

**ADJUSTMENT BUDGET FOR UMUZIWABANTU MUNICIPALITY**

**2017/2018 FINANCIAL YEAR**

# Umuziwabantu Municipality Adjusted Budget for 2017/2018

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# Umuziwabantu Municipality Adjusted Budget for 2017/2018

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## **2. EXECUTIVE SUMMARY**

The application of sound financial management principles for compilation of the Municipality's Financial Plan is essential and critical to ensure that the Municipality remains viable and municipal services are provided sustainable, economically and equitably to all communities. The adjustment budget is based on the cash flow Turnaround Strategy where implementation of effective financial management is crucial. Appropriate funds were transferred from low- to high-priority programmers' so as to maintain sound financial stewardship.

### **A Credible budget, is a budget that:**

- Funds only activities with the revised IDP and vice versa ensuring the IDP is realistically achievable given the Financial constraints of the municipality;
- Is achievable in terms of the agreed service delivery and performance targets
- Contains revenue and expenditure projections that are consistent with current and past performance and supported By documented evidence of future assumptions
  
- Does not jeopardize the financial viability of the municipality(ensures that the financial position is maintained within General accepted prudential limits and that obligations can be met in the short, medium and long term);
- A budget sets out certain service delivery levels and associated financial implications.

### **The adjustments budget consists of the following:**

Capital Adjustments Budget	R 71 491 831.00
Operating Adjustments Budget	R168 757 932.00
<b>TOTAL</b>	<b>R 240 249 763.00</b>

## Umuziwabantu Municipality Adjusted Budget for 2017/2018

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In view of the aforementioned, the following table is a consolidated overview of the 2017/2018 Adjustment Budget:

**Table 1: OVERVIEW OF THE ADJUSTMENT BUDGET 2017/2018**

### 3. ADJUSTMENT BUDGET SUMMARY (ADJUSTMENTS TO BUDGET ASSUMPTIONS)

<b>Description</b>	<b>Original Budget</b>	<b>Adjusted Budget</b>	<b>%Increase/Decrease</b>
	<b>R'000</b>	<b>R'000</b>	
Operating Revenue	161 345	<b>168 758</b>	5%
Operating Expenditure	161 345	<b>168 758</b>	5%
Surplus/Deficit	0		
Transfers capital	79 112	71 492	-10%

The operating revenue has been adjusted upwards by 5% when compared to the original budget. The contributing factor for this increase is due to the interest on investment, property rates and roll over for Ugu Disaster grant and Small Town that has been taken into consideration.

The total operating expenditure has been adjusted upwards by 5% when compared to the approved budget. The contributing factor for expenditure increase is due to the system development votes, Depreciation, Conference and Seminar and rebates expenditure that has already been incurred for the past six months which was not budgeted for or under estimated in the original budget.

### 4. ADJUSTMENTS TO ALLOCATIONS AND GRANT MADE BY THE MUNICIPALITY

# Umuziwabantu Municipality Adjusted Budget for 2017/2018

Description	Ref	Budget Year 2017/18						Budget Year	Budget Year
		Original Budget	Prior Adjusted	Multi-year capital	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget
		A	7 A1	8 B	9 C	10 D	11 E	12 F	+1 2018/19
<b>R thousands</b>									
<b>RECEIPTS:</b>	1, 2								
<b>Operating Transfers and Grants</b>									
<b>National Government:</b>		86 576	-	-	-	-	-	86 576	-
Local Government Equitable Share		79 670						79 670	
Finance Management	3	1 900						1 900	
EPWP Incentive		1 006						1 006	
Integrated National Electrification Programme		4 000						4 000	
Municipal Systems Improvement		-						-	
Other transfers and grants [insert description]									
<b>Provincial Government:</b>		583	-	-	-	188	188	771	-
	4	583				188	188	771	
Other transfers and grants [insert description]									
	5								
<b>District Municipality:</b>		317	-	-	-	-	-	317	-
Disaster management grant		317						317	
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-
[insert description]									
<b>Total Operating Transfers and Grants</b>	6	87 476	-	-	-	188	188	87 664	-
<b>Capital Transfers and Grants</b>									
<b>National Government:</b>		23 685	-	-	-	-	-	23 685	-
Municipal Infrastructure Grant (MIG)		23 685						23 685	
Other capital transfers [insert description]									
<b>Provincial Government:</b>		-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]									
<b>District Municipality:</b>		-	-	-	-	-	-	-	-
[insert description]									
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-
[insert description]									
<b>Total Capital Transfers and Grants</b>	6	23 685	-	-	-	-	-	23 685	-
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		111 161				188	188	111 349	-

## Umuziwabantu Municipality Adjusted Budget for 2017/2018

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There were some adjustments made to the Municipal grants due to the fact that there was Community library grants that was gazetted in the provincial gazette.

### **5. (ADJUSTMENTS TO EXPENDITURE ON ALLOCATION AND GRANTS PROGRAMMES)**

#### **Grants Allocation expenditure**

# Umuziwabantu Municipality Adjusted Budget for 2017/2018

Description	Ref	Budget Year 2017/18							Budget Year
		Original	Prior	Multi-year	Nat. or Prov.	Other	Total	Adjusted	Adjusted
		Budget	Adjusted	capital	Govt	Adjusts.	Adjusts.	Budget	Budget
		2	3	4	5	6	7	+1 2018/19	
		A	A1	B	C	D	E	F	
<b>R thousands</b>									
<b>EXPENDITURE ON TRANSFERS AND GRANT PROGRAM:</b>	1								
<b>Operating expenditure of Transfers and Grants</b>									
<b>National Government:</b>		79 825	-	-	-	-	-	79 825	-
Local Government Equitable Share		76 919						76 919	
Finance Management		1 900						1 900	
EPWP Incentive		1 006						1 006	
Integrated National Electrification Programme									
Municipal Systems Improvement									
Other transfers and grants [insert description]									
<b>Provincial Government:</b>		583	-	-	-	188	188	771	-
Other transfers and grants [insert description]		583				188	188	771	
Other transfers and grants [insert description]									
<b>District Municipality:</b>		317	-	-	-	-	-	317	-
Disaster management grant		317						317	
Other grant providers:									
[insert description]									
<b>Total operating expenditure of Transfers and Grants:</b>		80 725	-	-	-	188	188	80 913	-
<b>Capital expenditure of Transfers and Grants</b>									
<b>National Government:</b>		27 164	-	-	-	-	-	27 164	-
Municipal Infrastructure Grant (MIG)		22 501						22 501	
Other capital transfers [insert description]		4 663						4 663	
<b>Provincial Government:</b>									
Other capital transfers/grants [insert description]									
<b>District Municipality:</b>									
[insert description]									
<b>Other grant providers:</b>									
[insert description]									
<b>Total capital expenditure of Transfers and Grants</b>		27 164	-	-	-	-	-	27 164	-
<b>Total capital expenditure of Transfers and Grants</b>		107 889				188	188	108 077	-

‘working together’

# Umuziwabantu Municipality Adjusted Budget for 2017/2018

## KZN214 uMuziwabantu - Supporting Table SB8 Adjustments Budget - expenditure on transfers and grant programme -

Expenditure on allocation and grants has a movement when compared to the original budget as a result of amended provincial allocations and Ugu Disaster grant.

### **6. OPERATING REVENUE FRAMEWORK** **(Adjustments to budget funding)**

Choose name from list - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -												
Description	Ref	Budget Year 2017/18									Budget Year +1 2018/19	Budget Year +2 2019/20
		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
R thousands	1	A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
<b>Revenue By Source</b>												
Property rates	2	15 073	-	-	-	-	-	8 570	8 570	23 642	-	-
Service charges - electricity revenue	2	34 154	-	-	-	-	-	(400)	(400)	33 754	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	2 262	-	-	-	-	-	-	-	2 262	-	-
Service charges - other												
Rental of facilities and equipment		81								81		
Interest earned - external investments		7 416						2 000	2 000	9 416		
Interest earned - outstanding debtors												
Dividends received												
Fines, penalties and forfeits		825						-	-	825		
Licences and permits		533						-	-	533		
Agency services		2 118						-	-	2 118		
Transfers and subsidies		87 476						188	188	87 664		
Other revenue	2	1 167	-	-	-	-	-	4 074	4 074	5 241	-	-
Gains on disposal of PPE												
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>151 105</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14 432</b>	<b>14 432</b>	<b>165 537</b>	<b>-</b>	<b>-</b>



# Umuziwabantu Municipality Adjusted Budget for 2017/2018

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**The increase /decrease in revenue is mainly due to the following reasons:**

- Interest on Investments: Increased by 26% which impacted on the original approved budget from R 7.4million to R 9.4 million. This is as a result of the performance of short term investment of the municipality as at 31 December 2017 from external financial service providers.
- Property rates: Increased by 53%. This is as a result of the new valuation roll which was not taken into account during the original budget.
- Other revenue has been increased based on, Disaster grant and Small Town grant which was a roll over grants from previous year.

For Umuziwabantu Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times, strong revenue management and expenditure management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with developed backlogs and poverty that need to be addressed with our scarce resource.

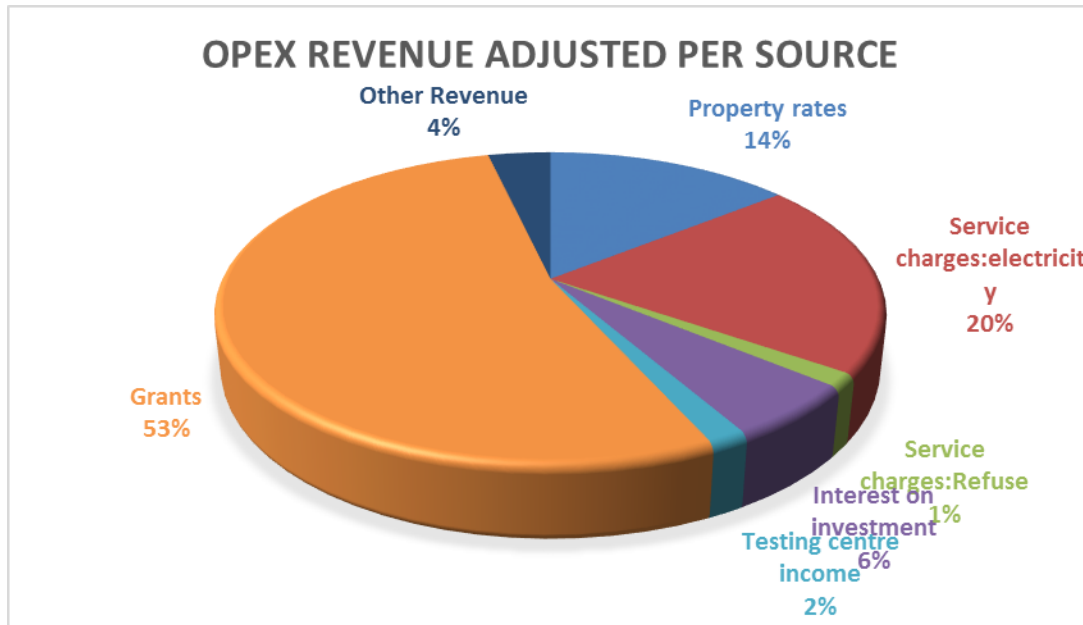
Furthermore, Section 18 of the MFMA requires that the budget must be funded from realistically anticipated revenues to be collected; cash-backed accumulated funds from previous years' surplus not committed and borrowed funds but only for capital projects.

Table B7 Adjusted Budget Cash Flow shows how the operations are expected to impact on cash position. If a municipality's cash flow at the end is negative, it is a strong indication that the overall budget is not funded. The cash/cash equivalents as per Table B7, at year end is sitting at R 79 million, meaning that the municipality is well sustainable.

Table B8 Cash Backed reserves/accumulated surplus reconciliation shows whether the municipality has "cash-backed accumulated funds from previous year's surpluses not committed for other purposes 'that can be used to fund a deficit on the financial performance budget or to fund Internally Generated Funds on the Capital Budget. Table B8 has a surplus amount of R62 million, its actual means that this adjustment budget is funded and the municipality's financial health is good.

## **7: Adjusted Main Operational Revenue per Source (Chart 1)**

## Umuziwabantu Municipality Adjusted Budget for 2017/2018



### **7.1. Revenue by Source**

The major contribution to the Revenue by source is grants, followed by electricity, property rates, and interest on investment, other revenue, testing center and service charges: refuse removal. This is an indication that the major revenue source for the Municipality is coming from the grants. The contributing factor to this, is that most of the Municipal Wards are from rural areas. The Municipality is not generating any revenue from these wards.

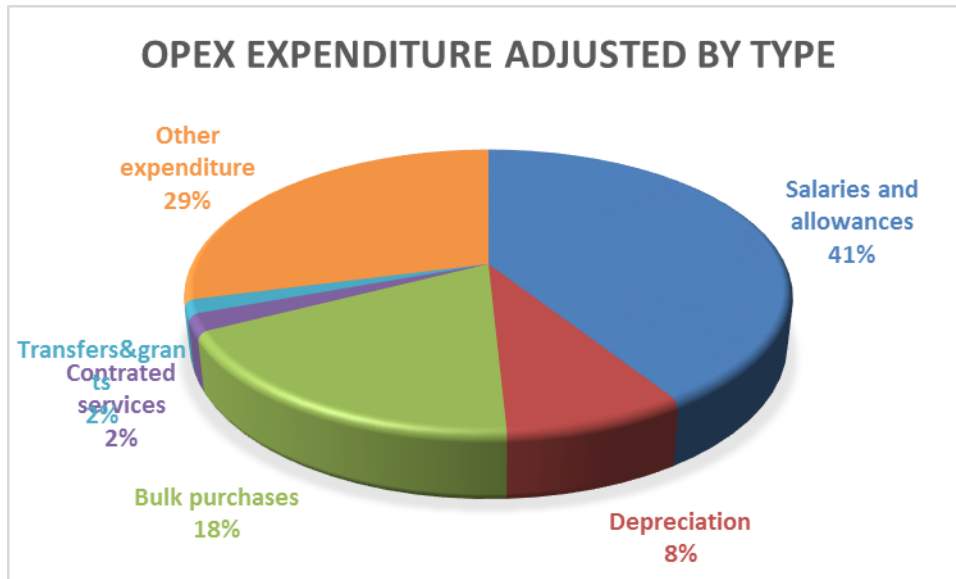
# Umuziwabantu Municipality Adjusted Budget for 2017/2018

## 8. Adjusted Main Operational Expenditure by Type

KZN214 uMuziwabantu - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -

Description	Ref	Budget Year 2017/18									Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unfore.	Nat. or	Other	Total	Adjusted	Adjusted	Adjusted
		Budget	Adjusted	Funds	capital	Unavoid.	Prov. Govt	Adjusts.	Adjusts.	Budget	Budget	Budget
R thousands	1	A	3	4	5	6	7	8	9	10		
		A	A1	B	C	D	E	F	G	H		
<b>Expenditure By Type</b>												
Employee related costs		60 735	-	-	-	-	-	-	-	60 735	-	-
Remuneration of councillors		8 646								8 646		
Debt impairment		186								186		
Depreciation & asset impairment		10 869	-	-	-	-	-	3 000	3 000	13 869	-	-
Finance charges		897								897		
Bulk purchases		30 852	-	-	-	-	-	-	-	30 852	-	-
Other materials		1 997						(589)	(589)	1 408		
Contracted services		3 369	-	-	-	-	-	(48)	(48)	3 321	-	-
Transfers and subsidies		2 655								2 655		
Other expenditure		41 139	-	-	-	-	-	5 022	5 022	46 161	-	-
Loss on disposal of PPE												
<b>Total Expenditure</b>		<b>161 344</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7 386</b>	<b>7 386</b>	<b>168 730</b>	<b>-</b>	<b>-</b>

**Chart:2**



## **9. Salaries and Allowances (Adjustments to Councillor Allowances and employee benefits)**

Basic Salaries and Allowances is not adjusted, it's still the same as per the original budget. The contributing factor for this is due to the fact that there are some vacant post that will be filled in the third and fourth quarter, therefore there is no need to adjust.

There is no movement in the Remuneration for Councillors when compared to the approved budget due to the fact that the municipality believe that the original budget will be sufficient to cover the upper limits for Council Remuneration Salary that will be gazetted.

## Umuziwabantu Municipality Adjusted Budget for 2017/2018

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### **Depreciation & asset impairment**

Depreciation and Asset impairment has been increased by 10%, and this is attributed by previous AFS performance and planned capital to be purchased.

### **Other materials**

Materials has decreased by 29% due to the past six month's performance.

### **Other revenue**

Other revenue has increased by 338% due to the roll over grant of uGu Disaster and Small Town grant that was not included in the original budget.

### **Repairs and Maintenance**

Repairs and Maintenance has been decreased when compared to the original budget and the Municipality believe that the budget for repairs is sufficient for ongoing health of the municipal assets .The contributing factor for this decrease is that some amount has been moved from operational to fund capital assets, due to its urgent needs.

### **Operating expenditure Major movements explanation**

Other revenue has been increased based on the six months expenditure performance. Major votes that contributed to this increase are: printing and stationery, conference and seminar, accounting system votes as well as rebates which increased based on the planned activities under these categories. Other votes has not been increased due to its past six months performance, section 71 report reflects expenditure patterns as at December 2017.

## Umuziwabantu Municipality Adjusted Budget for 2017/2018

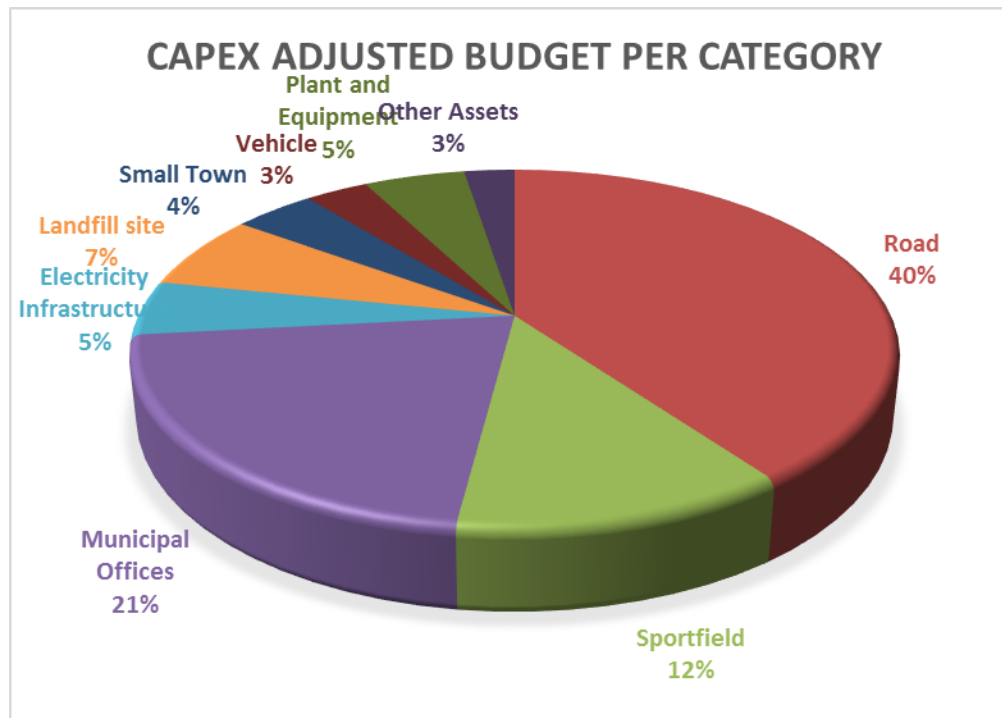
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### **10. Adjustments to capital expenditure**

Description	Original budget	Adjustment budget	Differences	% increase/decrease
Road	30 000 000.00	28 250 012.00	-1 749 988.00	-6%
Sportfield	8 500 000.00	8 500 000.00	-	0%
Municipal Offices	25 000 000.00	15 000 000.00	-10 000 000.00	-40%
Electricity Infrastructure	2 980 000.00	3 479 996.00	499 996.00	17%
Landfill site	3 550 750.00	4 800 752.00	1 250 002.00	35%
Small Town	2 921 224.02	3 301 224.00	379 999.98	13%
Vehicle	1 400 000.00	2 250 004.00	850 004.00	61%
Plant and Equipment	3 310 000.00	3 609 996.00	299 996.00	9%
Computer equipment	850 000.00	850 000.00	-	0%
Other Assets	600 000.00	1 449 850.00	849 850.00	142%
<b>TOTAL</b>	<b>79 111 974.02</b>	<b>71 491 834.00</b>	<b>-7 620 140.02</b>	

Chart 3

## Umuziwabantu Municipality Adjusted Budget for 2017/2018



The total capital budget has decreased by 10% when compared to the original budget. The contributing factor to this decrease is: Municipal Offices budget which has been reduced by R10 million for this year and the project will be implemented in the next financial year. Land fill site has been increased by R1.2 million as a results of the past six month's performance. Roads assets have been reduced in order to fund Land fil site which already has over expenditure. Vehicles and Plant and equipment budget has increased due to the Fire Van and Skip Truck loader that need to be purchased. There are also new line item under other assets which has been added ie Tower clock and Sound system .The funding sources of these new line item is taken from interest on investments as well as pounds money which was originally budgeted under operational budget. The chart above illustrates adjusted capital budget as per its category.

# Umuziwabantu Municipality Adjusted Budget for 2017/2018

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## **11. Overview of Budget Assumptions** **Adjustments to budget assumptions**

During the first six months of the period under consideration, Umuziwabantu Municipality was able to spend 39% on its operational expenditure, 19% of its capital expenditure and 60% was received under revenue as at 31 December 2017. During the review of the budget against the actual results for the first six months analysis, the Municipality is performing well but there is still more to be done to accelerate both expenditure for capital as well as operational expenditure. Umuziwabantu Municipality cost coverage ratio as at December 2017 is approximately fifteen months which is far ahead from the standard norm of three months. The municipality has taken into consideration the past six month's performance and treasury comments from mid-year and has adjusted accordingly.



## Umuziwabantu Municipality Adjusted Budget for 2017/2018

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### **11) Municipal Manager's quality certificate**

I, Mr. S Kubheka, Acting Municipal Manager of Umuziwabantu municipality, hereby certify that the Adjustment budget Report and supporting documentation has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the adjustment budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name : Mr.S Kubheka

Municipal Manager of UMUZIWABANTU MUNICIPALITY (KZN214)

Signature \_\_\_\_\_

Date :



