



**2022/2023 ADJUSTMENT BUDGET**

**OF**

**UMUZIWABANTU MUNICIPALITY**

**MAYOR'S SPEECH**

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**SPEECH DELIVERED BY THE HONOURABLE MAYOR, CLLR LS ZUNGU ON THE OCCASION OF THE TABLING THE ADJUSTMENT BUDGET FOR THE YEAR 2022/2023 HELD ON THE 24<sup>TH</sup> of FEBRUARY 2023, AT THE MUNICIPAL COUNCIL CHAMBER**

**Honourable Speaker.**

**Deputy Mayor.**

**Members of the Executive Committee.**

**Fellow Councillors.**

**Amakhosi.**

**Municipal Manager.**

**Senior Managers and officials.**

**Members of the Community present.**

**The media**

**Ladies and gentlemen.**

Greetings and thank you for affording me this opportunity.

Honourable Speaker, on the 24<sup>th</sup> of January 2022 I tabled before this council the mid-year budget and performance report of Umuziwabantu Municipality. In that report I highlighted progress made and challenges encountered by the municipality in the first half of the financial year. The report further outlined in clear times the need to make some adjustments on the original budget to keep the municipality aligned with the economic conditions and needs of our people.

I present this adjustment budget guided by Treasury regulation which states that the municipality must do the adjustment budget every year. For a municipality to comply with this legislative provision, a Mayor of a municipality must table the adjustment budget to council no later than the 28th of February.

Accordingly, today I stand before you to present to this august house the 2022/2023 adjustments budget of Umuziwabantu Municipality. The adjustment budget today has been occasioned by major revenue amendments as well as the expenditure changes in our budget, which were driven by our performance in the first half of the current financial year. In preparing this budget the municipality has also considered comments by National Treasury in relationship to our mid-year performance.

Ladies and gentlemen, while the review of the budget against the actual results of the first seven months analysis tells us that the Municipality is performing well, more still needs to be done to accelerate both expenditure for capital as well as operational expenditure.

As of January 2023, the municipality spent 56% of its operational expenditure, 55% of its capital expenditure, and revenue received sits at 57%. In terms of cash coverage ratio, we were sitting at approximately five months, excluding landfill site commitments.

Honorable Speaker, the adjustments budget I present to this house today consists of Capital Adjustments Budget of R 56 913 436.08, and Operating Adjustments Budget of R263 846 333.12, in total the 2022/2023 adjustments budget is R320 759 769.20.

## **1. OPERATING REVENUE FRAMEWORK**

In terms of the Operating Revenue Framework, in the Original Budget the Operating Revenue was R 221 526 000 (R221m), and in the adjustments budget Operating Revenue is R 206 683 000 (R206m). Therefore, the Operating Revenue has been adjusted downwards by 7% when compared with the original budget. The contributing factor for this decrease is the rebates that was originally under expenditure which is now reflecting under rates. Other contributing factors include electricity, interest on investments and rentals.

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

- Interest on investment has been decreased by R4 million when compared with the original budget, due to the six months past performance.
- Rates has been decreased by R3 million when compared with the original budget, due to the six months past performance and the vote for rebates being included under revenue.
- Service charges electricity income has been decreased by R6.8 million when compared

with the original budget due to theft and lower consumption by customers due to load shedding.

The major contribution to the Revenue by source is grants, followed by electricity, property rates, and interest on investment and other revenue. This is an indication that the major revenue source for the Municipality is coming from the grants. The contributing factor to this is that the municipality generates revenue from only one ward, as 10 out of 11 municipal wards cover rural areas.

In view of our limited revenue base, in these tough economic times, strong revenue management and expenditure management is fundamental to the financial sustainability of our municipality. The reality is that we are faced with development backlogs and poverty that we must address with our scarce resource.

## **2. OPERATING EXPENDITURE**

Operating Expenditure in the approved budget was R 253 203 000, while in this adjustments budget it now sits at R 263 846 000, a 4% increase when compared with the approved budget.

Major movement in the capital expenditure is mainly due to the following reasons:

- Security vote has been increased by R 700 000.00 when compared with the adjustment budget.
- Building maintenance increased by R 400 000.00 while community hall, electricity decreased by R 400 000.00
- Inventory consumables decreased by R 300 000, while prepaid electricity increased by R 300 000
- INEP expenditure line item increased by R 421 000.00, which is this is a roll over from the previous financial year.
- External audit fees have been increased by R 700 000.00
- Impairment loss increased by R 800 000.00
- SALGA games vote has been increased by R 900 000.00
- Customer care increased by R 200 000.00
- Back to school decreased by R 235 116.00
- Mobile App and hire charges have been decreased by R 324 885.00
- Harding summer festival increased by R 200 000.00
- Public participation increased by R 492 800.00
- Wet fuel has been increased by R 676 111.00
- South Coast Tourism and Investment increased by R 435 804
- Maintenance of vehicles increased by R900 000.00

- Infrastructure master plan has been reduced by R600 000.00
- Management fee reduced by R 315 054.00

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

On salaries and allowances, no adjustment has made for employees related costs as well as for the Remuneration for the Councillors when comparing with the original budget since the municipality believe that the original budget will be sufficient to cover the upper limits for Council Remuneration Salary that will be gazetted by SALGA.

### **Depreciation & Asset impairment**

Depreciation has been increased by R4.9 million, and this is attributed by previous AFS performance and planned capital to be purchased as well as already purchased capital programs.

### **Repairs and Maintenance**

Repairs and Maintenance has been decreased by R 609 024 when compared with the original budget, the contributing factor is due to the six past performances especially expenditure is wet fuel.

### **Contracted Services and Other Expenditure**

Contracted services have decreased by 2% when compared with the original budget, which is due to the past six months performance.

### **Special Programmes**

On Special programmes, adjustment budget movement as per the program are indicated on the table. Notable change here is the additional amount of R 150 000 for people with disabilities, which will be distributed to various special programs votes. Indeed we remain steadfast in our quest to making significant inroads in the advancement of programmes for the empowerment of vulnerable groups and fighting poverty and unemployment in our communities.

## **3. ADJUSTED CAPITAL EXPENDITURE**

Ladies and gentlemen, the overall Capital Budget is R56 million, MIG funding is R 26 million, R4.6 million and R 25.8 million is funded by internal funding, which is our cash back reserves. The total capital budget has decreased by R 348 585.55 when compared with the original budget. The major contributing factor is Municipal Offices which has been reduced.

Movement in capital expenditure include adjustments made on the upgrade of clocking system, acquisition of two 100kva generators, cemetery recording system, the construction of new market stalls, Harding Sportsfield, Engele Community Hall, and the construction of Mazakhele Community Hall.

## **5. CONCLUSION**

Honourable Speaker, I am please to confirm that no effort was spared in making sure that the compilation of this adjustments budget was executed in a manner which complies with the relevant provisions of the MFMA and budget related regulations.

Ladies and gentlemen, I am encouraged by the recent report by the Auditor General which granted the municipality the Unqualified Audit opinion for the 2021/2021 financial. In delivering this audit opinion, the AG highlighted improvements made compared to the previous audit and applauded our municipality for its impressive financial status.

Let this achievement inspire all of us. Indeed, through collective wisdom and unity of purpose; we will be able to make a significant progress towards improving service delivery and provide a better life for our people.

Fellow compatriots, allow me to take this opportunity and thank all members of this Council and Amakhosi for the support and dedication towards making Umuziwabantu Municipality an institution that is committed to addressing needs of our people.

My sincere gratitude goes to the management team for its relentless effort towards the preparation of this adjustment budget, and to all municipal staff whose commitment ensures that our municipality is still able to deliver services to our communities even during the challenging circumstances.

## **6. RECOMMENDATION:**

Honourable Speaker I hereby table this adjust budget to Council and further recommend that:

- The Adjustment Budget for 2022/2023 financial year be approved as per MFMA and budget regulations.

**I THANK YOU**