

**ADJUSTMENT BUDGET FOR UMUZIWABANTU MUNICIPALITY**

**2023/2024 FINANCIAL YEAR**

# Umuziwabantu Municipality Adjusted Budget for 2023/2024

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# Umuziwabantu Municipality Adjusted Budget for 2023/2024

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## **1. EXECUTIVE SUMMARY**

In terms of Section 72. (1) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (hereinafter referred to as the MFMA), the accounting officer of a municipality must by 25 January of each year-

- (a) Assess the performance of the municipality during the first half of the financial year, taking into account-
  - (i) the monthly statements referred to in section 71 for the first half of the financial year;
  - (ii) the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
  - (iii) the past year's annual report, and progress on resolving problems identified in the annual report;
  - (iv) the performance of every municipal entity under the sole or shared control of the municipality, taking into
- (b) submit a report on such assessment to:
  - (i) the mayor of the municipality;
  - (ii) the National Treasury; and
  - (iii) the relevant provincial treasury.

1.2 Thereafter, the mayor must, in terms of Section 54. (1)

- (a) Consider the report;

## Umuziwabantu Municipality Adjusted Budget for 2023/2024

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- (b) Check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan;
- (c) Consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery targets and performance indicators in the plan may only be made with the approval of the council following the approval of an adjustments budget;
- (d) Issue any appropriate instructions to the accounting officer to ensure-
  - (i) That the budget is implemented in accordance with the service delivery and budget implementation plan; and
  - (ii) That spending of funds and revenue collection proceed in accordance with the budget;
- (e) Identify any financial problems facing the municipality, including any emerging or impending financial problems; and
- (f) Submit the report to the council by 31 January of each year

The Adjustments Budget must be accompanied by the following in accordance with Section 28(5):

- "a) an explanation how the adjustments budget affects the annual budget;
- b) a motivation of any material changes to the annual budget;
- c) an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years;
- and d) any other supporting documentation that may be prescribed."

An Adjustments Budget according to Section 28(3 and 6): "(3) An Adjustment Budget must be in a prescribed format (6) Municipal taxes and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan - section 28(6)."

# Umuziwabantu Municipality Adjusted Budget for 2023/2024

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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 46 808 202
Operating Adjustments Budget	R 289 304 001
<b>TOTAL</b>	<b>R 336 112 203</b>

## **2. Performance assessment**

Section 72(3) of the MFMA requires that the Accounting Officer must as part of the mid-year review make recommendations as to whether an adjustments budget is necessary and recommend revised projections for revenue and expenditure to the extent that this may be necessary.

The management has reviewed and assessed the municipal performance for the mid-term, and it was clear that the budget adjustments is essential and therefore recommends that revenue and expenditure projections be revised due to the following factors:

## **3. Adjusted Operating Budget**

The Municipality continues with improving the quality of services provided to its citizens, its need to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The

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reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices has been made in balancing expenditures again realistically anticipated revenues.

In view of the following table is a consolidated overview of the 2023/2024 Adjustment Budget:

## OVERVIEW OF THE ADJUSTMENT BUDGET 2023/2024

### 4 ADJUSTMENT BUDGET SUMMARY AS PER B4 (ADJUSTMENTS TO BUDGET ASSUMPTIONS)

ADJUSTED BUDGET SUMMARY 2023/2024			
Description	Original Budget 2022/2023	Adjusted Budget 2023/2024	%increase or decrease
Total Revenue inclusive of capex	(244,912,339.00)	(246,887,287.00)	1%
Total Expenditure	271,469,383.25	289,304,001.00	7%
Total Capital Expenditure	47,122,330.00	46,808,201.95	-1%
<b>Internal Reserves</b>	<b>(73,679,374.25)</b>	<b>(89,224,915.95)</b>	<b>21%</b>
Total revenue including reserves	(318,591,713.25)	(336,112,202.95)	5%
Total Opex and Capex	318,591,713.25	336,112,202.95	5%
<b>TOTAL</b>	-	-	

#### Operating Revenue summary

The Operating Revenue has been increased by 1% when compared with the original budget. The contributing factor for this increase is due to the interest on investments as well as penalties that was originally understated on the original budget.

NB: From the deficit that has increased by 21%, its funded by our internal reserves which means the municipality is keep on tapping more into the reserves which might affect financial health of the municipality in future if they are not addressed.

#### Operating Expenditure summary

## Umuziwabantu Municipality Adjusted Budget for 2023/2024

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The total Operating Expenditure has been increased by 7% when compared with the approved budget. The contributing factor for expenditure increase is due to wet fuel, depreciation, impairment, repairs and maintenance security, SALGA games, insurance premiums, LED Summit, external audit landfill site as well as Auditor General fees.

### **5. OPERATING REVENUE FRAMEWORK**

#### **(Adjustments to budget funding)**

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected,
- Cash backed accumulated funds from previous year's surpluses not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section.

This refers to the narrative summary of the impact of the adjustment budget on the funding of operation and capital expenditure for the municipality.

The adjustment budget is funded by realistically anticipated revenues. This then ensures the financial sustainability of the municipality that both operating, and capital expenditure is funded appropriately.

## Umuziwabantu Municipality Adjusted Budget for 2023/2024

**Table B4 Adjustments Budget Financial Performance (revenue )**

Description	Original Budget	Total Adjusts 2023/24	Adjusted Budget 2023/24	Adjusted Budget Year 2024/25	Adjusted Budget Year 2025/26
<b>Exchange Revenue</b>					
Service changes- Electricity	39,823	(122)	39,701	46,552	51,476
Service changes- Waste Water Management	2,845	(724)	2,121	3,092	3,247
Sale of Goods and Rendering of Services	206	150	356	235	247
Agency services	975	(325)	650	1,024	1,075
Interest earned from Receivables	2,067		2,067	2,224	1,997
Interest earned from Current and Non Current Assets	6,576	2,100	8,676	7,955	8,352
Rental from Fixed Assets	410	68	478	430	452
Property rates	26,017	548	26,601	27,317	28,683
Fines, penalties and forfeits	159	2,048	2,207	167	175
Licences o permits	1,401	(200)	1,201	1,471	1,545
Transfer and subsidies - Operational	122,726		122,726	137,568	134,198
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>203,205</b>	<b>3,543</b>	<b>206,784</b>	<b>228,035</b>	<b>231,447</b>

**Grants revised as per Adjusted Division of Revenue Act gazette.**

Municipal Infrastructure Grant reduced by

R 1,817,000.00

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

- Interest on investment has been increased by R 1.5 million when compared with the original budget, due to its six months past performance.
- Penalties has been increased by R 1.9 million when compared with the original budget, due to the six months past performance.



# Umuziwabantu Municipality Adjusted Budget for 2023/2024

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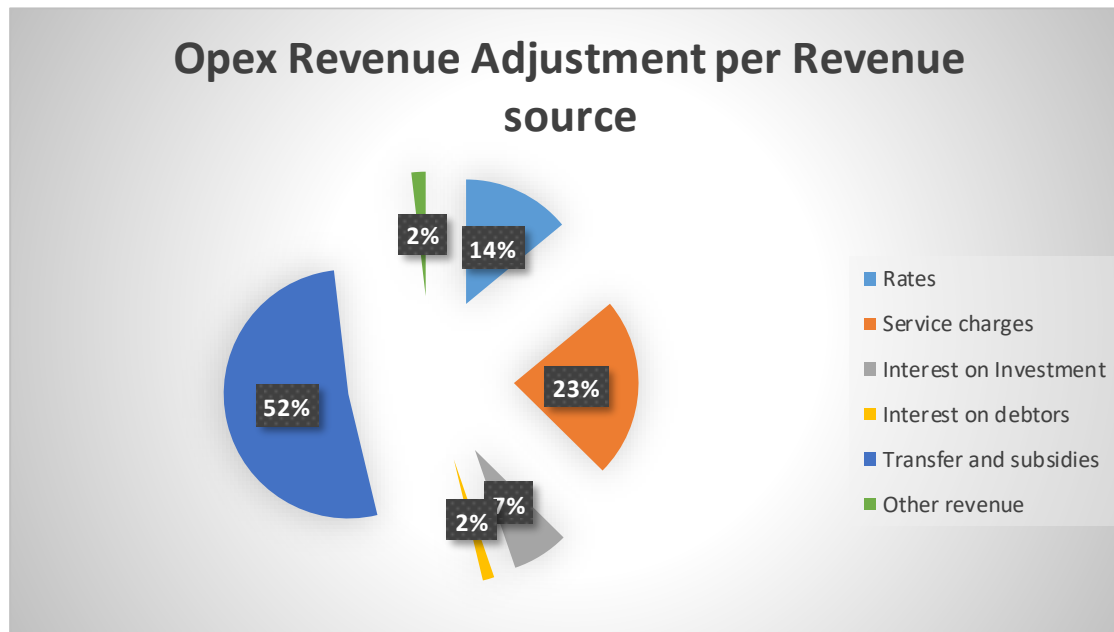
For Umuziwabantu Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times, strong revenue management and expenditure management is fundamental to the financial sustainability of every municipality. The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

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



## **6.1. 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.

## **7. Adjusted Main Operational Expenditure by Type**

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

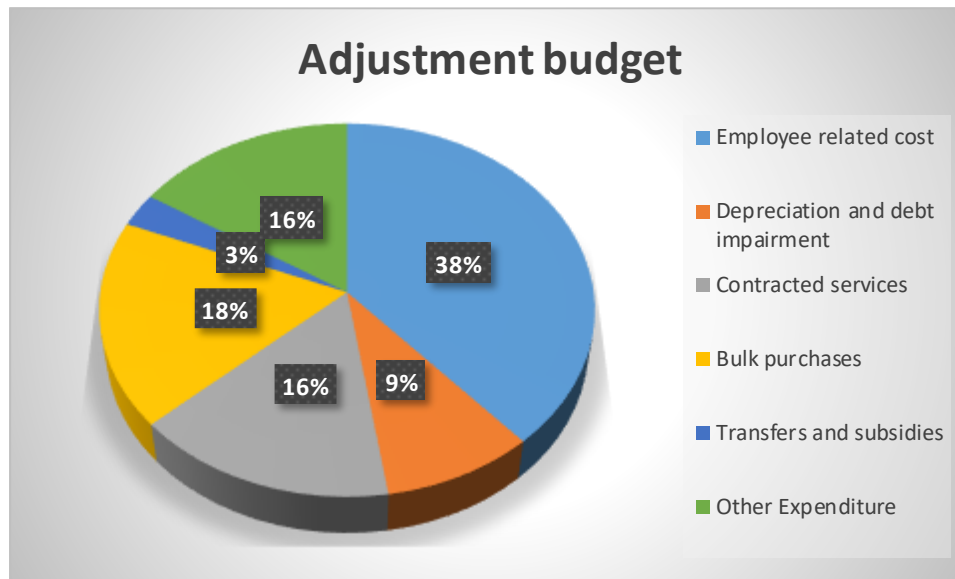
## Umuziwabantu Municipality Adjusted Budget for 2023/2024

**Table B4 Adjustments Budget Financial Performance (expenditure)**

Description	Original Budget	Total Adjusts 2023/24	Adjusted Budget 2023/24	Adjusted Budget Year 2024/25	Adjusted Budget Year 2025/26
<b><u>Expenditure By Type</u></b>					
Employee related costs	94,612		94,612	99,343	104,310
Remuneration of councillors	11,542		11,542	12,119	12,725
Bulk purchases- Electricity	49,276		49,276	53,405	56,075
Inventory consumed	1,083	1,083	2,166	1,137	1,194
Debt impairment	3,300		3,300	3,465	3,638
Depreciation and amortisation	25,755	1,965	27,720	27,043	28,395
Interest	33		33	35	37
Contracted services	41,810	990	42,800	38,620	40,551
Tranfers and subsidies	255	468	723	268	281
Operational costs	43,829	13,308	57,137	45,753	48,040
<b>Total Expenditure</b>	<b>271,495</b>	<b>17,814</b>	<b>289,309</b>	<b>281,188</b>	<b>295,246</b>

**Chart:2**

## Umuziwabantu Municipality Adjusted Budget for 2023/2024



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

- Road maintenance has been increased by R 3 000 000.00 when compared with the original budget.
- Wet fuel has increased by R1 050 000.00 when compared with the original budget.
- External audit fees have been increased by R 583 952.00
- External computer system has increased by R 2 000 000.00
- Depreciation has been increased by R 4 200 000.00
- Insurance premium has increased by R 1000 000.00
- Disaster management recovery has increased by R 750 000.00
- Professional fees for disaster have been decreased by R 500 000.00
- Inventory consumed electricity materials has been increased by R 1 000 000.00
- Personnel and Laborer has been decreased by R 499 112.00
- External computer software licenses have been increased by R 500 000.00
- Salga membership and subscription has been increased by R 1 200 000.00
- Salga accommodation has been increased by R400 000.00

## Umuziwabantu Municipality Adjusted Budget for 2023/2024

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- Remunerations to ward committees has been increased by R 500 000.00
- Mayoral cup games hire charges has been increased by R 368 367.99
- South Coast Tourism and investment has been increased by R 435 804
- Caucus fund has been increased by R 256 080
- Advertising publications has been increased by R265 000.00
- Building applications has been reduced by R 300 000.00
- Traditional spatial master plan has been reduced by R 334 008.00

### **8. 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.

#### **Debt Impairment**

The municipality has not adjusted the debt impairment budget however we have taken note of our previous Annual Financial Statements.

#### **Depreciation & Asset impairment**

Depreciation has been increased by R 2 million, and this is attributed by previous AFS performance and planned capital to be purchased as well as already purchased capital programs.

#### **Other materials: Repairs and maintenance**

During the compilation of the budget repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance and the weather pattern disasters especially to the rural roads. Therefore, the municipality has taken a decision to increase the budget for roads maintenance by R 3 million

## Umuziwabantu Municipality Adjusted Budget for 2023/2024

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### Contracted services and other expenditure.

Contracted services have been increased by 6% when compared with the original budget, the contributing factor is due to the past six months performance as well as the budget analysis that has been made.

### SPECIAL PROGRAMS AND CAUCUS

PROGRAMMES	FINAL BUDGET 2023/2024	ADJUSTMENT BUDGET 2023/2024	VARIENCE
PEOPLE WITH DISSABILITIES	239,616.00	379,616.00	140,000.00
GENDER	309,660.00	417,660.00	108,000.00
ART AND CULTURE	262,896.00	417,896.00	155,000.00
HIV AND AIDS	213,564.00	309,564.00	96,000.00
SENIOR CITIZENS	220,800.00	367,700.00	146,900.00
RIGHTS OF A CHILD	69,528.00	74,528.00	5,000.00
HERITAGE SUPPORT	110,004.00	230,004.00	120,000.00
RELIGIOUS SUPPORT	84,840.00	104,840.00	20,000.00
YOUTH	1,757,124.00	1,473,352.01	- 283,771.99
SPORTS	357,696.00	788,471.99	430,775.99
SALGA GAMES	991,020.00	1,473,016.00	481,996.00
LED	2,400,000.00	3,060,000.00	660,000.00
COCAUS	640,207.00	896,290.22	256,083.22
<b>TOTAL</b>	<b>7,656,955.00</b>	<b>9,992,938.22</b>	<b>2,335,983.22</b>

**NB:** The above table is indicating the adjustment budget movement as per the programs, in overall the programs has been increased by R 2 million when compared with the original budget, this budget is directly helping our communities in their needs even though the resources that we have are always scarce whereas wants are unlimited.

### 9. ADJUSTMENTS TO CAPITAL EXPENDITURE

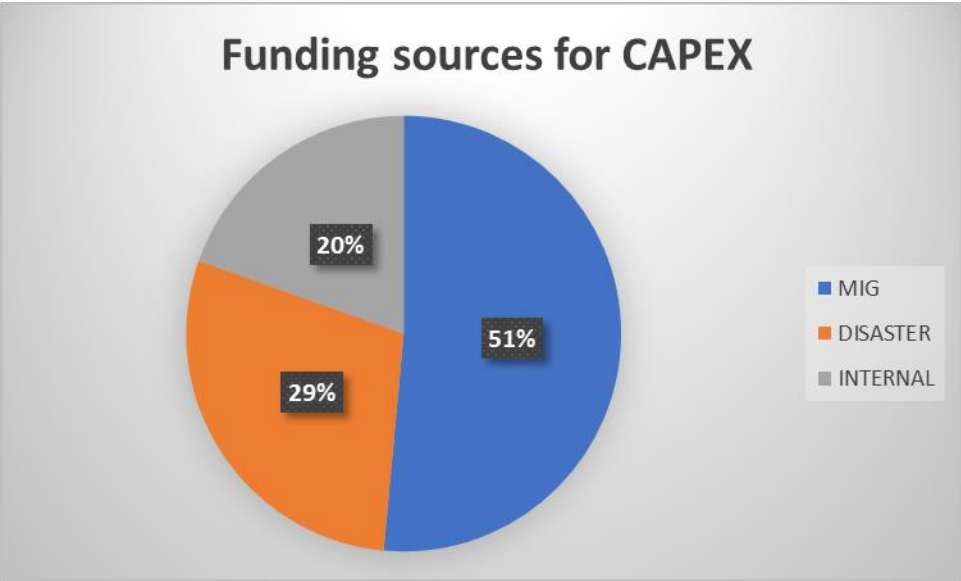
## Umuziwabantu Municipality Adjusted Budget for 2023/2024

Project Name	Total Budget	ADJUSTED BUDGET	VARIENCE
Hangwini-9 Road	3,249,996.00	2,221,284.63	-1,028,711.37
Mangashuza-10 Road	3,249,996.00	4,798,928.65	1,548,932.65
Fence Areodrome	50,004.00	-	- 50,004.00
Emazibukweni to KwaShabane access road	300,000.00	677,798.25	377,798.25
Upgrade field street-professional fees	300,000.00	1,515,249.18	1,215,249.18
Enduvini and Edolophini access road -	300,000.00	286,641.70	- 13,358.30
Stafford Street - Disaster Recovery Grant	561,996.00	-	- 561,996.00
Dolopini-4 Road	3,249,996.00	2,516,149.64	- 733,846.36
D908-Kwamayela-5 Road	3,249,996.00	4,025,635.09	775,639.09
Stafor Access Road-Internal Funding	1,038,000.00	1,400,000.00	362,000.00
Harding Sportfield - Ward 3	9,325,440.00	11,378,624.16	2,053,184.16
Mhlwazini Access Bridge - Ward 2	1,022,100.00	2,697,685.38	1,675,585.38
Engele Community Hall - ward 9	-	58,799.97	58,799.97
Construction of Municipal Offices	1,650,000.00	-	-1,650,000.00
Computer Software and Applications:Computer softwa	60,000.00	60,000.00	-
Computer Software and Applications:upgrade microsc	60,000.00	60,000.00	-
Surveillance CBD Cameras	99,996.00	99,996.00	-
GENERATOR 100 KVA	200,004.00	255,000.00	54,996.00
Cemetry Recording Computer System	564,996.00	-	- 564,996.00
Computer Equipment		892,600.00	892,600.00
Lightning Conductor	500,004.00	500,000.00	- 4.00
Power Plants:Circuit bracker	700,008.00	1,100,000.00	399,992.00
Furniture and Office Equipment	80,004.00	80,004.00	-
Knap Sack	99,996.00	29,800.00	- 70,196.00
Mini Fridge	3,000.00	3,000.00	-
Construction of Mazakhele Community Hall	9,775,824.00	4,632,431.78	-5,143,392.22
Construction of Fantini Road	4,490,976.00	2,400,585.25	-2,090,390.75
Construction of Access Road C ward1	300,000.00	857,984.27	557,984.27
Machinery and Office Equipment	140,004.00	70,000.00	- 70,004.00
Excavator	2,499,996.00	2,790,000.00	290,004.00
Mhlwazini Access Bridge - INTERNAL	-	1,100,000.00	1,100,000.00
STORES	-	300,000.00	300,000.00
<b>TOTAL</b>	<b>47,122,332.00</b>	<b>46,808,197.95</b>	<b>- 314,134.05</b>

# Umuziwabantu Municipality Adjusted Budget for 2023/2024

The above table is indicating movements per each capital projects however in overall capital budget has decreased by R 314 134.05 as it shown in the above table, the major contributing factor is the amount for the municipal offices which has been removed due to facts that it is relating to the retention.

Capital Budget per revenue source.



Our overall Capital Budget is R46 million which is funded by MIG funding of R 24 million, R 13.5 million is from disaster funding and R9.1 million is coming from internal funds, which is slowly straining our cash back reserves. MIG funding has been reduced by R 1.8 million in alignment with the revised Division of Revenue.

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

During the first seven months of the period under consideration, Umuziwabantu Municipality was able to spend 47% on its



## Umuziwabantu Municipality Adjusted Budget for 2023/2024

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operational expenditure which is below by 3% when compared with the straight-line budgeting, 24% of its capital expenditure which is below by 26% when compared with the straight-line budgeting and 65% was received under revenue as of January 2024. During the review of the budget against the actual results for the first seven months analysis, the Municipality is not performing well in terms of capital projects however there are some projects that has been awarded hoping to increase the spending pattern of the municipality. Umuziwabantu Municipality cost coverage ratio as of January 2024 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 to do the adjustments accordingly, with the little that we have, the municipality has tried to spread the pie according to the priorities.

## Umuziwabantu Municipality Adjusted Budget for 2023/2024

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

I, Mr. P Cele, 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. P Cele

Municipal Manager of UMUZIWABANTU MUNICIPALITY (KZN214)

Signature \_\_\_\_\_

Date :



