 020 591 456.00	2 051 166 386.00	2 183 554 022.00
Interest; Dividend and Rent on Land	208 223 162.00	93 773 705.16		208 220 122.00	216 963 064.00	225 641 587.00
Operational Revenue	11 057 279.00	409 082.40		11 076 970.00	11 811 570.00	12 284 033.00
Rental from Fixed Assets	5 158 332.00	3 530 128.78		5 288 332.00	5 364 666.00	5 579 252.00
Sales of Goods and Rendering of Services	4 864 785.00	3 089 285.03		5 135 785.00	4 461 863.00	4 640 338.00
Service Charges	1 718 564 871.00	638 383 706.72		1 790 870 247.00	1 834 203 322.00	1 957 912 435.00
Non-exchange Revenue	-966 787 914.00	485 356 746.80	4 353 685.00	971 151 599.00	933 999 345.00	996 628 438.00
Fines; Penalties and Forfeits	37 803 158.00	713 102.90		37 813 158.00	39 320 693.00	40 893 520.00
Interest; Dividend and Rent on Land	20 596 044.00	8 820 581.36		20 596 044.00	21 419 886.00	22 276 681.00
Property Rates	403 088 237.00	193 393 687.90		403 088 237.00	419 211 766.00	435 980 237.00
Transfers and Subsidies	505 300 475.00	282 429 374.64	4 353 685.00	509 654 160.00	444 047 000.00	487 478 000.00
Gains and Losses	10 000 000.00			10 000 000.00	10 000 000.00	10 000 000.00
Disposal of Fixed and Intangible Assets	10 000 000.00			10 000 000.00	10 000 000.00	10 000 000.00
TOTAL	2 924 656 343.00	1 224 542 654.89	4 353 685.00	2 929 010 128.00	2 985 165 731.00	3 180 182 460.00

The above table/ indicates total revenue (including capital transfers and contributions) of R 2 924 billion for the 2022/23 financial year adjusted to R 2 929 billion. The adjustment is mainly for the approved rollover MIG and INEP grants, no adjustment in other revenue streams have been effected.

3.2.2 Adjustments Budget Financial Performance (expenditure)

The following table reflects the approved 2022/23 MTREF, the proposed 2022/23 Adjustment Budget

Classification	Original Budget with Virements	Actual to date	Adjustment	Adjusted Budget
Bulk Purchases	639 492 592.00	389 105 406.51		639 492 592.00
Contracted Services	280 332 644.00	118 403 638.64	11 962 685.00	292 295 329.00
Depreciation and Amortisation	196 589 490.00	78 164 420.15		196 589 490.00
Employee Related Cost	665 215 667.00	296 115 232.24		665 215 667.00
Interest; Dividends and Rent on Land	133 798 180.00	102 618 817.46		133 798 180.00
Inventory Consumed	473 254 076.00	236 926 516.88	9 570 800.00	478 524 876.00
Impairment Loss	210 273 197.00			210 273 197.00
Operating Leases	7 936 160.00	2 368 825.03		7 936 160.00
Operational Cost	108 444 758.00	41 681 306.31	- 613 009.00	107 831 749.00
Remuneration of Councillors	32 120 097.00	13 102 401.58		32 120 097.00
Transfers and Subsidies	27 882 768.00	- 7 565.89	- 146 315.00	27 736 453.00
TOTAL	2 775 339 629.00	1 278 478 998.91	20 774 161.00	2 735 157 319.00

3.3 Capital Budget

An amount of R189 million has been allocated for the capital investment program for 2022/2023 financial year, the capital budget is adjusted to R 198 million. Included in the R198 million total capital is R111 million to be funded from capital grants and R86 million to be funded from own funding.

The following table provides a summary of the municipality's 2022/23 capital budget per source

Source of funding	Original Budget	Rollover	Adjustments	Adjusted Budget
Integrated National Electrification Grant	15 000 000.00	7 200 000.00	-	22 200 000.00
Municipal Infrastructure Grants	62 635 400.00	16 279 007.00	-	78 914 407.00
Revenue	73 130 000.00		15 399 983.00	86 529 983.00
FMG- Capital			170 000.00	
SASOL	15 116 475.00		-4 669 983.00	10 446 492.00
Total	165 881 875.00	23 479 007.00	10 900 000.00	198 090 882.00

Description	Funding	Budget 2022-2023 (Including Rollover)	Available as at 31 Dec 2022	ADJUSTMENT	BUDGET AFTER ADJUSTMENT
Construction of Bulk Water and Reticulation at Charl Cilliers	Municipal Infrastructure Grant	19 300 000	5 016 383.40	- 1 000 000.00	18 300 000.00
88/11 KVA Emzisoni Substation Capacity increase	Integrated National Electrification Programme Grant	17 581 884	6 608 866.81		17 581 884.00
Embalenhle Substation (Sasol)	SASOL	15 116 475	15 116 475.00	- 4 669 983.00	10 446 492.00
Installation of Sewer Reticulation; Pump Station and Rising	Municipal Infrastructure Grant	15 000 000	9 791 494.07	- 3 000 000.00	12 000 000.00
Embalenhle bulk water supply	Municipal Infrastructure Grant	14 799 823	7 851 057.38	7 000 000.00	21 799 823.00
Kinross bulk water supply	Municipal Infrastructure Grant	13 034 599	12 303 796.37	- 3 000 000.00	10 034 599.00
Equipment of eMbalenhle sewer pump station ext 22 and 25	Municipal Infrastructure Grant	8 520 531	7 330 406.17		8 520 531.00
Fire engine	Revenue	6 000 000	5 452 134.93		6 000 000.00
Compacter Truck	Revenue	6 000 000	6 000 000.00	-	6 000 000.00
Construction Of WWTW in Charl Cilliers: MIP/MP1756/S/18/21	Municipal Infrastructure Grant	5 397 682	5 397 682.00		5 397 682.00
Jet Patcher Truck	Revenue	5 000 000	5 000 000.00	- 100 000.00	4 900 000.00
Insurance Assets	Revenue	5 000 000	1 526 338.11	- 300 000.00	4 700 000.00
Road rehabilitation	Revenue	5 000 000	5 000 000.00	- 5 000 000.00	-
Replace AC Pipes	Revenue	5 000 000	5 000 000.00		5 000 000.00
Upgrading of ring substation 3 to Ext 22	Integrated National Electrification Programme Grant	4 618 116	3 211 951.69		4 618 116.00
Refurbishment of Sjongile Ndamase	Revenue	3 000 000	3 000 000.00	- 1 200 000.00	1 800 000.00
Grader	Revenue	3 000 000	3 000 000.00	700 000.00	3 700 000.00
Fencing of pump station	Revenue	2 500 000	2 500 000.00		2 500 000.00
Testing Equipmnet	Revenue	4 000 000	2 000 000.00		2 000 000.00
Upgrading of Embalenhle sewer pump stations and bulk sewer(WSIG)	Revenue	2 000 000	2 000 000.00	14 000 000.00	16 000 000.00
Secunda Reservoirs	Revenue	2 000 000	2 000 000.00	- 2 000 000.00	-
Computer Equipment: Acquisitions	Revenue	2 000 000	762 351.93		2 000 000.00
Purchase of Laptops and computers	Revenue	2 000 000	2 000 000.00		2 000 000.00
Public participation truck	Revenue	2 000 000	2 000 000.00		2 000 000.00
Fencing Halls	Revenue	1 700 000	1 700 000.00		1 700 000.00
Refurb and upgrading Emzisoni WWTW and pumpstation	Municipal Infrastructure Grant	1 650 910	640 223.81		1 650 910.00
Upgrading of shelving system	Revenue	1 500 000	1 500 000.00	- 1 500 000.00	-
Reconstruction of Embalenhle Technical Yard and Workshop	Revenue	1 500 000	1 493 560.00		1 500 000.00

Replacement and installation of gate valve	Revenue	1 500 000	1 500 000.00	- 500 000.00	1 000 000.00
Trichardt Waste Water Treatment Works	Municipal Infrastructure Grant	1 210 862	1 210 862.00		1 210 862.00
7 Seater Mlnibus	Revenue	1 200 000	1 200 000.00		1 200 000.00
LDV Bakkies with Canopy and Towbar	Revenue	1 200 000	231 368.80		1 200 000.00
Fencing of resevoir	Revenue	1 000 000	1 000 000.00	- 500 000.00	500 000.00
Installation of concrete structure in pump station	Revenue	1 000 000	697 833.91		1 000 000.00
Raising of sewer manhole	Revenue	1 000 000	1 000 000.00		1 000 000.00
2 Bakkies CS	Revenue	1 000 000	1 000 000.00	-	1 000 000.00
Bakkie with canopy and towbar	Revenue	1 000 000	1 000 000.00	-	1 000 000.00
Compressor	Revenue	800 000	800 000.00	- 500 000.00	300 000.00
Bakkies(Road & Storm Water)	Revenue	750 000	750 000.00	2 300 000.00	3 050 000.00
Bakkies 4X4	Revenue	600 000	600 000.00	-	600 000.00
Double Cab Bakkies(water & Sanitation)	Revenue	500 000	500 000.00	2 500 000.00	3 000 000.00
Super Cab Bakkies	Revenue	440 000	440 000.00	- 100 000.00	340 000.00
LDV Bakkies	Revenue	400 000	400 000.00		400 000.00
Database management software	Revenue	300 000	300 000.00		300 000.00
Trailer	Revenue	300 000	300 000.00	- 300 000.00	-
Furniture and Office Equipment (Technical)	Revenue	150 000	118 950.00		150 000.00
Furniture and Office Equipment (MM's Office)	Revenue	150 000	-21 511.00	99 983.00	249 983.00
Furniture and Office Equipment (Finance)	Revenue	150 000	-179 030.47	400 000.00	550 000.00
Furniture and Office Equipment (Planning)	Revenue	150 000	150 000.00		150 000.00
Furniture and Office Equipment (Community)	Revenue	150 000	150 000.00		150 000.00
Furniture and Equipment (Corporate Services)	Revenue	150 000	65 683.09		150 000.00
Card Printing Machine	Revenue	40 000	40 000.00		40 000.00
Time Management System	Revenue			1 500 000.00	1 500 000.00
Machinery & Equipment (Parks and	Revenue			600 000.00	600 000.00
Furniture & Equipment (Marketing)	Revenue			100 000.00	100 000.00
Furniture & Equipment (Mayor & Council)	Revenue			200 000.00	200 000.00
Embalenhle Bracken Substation	Revenue			5 000 000.00	5 000 000.00
Finance Interns Laptops	FMG			170 000.00	170 000.00
					-
Total capital budget		189 360 882.00	138 456 878.00	10 900 000.00	198 260 882.00