



**MOPANI DISTRICT  
MUNICIPALITY**

# **SCHEDULE B**

**SPECIAL ADJUSTMENT BUDGET AND  
SUPPORTING DOCUMENTATION  
MOPANI DISTRICT MUNICIPALITY**

ADJUSTMENT BUDGET OF

# MOPANI DISTRICT MUNICIPALITY

2023/2024

## MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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Vision

To be a food basket of Southern Africa and a tourism destination of choice

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CFO	Chief Financial Officer	Implementation Plan
MM	Municipal Manager	SMME Small Micro and Medium Enterprises
CRRF	Capital Replacement Reserve Fund	
DBSA	Development Bank of South Africa	
DoRA	Division of Revenue Act	FBS
	Free basic services	
GDP	Gross domestic product	
GRAP	General Recognised Accounting Practice	
IDP	Integrated Development Plan	
IT	Information Technology	
kℓ	kilolitre	
km	kilometre	
KPA	Key Performance Area	
KPI	Key Performance Indicator	
kWh	kilowatt	
ℓ	litre	
LED	Local Economic Development	
MMC	Member of Mayoral Committee	
MFMA	Municipal Financial Management Act	
MIG	Municipal Infrastructure Grant	
MSA	Municipal Systems Act	
MTEF	Medium-term Expenditure Framework	
MTREF	Medium-term Revenue and Expenditure Framework	
NKPIs	National Key Performance Indicators	
OP	Operational Plan	
PMS	Performance Management System	
PPE	Property Plant and Equipment	
SALGA	South African Local Government Association	
SDBIP	Service Delivery Budget	



## Part 1 – Adjustment Budget

### 1.1 Council Resolutions

#### ADJUSTMENT BUDGET FOR 2023/2024; 2024/2025 & 2025/2026

#### PURPOSE

To present to Council the Adjustment Budget for 2023/24; 2024/25 & 2025/26 before Council for adoption.

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#### EXECUTIVE SUMMARY

The purpose of this submission is to request Council to approve the 2023/24 Adjustment Budget. It is also to highlight the adjustment budget, which was prepared according to Municipal Finance Management Act (MFMA) and Municipal budget and reporting regulation (MBRR).

#### KEY ADJUSTMENTS TO THE ORIGINAL ESTIMATES FOR 2023/24

##### 1) Revenue

The total revenue of the municipality has increased by **R 11 513 000** from **R 2 305 billion** to **R 2 316 billion** due to the following reasons:

- Extended Public Works Programme (EPWP) grant\_ National Treasury has issued gazette to reduce the EPWP grant for municipalities and our budget was reduced by **R487 000**
- The Vat recovery to increase by **R12 million**

##### 2) Total Operating Expenditure

In terms of the total operating expenditure, the municipality effected increased adjustment from the budget of **R1 685 billion** to **R1 693 billion**, the total increased by **R8.5 million**.



### **3) Total Capital Expenditure**

The total capital Expenditure has increased by **R32 Million** from **R 548 million** to **R580 million** due to the increase in the internally funded project namely, PABX Telephone of **R10 million**, Upgrading of servers of **R7 million**, Water fleet **R10 million** and purchase of laptops **R5 million**

### **4) Employee related costs**

There was an increase on employees' related costs by **R63.5 million**. The budget increased from **R485.4 million** to **R 549 million**.

The Council remuneration has increased from **R12 million** to **R20 million**

### **5) Depreciation and Debt impairment**

Depreciation was adjusted down to **R293 million** from **R450 million**, this is in line with the audited closing balance of **R232 million** in the AFS.

The debt impairment remains unadjusted at **R63 million**

The debt impairment item of expenditure cannot be reduced or adjusted as the final calculated figures are done at the year-end.

### **6) Other material/Repairs and Maintenance**

Repairs and maintenance reflects a final adjusted figure of **R106 million** from **R74 million**. A total upward adjustment of **R32 million**.

### **7) Contracted services**

Contracted Services has been increased from **R114.5 million** to **R185.4 million**.

It has been increased by **R70 million** on this item.

### **8) Bulk Purchases/Inventory Consumed**

Inventory Consumed is reduced by **R2 million** from **R409 million** to **R407 million**.

## 9) General Expenditure

General expenditure was increased from **R106 million** to **R166 million** by **R59 million**.

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## ANNEXURE

Budget Adjustment 2023/24  
B-Schedule 2023/24

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## POLICY

- Local Government Municipal Finance Management Act, Act No. 56 of 2003;
  - Local Government Municipal Systems Act, Act no 32 of 2000;
  - MFMA Section 28(2)(b) and MBRR Section 23(3)
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- 

Section 28 of the MFMA on Municipal adjustments budgets state:-

1. A municipality may revise an approved annual budget through adjustments budget.
2. An adjustments budget-
  - 2.1 must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
  - 2.2 may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
  - 2.3 may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
  - 2.4 may authorise the utilisation of projected savings in one vote towards spending under another vote;

- 2.5 May authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected rollovers when the council approved the annual budget for the current year;
- 2.6 May correct any errors in the annual budget; and
- 2.7 may provide for any other expenditure within a prescribed framework.

3. An adjustments budget must be in a prescribed form.

- 4. 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.
- 5. When an adjustments budget is tabled, it must be accompanied by- (a) an explanation how the adjustments budget affects the annual budget;
- 6. a motivation of any material changes to the annual budget;
- 7. an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and
- 8. any other supporting documentation that may be prescribed.
- 9. Municipal tax and tariffs may not be increased during a financial year.

[Subs. (6) substituted by s. 13 of Act 12/2007]

Sections 22(b), 23(3) and 24(3) apply in respect of adjustments budget, and in such application, a reference in those sections to an annual budget must be read as a reference to an adjustments budget.

## **RECOMMENDATIONS**

That Council takes note of the Adjustment Budget for 2023/24; 2024/25 and 2025/26.

That Council approves the Adjustment Budget as follows:

**2.1. REVENUE**

Description			<b>2023/24 Medium Term Revenue &amp; Expenditure Framework</b>		
Description	Final Budget Year 2023/24	Total Adjusted	Final Adjustment Budget 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Interest on Current Account	79 281 161		79 281 161	80 045 030	84 847 731
interest on Call Account					
Equitable Shares	1 265 409 000		1 265 409 000	1 358 542 000	1 450 360 000
EPWP	8 713 000	(487 000)	8 226 000		
Financial Management Grant	3 000 000		3 000 000	3 000 000	3 138 000
Municipal Infrastructure Grant	548 214 000		548 214 000	574 556 000	602 013 000
Rural Roads Asset Management Grant	2 370 000		2 370 000	2 476 000	2 587 000
Water Services Infrastructure Grant				61 360 000	64 109 000
Tender Documents	3 000 000		3 000 000	469 800	490 941
Insurance Claims					
Skills Levy-LGSETA	600 000		600 000	-	-
EHS charges	300 000		300 000	214 020	223 651
VAT Recovery	<b>80 000 000</b>	12 000 000	92 000 000	85 000 000	90 000 000
Fire Services Charges	200 000		200 000	1 100 376	1 149 893
Commission on Debit Orders-PayDay					

Mopani District Municipality 2023/2024 Adjustment Budget and MTREF

Commission on Debt Collection					
<b>Sub Total</b>	<b>1 991 087 161</b>		<b>2 002 600 161</b>	<b>2 044 043 226</b>	<b>2 170 701 216</b>
Service charges local municipalities	314 090 989		314 090 989	332 936 452	352 912 639
<b>Grand Total</b>	<b>2 305 178 150</b>	<b>11 513 000</b>	<b>2 316 691 150</b>	<b>2 376 979 678</b>	<b>2 523 613 855</b>

## 2.2. OPERATING EXPENDITURE

Description			2023/24 Medium Term Revenue & Expenditure Framework		
Description	Final Budget Year 2023/24	Total Adjusted	Final Adjustment Budget 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Employee related cost	485 474 583	<b>63 566 914</b>	549 041 497	509 748 312.15	535 235 727.76
Finance Charges	54 828 060	<b>(26 850 000)</b>	27 978 060	57 569 463	60 447 936.15
Contracted Services	114 558 553	<b>70 924 300</b>	185 482 853	120 286 480.65	126 300 804.68
Debt impairment	63 713 798	<b>0</b>	63 713 798	66 899 487.90	70 244 462.30
Depreciation	450 000 000	<b>(156 651 817)</b>	293 348 183	472 500 000	496 125 000
Inventory	409 897 675	<b>(2 350 100)</b>	407 547 575	430 392 558.75	451 912 186.69
Operational	106 695 696	<b>59 952 131</b>	166 647 827	112 030 480.80	117 632 004.84
<b>Total</b>	<b>1 685 168 365</b>	<b>8 591 428</b>	<b>1 693 759 793</b>	<b>1 769 426 783.25</b>	<b>1 857 898 122.41</b>

- That Council take note of the adjusted capital expenditure by **R32 million** from **R548 214 000** to **R580 214 000** for the 2023/24; **R574 556 000** for 2024/25 and **R602 013 000** for 2025/26.
- That Council takes note of surpluses of **R 308 840 368** for 2023/24; **R 274 616 443** for 2024/25 and **R312 803 094** for 2025/26 excluding revenue from service charges;
- That Council deliberates on the Special Adjustment budget as detailed prepared in line with Section

28(2)(b) and MBRR Section 23(3);

6. That Council approves the Adjustment budget for 2023/24, 2024/25 and

2025/26 as detailed above;

7. That the SDBIP be amended subsequent to the approval of the special adjustment budget;

8. The Accounting Officer Submit the approved Special Adjustment budget to the

National and Provincial Treasuries.

9. That, within ten (10) working days after the approval of the budget, the Directorate Budget and Treasury in accordance with section 21A of the Municipal Systems Act makes public the approved Adjustment budget and supporting documentation.

## 1.2 Executive Summary

In terms of section 28(1) of the MFMA, a municipality may revise an approved budget through an adjustments budget. This submission is to highlight the budget information to comply with the MFMA.

The municipal council has approved budget for implementation of programmes and other logistics for the 2023/24 financial year. An analysis done on the expenditure trends throughout the first 6 months of the financial year and there was a need to adjust.

The total revenue of the municipality has increased by **R 11 513 000** from **R 2 305 billion** to **R 2 316 billion** due to the following reasons:

- Extended Public Works Programme (EPWP) grant\_ National Treasury has issued gazette to reduce the EPWP grant for municipalities and our budget was reduced by **R487 000**
- The Vat recovery to increase by **R12 million**

**The impact of the adjustment budget on the approved annual budget is as follows:**

The total operational and capital budget has been increased by **R11.5 million** from **R2.305 billion** to **R2.316 billion**.

### 1.2.1 Adjustment objectives

The adjustment budget seeks to modify the 2023-24 budget to cater for the over-expenditure incurred at mid-year by moving the funds within the votes and also to cater for the unforeseen circumstances

### 1.2.2 Adjustment process

Budget and Treasury together with management considered the following when preparing the budget adjustment:

- a) The revenue that will be earned and collected by the municipality;
- b) Any changes to the Division of Revenue Act that will impact on the municipality;
- c) Significant or capital items in the budget;

This adjustment budget was also prepared in line with section 28 (2) which allows the municipality to pass an adjustment budget based on the following criteria: -

- may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
- may authorise the utilisation of projected savings in one vote towards spending under another vote;
- may correct any errors in the annual budget; and
- may provide for any other expenditure within a prescribed framework.

Measurable performance objectives due to the impact of this budget adjustment to the budget, the measurable performance objectives on capital should be amended subsequent to the approval of the adjustment budget.

### **1.2.3. Revenue**

The total revenue of the municipality has increased by **R 11 513 000** from **R 2 305 billion** to **R 2 316 billion** due to the following reasons:

- Extended Public Works Programme (EPWP) grant\_ National Treasury has issued gazette to reduce the EPWP grant for municipalities and our budget was reduced by **R487 000**
- The Vat recovery to increase by **R12 million**

Although Local Municipalities are not transferring the revenue received on water and sanitation services, no adjustments will be made, as the municipality will still be required to report on the transactions as a Water Service Authority. However, it should be noted that no expenditure from the district has been budgeted from the revenue on water and sanitation transaction.

### **1.2.4 Overall Expenditure**

The municipality effected an upward adjustment on the overall expenditure from **R1.685 billion** to **R1.693 billion**, with the net effect of **R8.5 million**



### 1.2.5 Operating Revenue

The municipality derives its revenue mainly from grants and subsidies. Other sources of revenue are interest earned; tender documents and service charges from water, sanitation, fire and environmental health services,

The following table is a summary of the 2023/2024 MTREF (classified by main revenue source):

**Table 1 Summary of revenue classified by main revenue source**

Description	2023/24 Medium Term Revenue & Expenditure Framework				
	Budget Year 2023/24	Total Adjusted	Final Adjustment Budget 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b><u>Revenue By Source</u></b>					
Service charges - water revenue	287 942 575	0	287 942 575	302 339 703	317 456 688
Service charges - sanitation revenue	37 810 659	0	37 810 659	39 701 191	41 686 252
Interest earned - external investments	4 000 000	0	4 000 000	5 000 000	6 000 000
Interest earned - outstanding debtors	79 281 161	0	79 281 161	83 245 219	87 407 480
Transfers and subsidies	1 277 722 000	0	1 277 722 000	1 358 542 000	1 450 360 000
Other revenue(including vat recovery)	0	0	92 000 000	92 400 000	97 020 000
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1 686 756 395</b>		<b>1 778 756 395</b>	<b>1 881 228 113</b>	<b>1 999 930 420</b>

**Table 2a-The table below illustrate the breakdown of the services charges of Water and Sewage per local municipality**

Description			2023/24 Medium Term Revenue & Expenditure Framework		
Municipality	Budget Year 2023/24	Total Adjusted	Final Adjustment Budget 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Ba-Phalaborwa-Water	206 045 505	-	206 045 505	216 347 780.25	216 862 894.01
Ba-Phalaborwa-Sewerage	38 277 603	-	38 277 603	40 191 483.15	40 287 177.16
Greater Giyani-Water	14 524 034	-	14 524 034	15 250 235.70	15 286 545.79
Greater Giyani-Sewerage	26 974	-	26 974	28 322.70	28 390.14
Greater Letaba – Water	8 136 168	-	8 136 168	8 542 976.40	8 563 316.82
Greater Letaba – Sewerage	-	-	-	-	-
Greater Tzaneen – Water	55 168 860	-	55 168 860	57 927 303	58 065 225.15
Greater Tzaneen – Sewerage	-	-	-	-	-
Maruleng – Water and Sewer	4 738 875	-	4 738 875	4 975 818.75	4 987 665.94
<b>Total</b>	<b>326 918 019</b>	<b>-</b>	<b>326 918 019</b>	<b>343 263 919.95</b>	<b>344 081 215</b>

Included in the R1 778 billion is an amount of R79.2 million for Interest on outstanding debtors.

Table 2b- Interest on outstanding debtors per municipality

Municipality	Budget 2023/24	Adjusted Budget 2023/24	+ Budget 2024/25	+ Budget 2025/26
Ba-Phalaborwa-Water	46 188 513	-	48 497 938.65	50 922 835.58
Ba-Phalaborwa-Sewerage	7 717 124	-	8 102 980.20	8 508 129.21
Greater Giyani- Water	10 246 778	-	10 759 116.90	11 297 072.75
Greater Giyani-Sewerage	318 085	-	333 989.25	350 688.71
Greater Letaba – Water	4 026 472	-	4 227 795.60	4 439 185.38
Greater Letaba – Sewerage	1 089 398	-	1 143 867.90	1 201 061.30
Greater Tzaneen – Water	7 320 740	-	7 686 777	8 071 115.85
Greater Tzaneen – Sewerage	2 344 281	-	2 461 495.05	2 584 569.80
Maruleng – Water & Sewerage	29 770	-	31 258.50	32 821.43
<b>TOTAL</b>	<b>79 281 161.00</b>	<b>-</b>	<b>83 245 219.05</b>	<b>87 407 480.00</b>

### 1.3 Operating Expenditure Framework

The Municipality's expenditure framework for the 2023/2024 budget and MTREF is informed by the following:

- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;

The following table is a high-level summary of the 2023/2024 budget and MTREF (classified per main type of operating expenditure):

Description			2023/24 Medium Term Revenue & Expenditure Framework		
Description	Final Budget Year 2023/24	Total Adjusted	Final Adjustment Budget 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Employee related cost	485 474 583	<b>63 566 914</b>	549 041 497	509 748 312.15	535 235 727.76
Finance Charges	54 828 060	<b>(26 850 000)</b>	27 978 060	57 569 463	60 447 936.15
Contracted Services	114 558 553	<b>70 924 300</b>	185 482 853	120 286 480.65	126 300 804.68
Debt impairment	63 713 798	<b>0</b>	63 713 798	66 899 487.90	70 244 462.30
Depreciation	450 000 000	<b>(156 651 817)</b>	293 348 183	472 500 000	496 125 000
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Operational	106 695 696	<b>59 952 131</b>	166 647 827	112 030 480.80	117 632 004.84
<b>Total</b>	<b>1 685 168 365</b>	<b>8 591 428</b>	<b>1 693 759 793</b>	<b>1 769 426 783.25</b>	<b>1 857 898 122.41</b>



## 1.4 Capital Expenditure

Capital expenditure has been adjusted upward from **R548 million** to **R580 million**. This is attributed to a decrease on MIG allocation from the national treasury, as outlined in the new gazette.

Capital budget or infrastructure consist of the following projects as per table

**Table 3 infrastructure Projects**

PROJECTS	ADJ BUDGET 2024
	-
PMU 5%	R 12 463 560.54
Hoedspruit Bulk Water Supply	R 4 000 000.00
Thapane Regional Water Scheme (Upgrading of Water Reticulation and Extensions)	R 1 000 000.00
Thapane Regional Water Scheme ; Upgrading & Extension	R 2 000 000.00
Thapane Regional Water Scheme ; Upgrading & Extension	R 2 000 000.00
Rural Household Sanitation (Greater Tzaneen LM)	R 2 000 000.00
Rural Household Sanitation (Greater Giyani LM)	R 2 000 000.00
Rural Household Sanitation (Greater Letaba LM)	R 2 000 000.00
Rural Household Sanitation (Ba-Phalaborwa LM)	R 2 000 000.00
Kampersus Bulk Water Scheme & Scotia Water Reticulation	
Lulekani Water Scheme(Benfarm)	R 74 353 434.20
Ritavhi 2 Water Scheme (Sub-Scheme 1)	R 70 000 000.00
Thabina Regional Water Scheme ( The Resizing & Replacment of Bulk Water Pipeline from Thabina to Lenyenye	R 48 694 565.80
Sekgosese Water Scheme	R 90 000 000.00
Makushane Water Scheme	R 85 273 439.46
Lephephane Bulk Water	R 70 000 000.00
Tours Water Reticulation	R 80 500 000.00
<b>TOTAL</b>	<b>R 548 285 000.00</b>

## **1.5 Annual Budget Tables – Mopani District Municipality**

Ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2023/24 budget and MTREF as adopted by the Council.

### **1.5.1. Explanatory notes to MBRR Table B1 - Budget Summary**

1. Table B1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts 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.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget.

### **1.5.2. Explanatory notes to MBRR Table B2 - Budgeted 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.

The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table B4.

Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is not the case for Water and Sanitation. This situation is due to distribution losses, debt impairment, salaries, and allowances of personnel operating in rural areas where there is no billing. The tariffs for local municipalities are also not cost reflective. The revenue generated is less than the expenditure.

### **1.5.3 Explanatory notes to MBRR Table B3 - Budgeted 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.

This means it is possible to present the operating surplus or deficit of a vote.

### **1.5.4 Explanatory notes to table B4-Budget Financial Performance (Revenue and Expenditure)**

Total revenue excluding capital transfers is **R1.766 million** in 2023/2024. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. The main component of the total revenue is grant and subsidies amounting to **R1.276 billion**; Service charges for water & sanitation amount to **R326 million**

The total operating expenditure is projected to be **R1.693 billion** in 2023/24. The finance charges constitute of interest paid and bank charges.



The following are the operational expenditure items:

- a. Employee related cost and Councillors remuneration
- b. Contracted Services
- c. Depreciation and Debt Impairment
- d. Finance Charges
- e. Bulk purchases
- f. Repairs and Maintenance
- g. Other Expenditure

#### **1.5.5 Explanatory notes to Table B5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

Table B5 is 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.

The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2023/2024 **R580 million** has been allocated.

#### **1.5.6 Explanatory notes to Table B6 - Budgeted Financial Position**

Table B6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version, which presents Assets less Liabilities as "accounting" Community Wealth. The order

of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

Table SB2 provides a detailed analysis of the major components of budgeted financial position items, including:

- Property, plant and equipment;
- Trade and other payables;
- Changes in net assets; and

The following are the strategies of the municipality in light of the presented financial position as well as revenue and expenditure above:

- Engage creditors such as Lepelle Northern Water and Department of Water Affairs on better repayment terms, that will simultaneously allow the municipality to expedite the settlement of its debts
- Take over the water and sanitation function from the local municipalities with the aim of enhance cash flow position and hence financial position.
- To strictly apply the cost containment measures with the aim of reducing expenditure thereby improving financial performance.

#### **1.5.7. Explanatory notes to Table B7 – Budgeted Cash Flow Statement**

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 per the projected budgeted cash flow statement, the Cash and cash equivalents as at 30 June 2024 closes at a favourable balance.

#### **1.5.8 Explanatory notes to Table B8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.

In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

The outcome of this exercise would be either a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

#### **1.5.9 Explanatory notes to Table B9 - Asset Management**

Table B9 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. An amount of R553.9 million will be spend on new assets in the 2023/2024 financial year while an amount of R 46.8 million will be spend on renewal of existing assets.

#### **1.5.10 Explanatory notes to Table B10 - Basic Service Delivery Measurement**

Table B10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

## **Part 2 – Supporting Documentation**

### **2.1 Adjustment Budget Process Overview**

Budget and Treasury together with management considered the following when preparing the budget adjustment:

- a) The revenue that will be earned and collected by the municipality;
- b) Any changes to the Division of Revenue Act that will impact on the municipality;
- c) Significant or capital items in the budget;
- d) Re-prioritization of capital spending

The application of sound financial management principles for the compilation of adjustment budget is essential and critical to ensure that the municipality remains viable and that the municipal services are provided sustainably, economically and equitably to all communities.

### **2.2 Overview of alignment of annual budget with IDP**

The Budget and the IDP are aligned. Amendments on the IDP were considered at the time of preparing this report.

### **2.3 Measurable performance objectives and indicators**

For the measurable performance and indicators, the Service Delivery and Budget Implementation plan will be adjusted as per the approved adjustment budget.

### **2.4 Overview of budget related policies**

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies and all policies are reviewed. The budget policies as previously adopted by Council still applies.

### **2.5. Overview of adjustment budget assumptions**

#### **2.5.1. Collection rate for revenue services**

- The debt impairment as indicated in the budget seeks to indicate that more efforts need to be put in the collection process.
- Revenue from local municipalities is never transferred to the district

- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity.
- The Municipality's tariff policy provide a broad framework within which council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The revenue tariff has been revised from those of the previous financial years to reflect increases in inflation and cost of providing water and sanitation. The municipality has ensured that the tariffs are economic yet affordable by consumers. The tariffs for water and sanitation were set in consultation with the local municipalities

### **2.5.2. Salaries**

The Salaries and Wages item has been increased to **R549 million** from **R485 Million**

**Councillor Remuneration** – Councillors' remuneration has increased to **R20 million**.

### **2.5.3. Ability of the municipality to spend and deliver on the programmes**

It is estimated that a spending rate of at least 99 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2023/2024 MTREF of which performance has been factored into the cash flow budget.

### **2.6. Overview budget funding**

Tables B2; B3, B4; B5; B6 and their respective narrative above, provide detailed information and narratives regarding the overview budget funding.

In the overall, the municipality is not fiscally sustainable based on the following:

- Significant historic obligations in the form of legal obligations,
- Lepelle Northern Water debt,
- Department of Water and Sanitation Debt as well as
- Debts owed to local municipalities through the SLAs on water and sanitation provisioning.
- Lack of cash collections from consumers

- Growing payroll book with no corresponding funding.

## 2.7. Expenditure on grants and reconciliation of unspent funds

**Table 5. Conditional Grant Performance**

The table below depicts the grants that the municipality will be received as per the DORA bill. The municipality is grant dependant. It is 99% dependent on grant in all the 2023/24 MTREF

	EQUITABLE SHARES	MIG	FMG	EXP PUBLIC WORKS	RURAL ROADS ASSETS MANAGEMENT GRANT	WSIG SCHEDULE 6B& 7	VDM REPAYMENT	VAT REFUND	TOTAL
<b>BUDGET</b>	1 265 409 000.00	548 214 000.00	3 000 000.00	8 713 000.00	2 370 000.00				<b>1 827 706 000.00</b>
<b>% RECEIVED</b>	73%	72%	100%	70%	70%				
<b>GRANT INCOME</b>	<b>922 792 000.00</b>	<b>394 765 000.00</b>	<b>3 000 000.00</b>	<b>6 099 000.00</b>	<b>1 659 000.00</b>	<b>300 466 159.91</b>	<b>7 733 333.34</b>	<b>125 983 334.32</b>	<b>1 762 497 827.57</b>
Jul-23	500 989 000.00	32 897 000.00				25 460 109.92			559 346 109.92
Aug-23	-	-	3 000 000.00	2 178 000.00	1 659 000.00	36 770 099.76			43 607 099.76
Sep-23	-	208 348 000.00				42 003 567.29			250 351 567.29
Oct-23						45 518 324.16		7 473 065.86	52 991 390.02
Nov-23				3 921 000.00		40 983 325.64	3 866 666.67	84 898 715.83	133 669 708.14
Dec-23	421 803 000.00	153 520 000.00				79 621 985.26		9 852 123.04	664 797 108.30
Jan-24						30 108 747.88	3 866 666.67	23 759 429.59	57 734 844.14
Feb-24									-
Mar-24									-
Apr-24									-
May-24									-
Jun-24									-
<b>TOTAL</b>	<b>922 792 000.00</b>	<b>394 765 000.00</b>	<b>3 000 000.00</b>	<b>6 099 000.00</b>	<b>1 659 000.00</b>	<b>300 466 159.91</b>	<b>7 733 333.34</b>	<b>125 983 334.32</b>	<b>1 762 497 827.57</b>

## 2.8. Councillors and employee's benefits

The total salaries and Wages for the municipality including Councillors allowance for the 2023/24 financial year is **R549 million**.

## 2.9. Monthly targets for revenue, expenditure and cash flow

The total Cash Receipts by source of the municipality is mainly derive from the grant. The total grants received in the 2023/24 financial year is amounting to **R1.628 billion**.

## 2.10. Contract having future budgetary implications

No contracts are awarded beyond the medium-term revenue and expenditure framework (three years).

## **2.11. Capital expenditure details**

The total capital Expenditure has increased by a net effect of **R32 million** from **R 548 million** to **R580 million** due to the increase in the internally funded project namely, PABX Telephone of **R10 million**, Upgrading of servers of **R7 million**, Water fleet **R10 million**, and purchase of laptops **R5 million**

The municipality has reprioritized projects that will assist with immediate water supply to communities. Improved water supply in communities will assist in ensuring compliance to precautionary measures and ultimately reducing the risks of communities contracting the disease.

These reprioritized projects will assist with immediate water supply to communities.

## **2.12. Legislation compliance status**

Below is an overview of the compliance status with the key legislations affecting the municipality:

### **Municipal Finance Management Act**

The municipality is still having a room to improve on reporting requirement to the Provincial and National Treasury and complying with the legislation.

### **Municipal Systems Act**

The municipality is compliance in this regard

### **Municipal Structures Act**

The municipality is compliance in this regard

### **Treasury Regulations**

The municipality is still having a room to improve in terms of compliance with treasury regulations.

- Municipal investment Regulations  
The municipality is complying with the regulation
- Municipal Public –Private Partnership Regulations  
The municipality does not enter into Public-Private Partnership agreements
- Municipal Supply Chain Management Regulations  
The municipality does not fully comply with the regulations
- Municipal Regulations on Debt Disclosure
- Municipal Regulations on Minimum Competency Level
  
- Asset Transfer Regulations The municipality has transferred land fill side to Maruleng Municipality

- Municipal Budget and Reporting regulations  
The municipality is using the correct format for the preparation of the Original budget and the adjustment budget. We also use the correct schedule when the monthly reports are submitted to Treasuries.

mSCOA

The municipality to date is compliant with mSCOA requirements and set time frames. **MSCOA - Summary - Upload and Segment Validation**

Green = correct (Phase 2), Yellow = Segment errors (Phase 2), Orange = Submitted with Error (Phase 1), Red = Outstanding, Blank = N/A
ADJB and PRAD: Not required to submit ADJB and PRAD if no adjustments are done, if ADJB submitted but not PRAD then PRAD shows as outstanding

Mun	2022	2023	2024											
	RAUD	PAUD	AUDA	ORGB	PROR	ADJB	PRAD	M01	M02	M03	M04	M05	M06	MCUM
DC33														

Municipality	2024			
	CR	DB	IM	BM
DC33	CR01	DB01	IMQ1	BMQ1
	CR02	DB02		
	CR03	DB03	IMQ2	BMQ2
	CR04	DB04		
	CR05	DB05		
	CR06	DB06		

GRAP

The municipality is still having a room to improve on compliance with GRAP reporting requirements. The municipality has developed the action plan and is currently ensuring that findings emanating from the 2022/23 Audit Report are resolved.



Basic Conditions of Employment Act

The municipality is complying with BCEA.

### **2.13. Other supporting documents**

See attached copy of the Adjustment Budget for the following supporting tables

- MBRR SB 1 – Supporting detail to budgeted financial performance
- MBRR SB 2 – Matrix financial Performance budget (revenue source/expenditure type and department)
- MBRR SB 3 – Supporting detail to statement of financial position

### **2.14. Municipal manager's quality certificate**

I **Tshepo Jack Mogano**, Municipal Manager of Mopani District Municipality (DC 33), hereby certify that the adjustment budget and supporting documentation 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 documentation are consistent with the Integrated Development Plan of the municipality.

**Tshepo Jack Mogano**

**Municipal Manager of Mopani District Municipality (DC 33)**

**Signature:**

**Date: 28 February 2024**