



Budget Adjustment

MFMA Section 28 Report

2023/2024

Govan Mbeki Municipality

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1.1 Chapter 1: Overview

1.2 Background

The 2023/24 MTREF was approved by Council on 31 May 2023 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 2023/24 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 2023/24 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 2023/24 Adjustment Budget:

Description	Original Budget 2023/24	Adjusted Budget 2023/24	Budget 2024/2025	Budget 2025/2026
Total Operating Revenue	3 087 553 478.71	3 071 841 848.00	3 383 477 453.51	3 706 299 630.06
Total Operating Expenditure	3 019 754 703.48	3 140 956 880.00	3 315 321 427.29	3 612 800 277.29
Surplus /(Deficit) for year before grants & transfers	67 798 775.23	-69 115 032.00	68 156 026.22	93 499 352.77
Grants and transfer revenue	108 056 550.00	146 335 955.00	94 924 000.00	99 181 000.00
Net surplus/(deficit) after grants and transfers	175 855 325.23	77 220 923.00	163 080 026.22	192 680 352.77
Total Capital Expenditure	172 676 550.00	217 092 505.00	132 041 140.00	133 250 679.73
Net surplus/(deficit)	3 178 775.23	-139 871 582.00	31 038 886.22	59 429 673.04

Table 1: Consolidated overview of the 2023/24 Adjustment Budget

The council approved the 2023/24 Original operational revenue budget to the amount of R 3 087 billion which has been adjusted to R 3 072 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 grants from 2022/23 financial year and allocation from national treasury per Government Gazette 50318.

The municipality consider non-satisfactory performance on electricity and water because 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	306 178 322.00	160 903 813.20	47 074 324.00	352 591 646.00	Contracted service increase is mainly by 15million for the management, operation and maintenance of electricity distribution network at Bethal and eMzinoni , 15 million electricity DC System and 4 million for sewer service and 12 million Debt Collection project
Inventory Consumed	508 021 359.00	325 012 144.10	56 204 790.00	564 226 149.00	Under Inventory Consumed, material and supplies were increased for Energy Section for electricity meters to be installed for revenue enhancement.
Operating Leases	8 309 161.00	5 524 430.21	3 560 000.00	11 869 161.00	Leases are increased to cater for hiring of yellow fleet by civil and engineering section
Operational Cost	130 734 106.00	64 908 874.97	7 024 422.00	137 758 528.00	Operational cost is increased to cater for municipal operation cost that were under budgeted for
Transfers and Subsidies	28 460 647.00	22 132 157.12	8 000 000.00	36 460 647.00	Transfers and subsidies are increased to cater for indigent consumers approved by the council
TOTAL	973 394 434.00	572 956 989.39	121 863 536.00	1 102 906 131	

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: AMB Mavimbela

Acting 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 **2023/24 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 **2023/24 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 2023/24 MTREF, the proposed 2023/24 Adjustment Budget (revenue by source) and the subsequent outer years:

Description	Total Budget	Total Actual	Remaining Budget	Budget Inputs	Budget After Adjustment
Exchange Revenue	-	-	-		-
Interest; Dividend and Rent on Land	-219 258 989.00	-146 070 018.78	-73 188 970.22		-219 258 989.00
Licences or Permits	-	-	-		
Operational Revenue	-11 643 315.00	-419 003.27	-11 224 311.73		-11 643 315.00
Rental from Fixed Assets	-5 431 723.00	-4 045 768.00	-1 385 955.00		-5 431 723.00
Sales of Goods and Rendering of Services	-5 122 616.00	-3 869 143.36	-1 253 472.64		-5 122 616.00
Service Charges	-1 900 536 556.00	-736 188 392.24	-1 164 348 163.76		-1 900 536 556.00
Exchange Revenue Total	-2 141 993 199.00	-890 592 325.65	-1 251 400 873.35		-2 141 993 199.00
Non-exchange Revenue					0
Fines; Penalties and Forfeits	-39 806 725.00	-2 049 883.00	-37 756 842.00	20 000 000.00	-19 806 725.00
Interest	-21 687 634.00	-12 794 002.16	-8 893 631.84		-21 687 634.00
Property Rates	-	-	-		
Property Rates by Usage	-424 451 913.00	-223 451 050.83	-201 000 862.17		-424 451 913.00
Transfers and Subsidies	-568 604 000.00	-413 837 014.29	-154 766 985.71	-39 134 332	-607 738 332
Non-exchange Revenue Total	-1 054 550 272.00	-652 131 950.28	-402 418 321.72	-19 134 332	-1 073 684 604
Gain & Loss on sale of Asset	-2 500 000.00				-2 500 000.00
					0
Total	-3 199 043 471.00	-1 542 724 275.93	-1 653 819 195.07	-19 134 332	-3 218 177 803

The above table/ indicates total revenue (including capital transfers and contributions) of R 3 199 billion for the 2023/24 financial year adjusted to R 3 218 billion.

3.2.2 Adjustments Budget Financial Performance (expenditure)

The following table reflects the approved 2023/24 MTREF, the proposed 2023/24 Adjustment Budget

Classification	Total Budget	Total Actual	Remaining	Budget Inputs	Budget After Adjustment
Bulk Purchases	757 734 772.00	632 702 537.50	125 032 234.50		757 734 772.00
Contracted Services	306 178 322.00	160 903 813.20	145 274 508.80	46 413 324.00	352 591 646.00
Depreciation and Amortisation	205 829 193.00	74 321 689.67	131 507 503.33		205 829 193.00
Employee Related Cost	680 419 579.00	370 418 231.07	310 001 347.93		680 419 579.00
Interest; Dividends and Rent on Land	140 086 694.00	230 829 585.58	-90 742 891.58		140 086 694.00
Inventory Consumed	508 021 359.00	325 012 144.10	183 009 214.90	56 204 790.00	564 226 149.00
Irrecoverable Debts Written Off	-	-	-		0
Operating Leases	8 309 161.00	5 524 430.21	2 784 730.79	3 560 000.00	11 869 161.00
Operational Cost	130 734 106.00	64 908 874.97	65 825 231.03	7 024 422.00	137 758 528.00
Remuneration of Councillors	33 822 464.00	22 968 355.92	10 854 108.08		33 822 464.00
Transfers and Subsidies	28 460 647.00	22 132 157.12	6 328 489.88	8 000 000.00	36 460 647.00
Debt impairment	220 158 047.00				220 158 047.00
Total	3 019 754 344.00	1 909 721 819.34	889 874 477.66	121 863 536.00	3 140 956 880.00

3.3 Capital Budget

- An amount of R172.6 million was budget for the capital investment program for 2023/2024 financial year, the capital budget is adjusted to R 217 million. Included in the R181.2 million total capital is R142.9 million to be funded from capital grants and R74.1million to be funded from own funding.

The following table provides a summary of the municipality's 2023/24 capital budget per source

Source of funding	Original Budget	Special Adjustment	Rollover	Adjustments	Adjusted Budget
Integrated National Electrification Programme Grant	42 650 000.00	-2 570 000.00	0.00	1 000 000.00	41 080 000.00
Municipal Infrastructure Grant	65 406 550.00	-4 604 000.00	0.00	20 000 000.00	80 802 550.00
Disaster Recovery Grant	0.00	0.00	0.00	7 875 000.00	7 875 000.00
Water Service Infrastructure Grant	0.00	0.00	3 047 401.00	-	3 047 401.00
Provincial Treasury Grant	0.00	10 020 000.00	0.00	-	10 020 000.00
Sasol	0.00	0.00	77 554.38	-	77 554.38
Own Funding	66 320 000.00	0.00	0.00	7 870 000.00	74 190 000.00
Total	174 376 550.00	2 846 000.00	3 124 955.38	36 745 000.00	217 092 505.38

Description	Funding	Total Budget 202302024	Year To Date Expenditure	Budget Input	Budget After Adjustment
Emzinoni Substation Phase 3	INEP	32 430 000.00	31 465 198.29	8 650 000.00	41 080 000.00
Embalenhle Ext 22 Phase 2	INEP	7 650 000.00	-	- 7 650 000.00	-
Embalenhle Bulk replacement/upgrade (phase 1)	MIG	26 993 550.00	36 239 881.69	14 737 417.74	41 730 967.74
Upgrade of existing asbestos cement gravity main pipe in Kinross	MIG	13 000 000.00	9 188 074.73	-	13 000 000.00
Completion of Charl Cilliers WWTW	MIG	7 000 000.00	5 276 675.90	-	7 000 000.00
Equipment of eMbalenhle Sewer Pump Station Ext22 and Ext25	MIG	5 000 000.00	5 273 524.02	273 524.02	5 273 524.02
Construction of Bulk water line and reservoir in Leandra	MIG	3 000 000.00	3 104 486.41	5 848 274.00	8 848 274.00
Installation of sewer network, pump line and pump station in Eendracht	MIG	3 500 000.00	3 649 784.24	149 784.24	3 649 784.24
Emzinoni Bulk water supply	MIG	1 300 000.00	337 500.00	-	1 300 000.00
Charl Cilliers Bulk Water line and elevated steel tank	MIG	1 000 000.00	-	- 1 000 000.00	-
Reticulation:Upgrading of Embalenhle sewer pump stations and bulk sewer lines	WSIG	3 047 401.00	1 075 023.11	-	3 047 401.00
Electricity Meters: Grant	Provincial Treasury	6 000 000.00	2 961 071.15	-	6 000 000.00
Water Meters: Grant	Provincial Treasury	4 020 000.00	-	-	4 020 000.00
Embalenhle Substation (Sasol)	Sasol	-	-	77 554.38	77 554.38
Construction of stormwater concrete pipeline EXT22 Emba	DRG	-	-	5 675 000.00	5 675 000.00
Rehabilitation of Storm water Trichardt	DRG	-	-	2 200 000.00	2 200 000.00
Shelves System	Revenue	100 000.00	-	-	100 000.00
Furniture & Equipment (MM's Office)	Revenue	150 000.00	131 732.50	100 000.00	250 000.00
Furniture & Equipment (Mayor's Office)	Revenue	150 000.00	230 230.00	250 000.00	400 000.00
Furniture & Equipment (Financial Services)	Revenue	150 000.00	132 053.01	-	150 000.00
Furniture & Equipment (Community Services)	Revenue	150 000.00	-	-	150 000.00
Furniture & Equipment (Technical Services)	Revenue	150 000.00	143 980.00	-	150 000.00
Furniture & Equipment (Planning and Development)	Revenue	150 000.00	-	-	150 000.00
Furniture & Equipment (Corporate Services)	Revenue	250 000.00	150 405.74	-	250 000.00
Speed Cameras	Revenue	500 000.00	8 011.87	-	500 000.00
Upgrading of Emzinoni Stadium	Revenue	500 000.00	-	- 500 000.00	-
Jaws of life	Revenue	750 000.00	-	- 150 000.00	600 000.00
Computer Equipment: Acquisitions	Revenue	1 000 000.00	1 132 015.50	-	1 000 000.00
Marketing Equipment (camera)	Revenue	1 000 000.00	33 005.00	- 300 000.00	700 000.00
3x Falcon slashers/15 x Brush cutters/2 x JD 1445 Ride on mowers	Revenue	1 020 000.00	132 696.45	700 000.00	1 720 000.00

Munsoft Hardware Upgrade	Revenue	1 100 000.00	264 040.00	-	1 100 000.00
Upgrading of Leandra Stadium	Revenue	3 000 000.00	-	- 1 700 000.00	1 300 000.00
Fencing of Facilities	Revenue	1 700 000.00	833 865.00	-	1 700 000.00
Security CCTV	Revenue	2 000 000.00	-	- 1 000 000.00	1 000 000.00
Transport Assets:New Fleet (Fleet)	Revenue	2 500 000.00	1 983 688.20	-	2 500 000.00
Public Lighting	Revenue	3 000 000.00	-	-	3 000 000.00
New Electricity Connection	Revenue	3 000 000.00	-	-	3 000 000.00
Embalenhle Bulk replacement/upgrade (phase 1)	Revenue	4 604 000.00	4 604 000.00	7 991 000.00	12 595 000.00
Replacement of AC pipe at Evander	Revenue	5 000 000.00	1 750 348.07	- 4 500 000.00	500 000.00
Backup Generators for pump stations and WWTW.	Revenue	5 000 000.00	59 060.26	- 3 600 000.00	1 400 000.00
Fire engine	Revenue	6 000 000.00	-	- 6 000 000.00	-
Compactor Trucks 0Waste	Revenue	6 000 000.00	-	- 6 000 000.00	-
Rehabilitation of Embalenhle Roads (Chief Albert Luthuli)	Revenue	7 000 000.00	-	- 2 000 000.00	5 000 000.00
Resealing of roads	Revenue	10 396 000.00	-	4 604 000.00	15 000 000.00
Construction of Bulk water line and reservoir in Leandra	Revenue	-	-	5 500 000.00	5 500 000.00
Truck Mounted Grabber	Revenue	-	-	1 100 000.00	1 100 000.00
Chery Picker	Revenue	-	-	2 000 000.00	2 000 000.00
Mobile Toilets	Revenue	-	-	25 000.00	25 000.00
Generators	Revenue	-	-	100 000.00	100 000.00
Generators	Revenue	-	-	100 000.00	100 000.00
Skid Units	Revenue	-	-	200 000.00	200 000.00
Bakkie with Canopy(Disaster)	Revenue	-	-	400 000.00	400 000.00
Time management system	Revenue	-	-	100 000.00	100 000.00
IPMS	Revenue	-	-	150 000.00	150 000.00
Bakkies(Town Planning)	Revenue	-	-	1 000 000.00	1 000 000.00
Fencing of Embalenhle WWTW	Revenue	-	-	8 000 000.00	8 000 000.00
Mobile offices	Revenue	-	-	200 000.00	200 000.00
Water cart infrastructure resources	Revenue	-	-	1 100 000.00	1 100 000.00
Total		180 260 951.00	110 160 351.14	36 831 554.38	217 092 505.38