



**ADJUSTMENT BUDGET FOR UMUZIWABANTU MUNICIPALITY**

**2022/2023 FINANCIAL YEAR**

# Umuziwabantu Municipality Adjusted Budget for 2022/2023

---

## TABLE OF CONTENTS

### ADJUSTMENTS BUDGET: 2022/2023

1. EXECUTIVE SUMMARY
2. ADJUSTMENTS TO BUDGET ASSUMPTIONS
3. ADJUSTMENT TO BUDGET FUNDING
4. ADJUSTMENTS TO OPERATIONAL REVENUE
5. ADJUSTMENTS TO BUDGET FUNDING
6. ADJUSTMENTS TO OPERATIONAL EXPENDITURE BY TYPE
7. ADJUSTMENTS TO COUNCILLOR'S ALLOWANCES AND EMPLOYEE BENEFITS
8. ADJUSTMENTS TO CAPITAL EXPENDITURE
9. OVERVIEW TO BUDGET ASSUPTION
10. QUALITY CERTIFICATE

## **1. 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 programs 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 56 913 436.08
Operating Adjustments Budget	R 263 846 333.12
<b>TOTAL</b>	<b>R320 759 769.20</b>

# Umuziwabantu Municipality Adjusted Budget for 2022/2023

---

In view of the following table is a consolidated overview of the 2022/2023 Adjustment Budget:

## OVERVIEW OF THE ADJUSTMENT BUDGET 2022/2023

### 2. 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	221 526	206 683	-7%
Operating Expenditure	253 203	263 846	4%
<b>Surplus/Deficit</b>	<b>(31 677)</b>	<b>(57 163)</b>	80%
Transfers capital	56 565	56 913	0%

The Operating Revenue has been adjusted downwards by 7% when compared with the original budget. The contributing factor for this decrease is due to the rebates that was originally under expenditure now is reflecting under rates, other contributing factors are electricity and interest on investments as well as rentals.

NB: From the warning signs received Treasury the deficit reported has increased by 80% in our adjustment budget which is concerning.

The total Operating Expenditure has been increased by 4% when compared with the approved budget. The contributing factor for expenditure increase is due to wet fuel, bulk electricity, depreciation, impairment, security, SALGA games, UGU South coast tourism, PMS cascading and customer unit. However, there are some vote line items that has been decreased due to their six months performance.

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

## Umuziwabantu Municipality Adjusted Budget for 2022/2023

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

Description	Ref	2022/23									Budget Year 2023/24	Budget Year 2024/25
		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	4	5	6	7	8	9	10		
		A	A1	B	C	D	E	F	G	H		
<b>Revenue By Source</b>												
Property rates	2	27,600	-	-	-	-	-	(2,822)	(2,822)	24,778	30,111	31,466
Service charges - electricity revenue	2	42,055	-	-	-	-	-	(6,848)	(6,848)	35,207	45,882	47,946
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	2,787	-	-	-	-	-	-	-	2,787	3,040	3,177
Rental of facilities and equipment		600	-	-	-	-	-	(210)	(210)	390	655	684
Interest earned - external investments		11,215	-	-	-	-	-	(4,000)	(4,000)	7,215	12,235	12,786
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		2,283	-	-	-	-	-	(610)	(610)	1,673	2,491	2,603
Licences and permits		884	-	-	-	-	-	450	450	1,334	965	1,008
Agency services		1,529	-	-	-	-	-	(600)	(600)	929	1,668	1,743
Transfers and subsidies		131,241	-	-	-	-	-	-	-	131,241	143,181	149,624
Other revenue	2	1,331	-	-	-	-	-	(202)	(202)	1,129	1,452	1,518
Gains		-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>221,526</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,843)</b>	<b>(14,843)</b>	<b>206,683</b>	<b>241,680</b>	<b>252,556</b>

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

- Interest on investment has been decreased by R 4 million when compared with the original budget, due to the six months past performance.
- Rates has been decreased by R 3 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 R 6.8 million when compared with the original budget due to theft and lower consumption by customers due to load shedding.

For Umuziwabantu Municipality to continue improving the quality of services provided to its citizens it needs to generate the required

## Umuziwabantu Municipality Adjusted Budget for 2022/2023

---

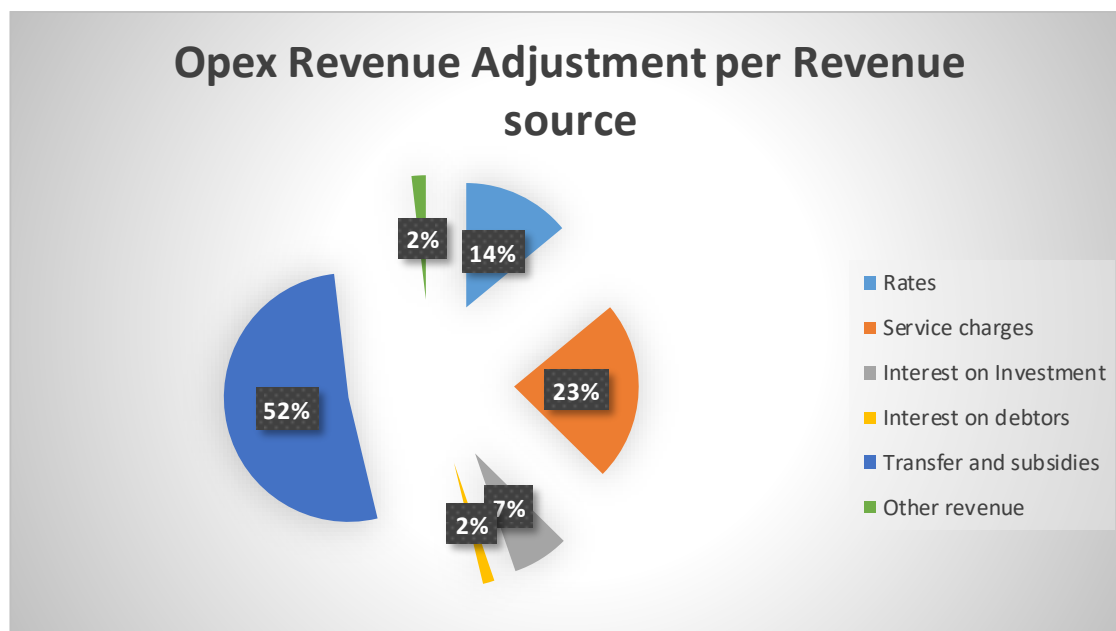
revenue. In these tough economic times, strong revenue management and expenditure management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with developed backlogs and poverty that need to be addressed with our scarce resource. The location and area also make it difficult for new revenue sources.

The existing revenue strategy is built around the following key components:

- National Treasury guidelines and macroeconomic policy
- Efficient revenue management, which aims to ensure a 90 percent annual rate collection rate for property rates and other key service charges.
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) MPRA
- Increase ability to extend new services and recover costs
- The municipality's Indigent Policy and rendering of free basic services and
- Tariff policies of the Municipality

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.

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



### 5.1. Revenue by Source

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 most of the Municipal Wards are from rural areas. The Municipality is only generating revenue from one ward.

### 6. Adjusted Main Operational Expenditure by Type

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

## Umuziwabantu Municipality Adjusted Budget for 2022/2023

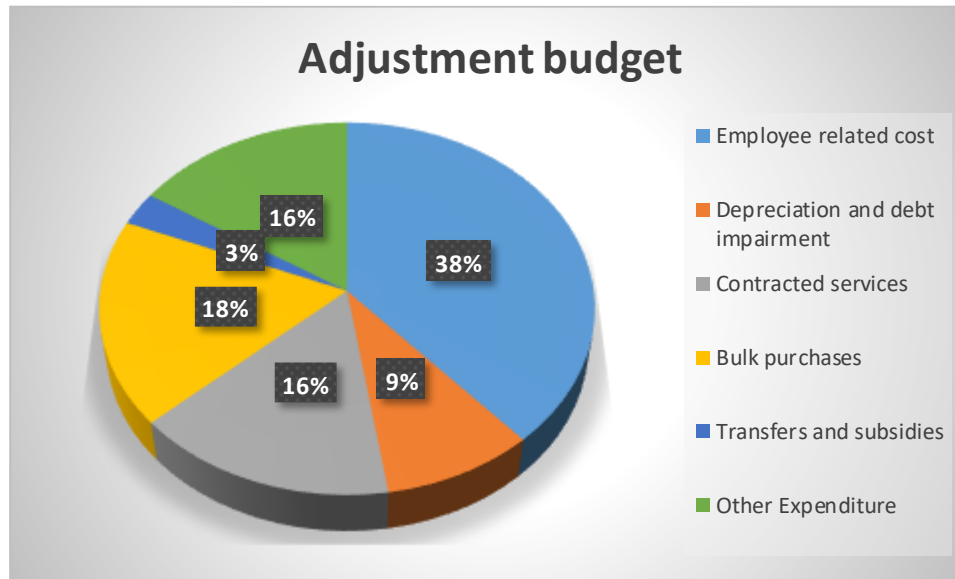
KZN214 uMuziwabantu - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -

Description	Ref	2022/23									Budget Year 2023/24	Budget Year 2024/25
		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 A	4 A1	5 B	6 C	7 D	8 E	9 F	10 G	11 H	12 I	13 J
<b>R thousands</b>												
<b>Expenditure By Type</b>												
Employee related costs		88,011	-	-	-	-	-	-	-	88,011	96,018	100,339
Remuneration of councillors		10,736	-	-	-	-	-	-	-	10,736	11,713	12,240
Debt impairment		2,500	-	-	-	-	-	800	800	3,300	2,727	2,850
Depreciation & asset impairment		20,800	-	-	-	-	-	4,956	4,956	25,755	22,692	23,714
Finance charges		140	-	-	-	-	-	(106)	(106)	33	153	159
Bulk purchases - electricity		42,849	-	-	-	-	-	-	-	42,849	46,747	48,851
Inventory consumed		1,383	-	-	-	-	-	(300)	(300)	1,083	1,509	1,577
Contracted services		48,589	-	-	-	-	-	(780)	(780)	47,809	53,010	55,395
Transfers and subsidies		255	-	-	-	-	-	-	-	255	278	290
Other expenditure		37,940	-	-	-	-	-	6,074	6,074	44,014	41,381	43,243
Losses		-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>253,203</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,643</b>	<b>10,643</b>	<b>263,846</b>	<b>276,229</b>	<b>288,659</b>

**Chart:2**



## Umuziwabantu Municipality Adjusted Budget for 2022/2023



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

- Security vote has been increased by R 700 000.00 when compared with the original budget.
- Building maintenance has been increased by R 400 000.00 while community hall, electricity has been decreased by R 400 000.00
- Inventory consumables has been decreased by R 300 000 while prepaid electricity has been increased by R 300 000
- INEP has expenditure line item has been increased by R 421 000.00 roll over grant.
- External audit fees have been increased by R 700 000.00
- Impairment loss has been increased by R 800 000.00
- Salga games vote has been increased by R 900 000.00
- Customer care has been increased by R 200 000.00
- Back to school has been decreased by R 235 116.00
- Mobile App and hire charges have been decreased by R 324 885.00
- Harding summer festival has been increased by R 200 000.00
- Public participation has been increased by R 492 800.00
- Wet fuel has been increased by R 676 111.00

## Umuziwabantu Municipality Adjusted Budget for 2022/2023

---

- South Coast Tourism and investment has been increased by R 435 804
- Maintenance of vehicles has been increased by R900 000.00
- Infrastructure master plan has been reduced by R600 000.00
- Management fee has been reduced by R 315 054.00

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

No adjustment 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 for wet fuel.

### **Contracted services and other expenditure.**

Contracted services has been decreased by 2% when compared with the original budget, the contributing factor is due to the past six months performance.

### **SPECIAL PROGRAMS AND CAUCUS**

## Umuziwabantu Municipality Adjusted Budget for 2022/2023

PROGRAMMES	FINAL BUDGET 2021/22	ADJUSTMENT BUDGET 2021/22	Variance
PEOPLE WITH DISABILITIES	70,572.00	220,572.00	150,000.00
GENDER	127,608.00	128,788.00	1,180.00
ART AND CULTURE	171,696.00	171,696.00	-
HIV AND AIDS	291,360.00	354,767.00	63,407.00
SENIOR CITIZENS	116,844.00	116,844.00	-
YOUTH	860,232.00	593,737.00	(266,495.00)
SPORT PROGRAMMES	639,888.00	827,888.00	188,000.00
COCAUS VOTE	514,032.00	514,032.00	-
<b>TOTAL</b>	<b>2,792,232.00</b>	<b>2,414,292.00</b>	<b>(377,940.00)</b>

**NB:** The above table is indicating the adjustment budget movement as per the program, there is an additional amount of R 150 000 under people with disabilities however this money will be distributed among the special programs vote

### 8. Capital Budget

Project Name	Total Budget	Total Adjusted	VARIANCE
Upgrade Of Clocking System	140,000.00	0	140,000.00
Fire wall software	50,000.00	50000	-
Networking & Linking of new offices-EQS	1,400,000.00	1,400,000.00	-
Generator 100 kva x 2	1,000,000.00	1,200,000.00	200,000.00
Upgrade microsoft-EQS	50,000.00	50,000.00	-
Acquisitions-Computers-EQS	450,000.00	450,000.00	-
Acquisitions-Computers-FMG	100,000.00	100,000.00	-
Furniture and Office Equipment: Office furniture and equipment			

## Umuziwabantu Municipality Adjusted Budget for 2022/2023

	300,000.00	100,000.00	200,000.00
Cemetery-EQS	4,000,000.00	5,310,000.00	1,310,000.00
Cemetery recording computer system	550,000.00	550,000.00	-
Access control	300,000.00	-	300,000.00
Photocopier machine - kwa jali	100,000.00	100,000.00	-
Jungle gym	150,000.00	163,629.32	13,629.32
Stores&warehouse building	100,000.00	-	100,000.00
Rid-On Mower	120,000.00	100,000.00	20,000.00
Circuit breaker	-	589,486.71	589,486.71
Transformer		1,000,000.00	1,000,000.00
Pound	300,000.00	300,000.00	-
Water Tanks, Waterpumps & Main Connection	400,000.00	200,000.00	200,000.00
Vehicle-EQS	1,950,000.00	1,950,000.00	-
Vehicle-EQS	400,000.00	400,000.00	-
Municipal Offices(Retention) - INTERNAL	3,000,000.00	200,000.00	2,800,000.00
Low bed	3,500,000.00	3,000,000.00	500,000.00
Tipper Truck			-

## Umuziwabantu Municipality Adjusted Budget for 2022/2023

	1,000,000.00	1,100,000.00	100,000.00
Vehicle	400,000.00	400,000.00	-
Vehicles_Electricity	200,000.00	200,000.00	-
Traffic Lights -EQS	600,000.00	300,000.00	300,000.00
Grader – INTERNAL	3,600,000.00	3,600,000.00	-
CONCRETE BINS	150,000.00	150,000.00	-
Coloured Waste Bins	50,000.00	-	50,000.00
Stafford Street - INTERNAL	1,000,000.00	1,300,000.00	300,000.00
Musgrave road	2,000,000.00	-	2,000,000.00
MARKET STALLS		4,600,000.00	4,600,000.00
Corner street	2,000,000.00	-	2,000,000.00
Gayiga to Nyawo Access Road - MIG	3,482,873.27	3,482,873.27	-
Mhlwazini Access Bridge - MIG	10,326,416.85	9,303,542.47	1,022,874.38
Harding Sportfield – MIG	4,798,588.00	5,898,588.00	1,100,000.00
Harding Sportfield - Internal	1,800,000.00	2,645,469.52	845,469.52
Engele Community Hall:MIG	5,046,972.51	5,178,801.21	131,828.70
Comnstruction of Mazakhele comm Hall			-

## Umuziwabantu Municipality Adjusted Budget for 2022/2023

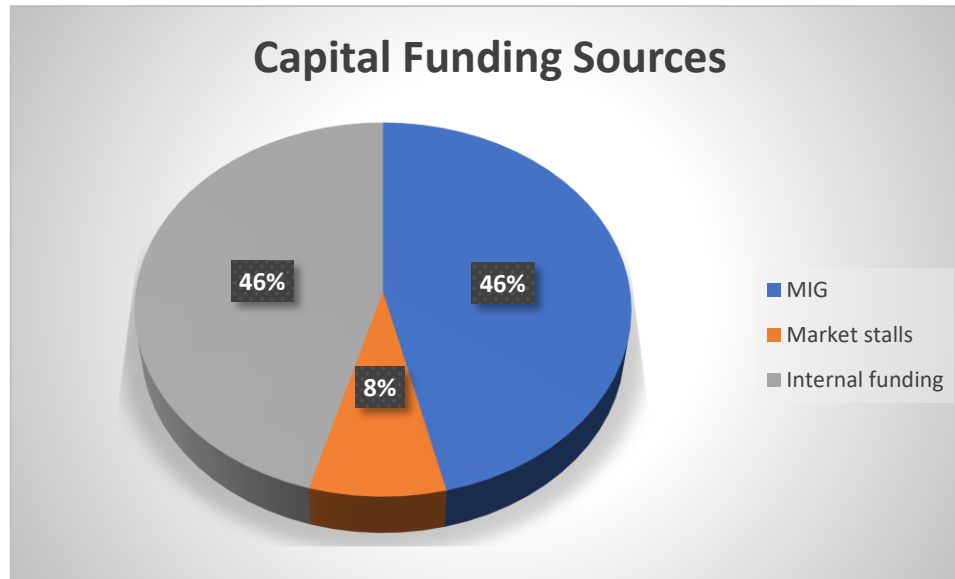
	400,000.00	566,099.83	166,099.83
Construction of Fantini Road	400,000.00	424,945.85	24,945.85
Construction of Access Road C ward1	400,000.00	-	400,000.00
Traffic fine software	200,000.00	200,000.00	-
Vehicle	250,000.00	250,000.00	-
portable radio's	100,000.00	100,000.00	-
<b>TOTAL</b>	<b>56,564,850.63</b>	<b>56,913,436.18</b>	<b>348,585.55</b>

NB: The above table is indicating the increase as well as decrease in capital projects line items

# Umuziwabantu Municipality Adjusted Budget for 2022/2023

---

Capital Budget per revenue source.



Our 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 increased by R 348 585.55 when compared with the original budget. The major contributing factor is Municipal Offices which has been reduced.

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

During the first seven months of the period under consideration, Umuziwabantu Municipality was able to spend 56% on its operational expenditure, 55% of its capital expenditure and 57% was received under revenue as of January 2023. During the review of the budget against the actual results for the first seven 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 of January 2023 is approximately five months excluding landfill site commitments. The municipality has taken into consideration the past six month's performance and treasury comments from mid-year and has attempted adjusted accordingly, even though the resources is always scarce when compared with the unlimited wants.

## Umuziwabantu Municipality Adjusted Budget for 2022/2023

---

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

I, Mr. W Gumede, 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. W Gumede

Municipal Manager of UMUZIWABANTU MUNICIPALITY (KZN214)

Signature \_\_\_\_\_

Date :





