

NGWATHE LOCAL MUNICIPALITY



MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK

DRAFT ADJUSTMENT BUDGET 2024/25

Copies of this document can be viewed:

- **In the foyers of all municipal buildings**
- **All public libraries within the municipality**
 - **At www.ngwathe.fs.gov.za**



MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK

DRAFT ADJUSTMENT BUDGET 2024/25

Background

The mid-year budget and performance assessment outcome tabled in Council on the 30 January 2025, recommended for review of both approved budget and service delivery and budget implementation plan (SDBIP) for the period 2024/25.

In compliance to the above recommendation, the draft proposed adjustment budget for the period 2024/25 is hereby presented before the Finance Committee for inputs and further deliberations.

Legislative Requirement

In terms of Section 28 of the Municipal Finance Management Act No. 56 of 2003 – S28(1) Municipality may revise an approved budget through budget adjustment,

Section 28(2) prescribe that-

- a) Municipality must adjust revenue and expenditure estimate downwards, if, there is a 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;
- d) may authorise the utilisation of projected savings in one vote towards spending under another vote;
- e) 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 roll-overs when the annual budget for the current year was approved by the council;
- f) may correct any errors in the annual budget; and
- g) may provide for any other expenditure within a prescribed framework.

Part 1: Operating Revenue B4 Financial Performance

FS203 Ngwathe - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - February 2025

Description	Ref	Budget Year 2024/25									Budget Year +1 2025/26	Budget Year +2 2026/27
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		3	4	5	6	7	8	9	10			
R thousands	1	A	A1	B	C	D	E	F	G	H		
Revenue By Source												
Exchange Revenue												
Service charges - Electricity	2	280,426	-	-	-	-	-	-	-	280,426	293,326	306,819
Service charges - Water	2	79,574	-	-	-	-	-	-	-	79,574	83,234	87,063
Service charges - Waste Water Management	2	62,922	-	-	-	-	-	-	-	62,922	65,817	68,844
Service charges - Waste Management	2	44,973	-	-	-	-	-	-	-	44,973	47,042	49,205
Sale of Goods and Rendering of Services		2,385	-	-	-	-	-	-	-	2,385	2,495	2,610
Agency services												
Interest												
Interest earned from Receivables		96,500	-	-	-	-	-	10,411	10,411	106,910	100,939	105,582
Interest earned from Current and Non Current Assets		6,514	-	-	-	-	-	343	343	6,857	6,814	7,127
Dividends		-	-	-	-	-	-	-	-	-	-	-
Rent on Land												
Rental from Fixed Assets		366	-	-	-	-	-	-	-	366	383	401
Licence and permits												
Operational Revenue		58,642	-	-	-	-	-	-	-	58,642	59,478	62,214
Non-Exchange Revenue												
Property rates	2	126,597	-	-	-	-	-	-	-	126,597	132,421	138,512
Surcharges and Taxes												
Fines, penalties and forfeits		294	-	-	-	-	-	74	74	368	308	322
Licences or permits												
Transfer and subsidies - Operational		285,168	-	-	-	-	269	-	269	285,437	294,078	301,967
Interest		-	-	-	-	-	-	-	-	-	-	-
Fuel Levy												
Operational Revenue		-	-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		-	-	-	-	-	-	-	-	-	-	-
Other Gains		-	-	-	-	-	-	-	-	-	-	-
Discontinued Operations												
Total Revenue (excluding capital transfers and contributions)		1,044,363	-	-	-	-	269	10,828	11,097	1,055,460	1,086,334	1,130,667

1. REVENUE ANALYTICAL REVIEW

The services charges revenue projections have been reviewed in line with the billing against the collection rate. The review is also in line with MFMA Section 18(2)(a) and (b) Revenue projection in the budget must be realistic taking into account-projected revenue for current year for current year based on collection level to date, and the actual revenue collected in the previous financial years.

1.1. Grants and subsidies

The DORA explanatory summary of Bill and prior notice of its introduction published in Government Gazette No. 51428 of 24 October 2024).

1.2. Operating revenue

The revenue collection rate is between an average of 50% - 52% against the billing. Lower revenue collection rate is mainly influenced by the use of billing estimates as opposed to actual readings. The main reason for the use of billing estimates is under staffing of meter readers. As an interim measure EPWP employees have been assisting with taking actual meter readings. Implementation of budget funding plan was not at the desired level and also contributed to a lower collection rate for the period under review.

In the second part of the financial year, the revenue department will be capacitated for stringent implementation of the credit control policy. The budget funding plan will be rigorously implemented to improve the cash flow situation.

Part 2: Operating Expenditure B4 Financial Performance

FS203 Ngwathe - Table B4 Adjustments Budget Financial Performance (Expenditure) - February 2025

Description	Budget Year 2024/25									Budget Year +1 2025/26	Budget Year +2 2026/27
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		3	4	5	6	7	8	9	10		
R thousands	A	A1	B	C	D	E	F	G	H		
<u>Expenditure By Type</u>											
Employee related costs	293,009	–	–	–	–	–	32,727	32,727	325,736	306,625	320,561
Remuneration of councillors	18,394	–	–	–	–	–	935	935	19,329	19,240	20,112
Bulk purchases - electricity	316,816	–	–	–	–	–	27,577	27,577	344,393	331,389	346,633
Inventory consumed	89,955	–	–	–	–	–	13,618	13,618	103,573	92,401	96,514
Debt impairment	165,269	–	–	–	–	–	–	–	165,269	172,872	180,824
Depreciation and amortisation	54,382	–	–	–	–	–	(2,875)	(2,875)	51,507	56,883	59,500
Interest	34,824	–	–	–	–	–	34,824	34,824	69,648	36,426	38,101
Contracted services	26,708	–	–	–	–	–	21,786	21,786	48,494	27,936	29,221
Transfers and subsidies	180	–	–	–	–	–	–	–	180	180	180
Irrecoverable debts written off	–	–	–	–	–	–	–	–	–	–	–
Operational costs	99,209	–	–	–	–	–	26,560	26,560	125,769	103,772	108,546
Losses on disposal of Assets	–	–	–	–	–	–	–	–	–	–	–
Other Losses	–	–	–	–	–	–	–	–	–	–	–
Total Expenditure	1,098,745	–	–	–	–	–	155,152	155,152	1,253,897	1,147,724	1,200,192

2. EXPENDITURE ANALYTICAL REVIEW

2.1 Employee cost

The employee related cost mid-year results expenditure was at 50% which is the expected spending pattern, but the analysis per line items in the remuneration budget, line items such as the over-time, other benefits have been overspent, hence an addition of R32.7 million was added due to current performance, new appointment of Managers, Directors and 1.5 increment with effect from 1st of March 2025

2.2 Inventory

This type of expenditure is upwards adjusted to the net amount of R103.6 million due to overspending incurred.

2.3 Depreciation

The deduction was based on the audited figures

2.4 Finance charges

The finance has been adjusted as the provision was made to finance the interest on over-due account (Eskom debt).

2.5 Contracted Services

The upwards adjustment on contracted services of R22 million is due overspending of Security Services and Legal Cost incurred as of date, outsourced.

2.6 Other Expenditure

Other materials, which includes budget line item such as fuel, insurance and rental of Yellow Fleet has been increased by a net amount of R125 million, the mid-term report outcome indicated an overspending on the line items and inclusive of R1.5 million for LED, amount of R1.5 million for Fencing of land field as per audit findings and R1 million for communication office.

Part 3: Capital Expenditure

3.1 Grants analysis

The mid-term report outcome indicated an underspending on the line item on Conditional grant. There is no adjustment on the Conditional Capital grants based on the DORA explanatory summary of Bill and prior notice of its introduction published in Government Gazette No. 51428 of 24 October 2024). The internal Capital Expenditure has increased by R6.3 million due to Re-establishment of Traffic and accusation of Yellow fleet.

FS203 Ngwathe - Supporting Table SB5 Adjustments Budget – Capital Expenditure

FS203 Ngwathe - Table B5 Adjustments Capital Expenditure Budget by vote and funding - February 2025													
Description	Ref	Budget Year 2024/25									Budget Year +1 2025/26	Budget Year +2 2026/27	
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget	
			5	6	7	8	9	10	11	12			
R thousands		A	A1	B	C	D	E	F	G	H			
Capital Expenditure - Functional													
Governance and administration		-	-	-	-	-	-	2,000	-	2,000	-	-	
Executive and council		-	-	-	-	-	-	-	-	-	-	-	
Finance and administration		-	-	-	-	-	-	2,000	-	2,000	-	-	
Internal audit									-	-			
Community and public safety		9,000	-	-	-	-	-	4,385	1,885	13,385	2,500	-	
Community and social services		9,000	-	-	-	-	-	2,585	85	11,585	2,500	-	
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-	
Public safety		-	-	-	-	-	-	1,800	1,800	1,800	-	-	
Housing		-	-	-	-	-	-	-	-	-	-	-	
Health									-	-			
Economic and environmental services		27,391	-	-	-	-	-	(11,141)	(11,141)	16,249	3,084	2,483	
Planning and development		-	-	-	-	-	-	-	-	-			
Road transport		27,391	-	-	-	-	-	(11,141)	(11,141)	16,249	3,084	2,483	
Environmental protection									-	-			
Trading services		102,863	-	-	-	-	-	11,056	11,056	113,919	211,209	348,835	
Energy sources		15,585	-	-	-	-	-	-	-	15,585	17,000	20,000	
Water management		81,876	-	-	-	-	-	(499)	(499)	81,378	182,103	314,738	
Waste water management		5,402	-	-	-	-	-	11,554	11,554	16,956	12,105	14,097	
Waste management		-	-	-	-	-	-	-	-	-	-	-	
Other									-	-			
Total Capital Expenditure - Functional	3	139,254	-	-	-	-	-	6,300	1,800	145,554	216,793	351,319	
Funded by:													
National Government		132,554	-	-	-	-	-	-	-	132,554	216,793	351,319	
Provincial Government									-	-			
District Municipality									-	-			
Transfers and subsidies - capital (monetary allocations) (Nat/ Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions)		-	-	-	-	-	-	-	-	-	-	-	
Transfers recognised - capital	4	132,554	-	-	-	-	-	-	-	132,554	216,793	351,319	
Borrowing									-	-			
Internally generated funds		6,700	-	-	-	-	-	6,300	-	13,000	-	-	
Total Capital Funding		139,254	-	-	-	-	-	6,300	-	145,554	216,793	351,319	

FS203 Ngwathe - Supporting Table SB5 Adjustments Budget - Cash Flow

FS203 Ngwathe - Table B7 Adjustments Budget Cash Flows - February 2025											
Description	Budget Year 2024/25									Budget Year +1 2025/26	Budget Year +2 2026/27
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		3	4	5	6	7	8	9	10		
R thousands	A	A1	B	C	D	E	F	G	H		
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates	56,304	-	-	-	-	-	-	9,265	65,569	68,454	70,894
Service charges	269,357	-	-	-	-	-	-	46,626	315,983	329,886	344,401
Other revenue	29,604	-	-	-	-	-	-	25,561	55,165	57,592	60,126
Transfers and Subsidies - Operational	285,168	-	-	-	-	-	-	269	285,437	294,078	301,914
Transfers and Subsidies - Capital	132,554	-	-	-	-	-	-	-	132,554	216,793	216,793
Interest	6,109	-	-	-	-	-	-	748	6,857	6,390	6,390
Dividends		-	-	-	-	-	-	-	-	-	-
Payments									-		
Suppliers and employees	(347,622)	-	-	-	-	-	-	(316,052)	(663,674)	(692,875)	(723,362)
Finance charges	-	-	-	-	-	-	-	(69,648)	(69,648)	-	-
Transfers and Subsidies	-	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	431,474	-	-	-	-	-	-	(303,230)	128,243	280,318	277,156
CASH FLOWS FROM INVESTING ACTIVITIES									-		
Receipts									-		
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables								-	-		
Decrease (increase) in non-current investments								-	-		
Payments									-		
Capital assets	(139,254)	-	-	-	-	-	(6,300)	(6,300)	(145,554)	(221,793)	(351,319)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(139,254)	-	-	-	-	-	(6,300)	(6,300)	(145,554)	(221,793)	(351,319)
CASH FLOWS FROM FINANCING ACTIVITIES									-		
Receipts									-		
Short-term loans								-	-		
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-	-
Payments									-		
Repayment of borrowing								-	-		
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-	-	-	-	-	-	-	240	240
NET INCREASE/(DECREASE) IN CASH HELD	292,220	-	-	-	-	-	(6,300)	(309,530)	(23,610)	58,765	(73,922)
Cash/cash equivalents at the year begin:	36,112	-	-	-	-	-	-	25,990	62,102	38,492	97,257
Cash/cash equivalents at the year end:	328,332	-	-	-	-	-	(6,300)	(283,540)	38,492	97,257	23,334

Postal address: PO Box 359
Physical address:
LiebenbergstrekPARYS
9585
Tel: +27 (0) 56 816 2700
Fax: +27 (0) 56 811 2046
E-mail: mm@ngwathe.co.za



OFFICE OF THE MUNICIPAL MANAGER

Municipal Manager
Ngwathe Local Municipality

Dr F Mothamaha

QUALITY CERTIFICATE – ADJUSTMENT BUDGET 2024/25

Certification that the adopted draft budget adjustment for 2024/25 is correctly captured and locked on the municipality's financial management system

The above subject matter refers.

In terms of the Municipal Budget and Reporting Regulations (MBRR), section 5 which require the accounting officer to submit to the Mayor Quality Certificate, whenever an annual budget, adjustment budget and/ in-year reporting is submitted for Council or made public or to organ of state.

In compliance to the above legislative requirements, I, **Dr FP Mothamaha** in my capacity as **Municipal Manager** of Ngwathe Local Municipality, wish to confirm that:

- Section 28 (1) of the Municipal Finance Management Act 56 of 2003 (MFMA) permits the municipality to revise its approved annual budget through an adjustments budget.
- Certification that the adopted Draft Budget Adjustment for 2024/25 is correctly captured and locked on the municipality's financial management system (as requested by National Treasury in terms of section 74 of the MFMA, with reference to paragraph 6.3 of MFMA Budget Circular 59 dated 16 March 2012)
- The adopted Draft Budget Adjustment has been captured on the municipality's financial system;
- There is 100 per cent reconciliation between the Draft Budget Adjustment on the system and the Budget Adjustment adopted by council;
- The adopted Draft Budget Adjustment on the municipality's financial system is locked and will not be changed as it serves as the baseline against which to monitor and measure performance; and
- The relevant Draft Budget Adjustment data strings have been submitted to the local government database.

I, further certify that the municipality has in place controls to ensure that any changes to the adopted Budget Adjustment will be captured separately and only in accordance with:

- A virement authorized by the municipal manager, or duly delegate official, in terms of a council approved Virements policy; and
- An adjustments budget approved by council.

Print Name

Thobekiso Mphahlele
Municipal Manager Ngwathe Local Municipality(FS203)

Signature

[Signature]

Date

27/02/28

Postal address: PO Box 359
Physical address:
LiebenbergstrekPARYS
9585
Tel: +27 (0) 56 816 2700
Fax: +27 (0) 56 811 2046
E-mail: mm@ngwathe.co.za



OFFICE OF THE MUNICIPAL MANAGER

Municipal Manager's Quality certificate

I, **Dr FP Mothamaha**, the Municipal Manager of Ngwathe Local Municipality, hereby certify that the 2024/25 Adjusted Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Print Name

Dr FP Mothamaha

Municipal Manager Ngwathe Local Municipality(FS203)

Signature

[Signature]

Date

27/02/25
