



UMDONI MUNICIPALITY

The **J.E.W.E.L** of the South Coast

2nd ADJUSTMENT BUDGET

2023/2024 FINANCIAL YEAR

24th APRIL 2024

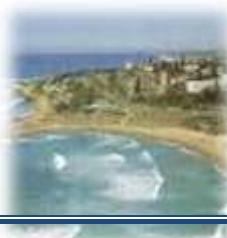




TABLE OF CONTENTS

No.	DESCRIPTION	PAGE	ANNEXURE
1.	Draft Resolutions	3	
2.	Adjusted Budget Executive Summary		
2.1	Vision, Mission and Objectives of Umdoni Municipality	5	
2.2	Mayors Report	6	
2.3	Executive Summary	8	
2.4	Overview of the 2023/2024 Adjusted Capital Budget	9	
2.5	Overview of the 2023/2024 Adjusted Operational Budget	11	
2.8	Adjustments to Budget Assumptions	17	
2.9	Overview to Budget Funding	21	
2.10	Adjustments to Budget Funding	23	
2.11	Adjustments to Expenditure on Grants Allocations	25	
2.12	Adjustment to Allocations and Grants Made	26	
2.13	Adjustments to Councilor Allowances and Employee Costs	27	
2.14	Adjustments to SDBIP	28	
3.	Quality Certification	29	
	B SCHEDULE (ATTACHED)		



1. DRAFT RESOLUTIONS

Section 28 of the Municipal Finance Management Act, No.56 of 2003 states *inter alia* as follows:

- (1) *A municipality may revise an approved annual budget through an adjustments budget.*
- (2) *An adjustments budget—*
 - (a) *must adjust the revenue and expenditure estimates downwards if there is 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 programmes 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.*



(3) *An adjustments budget must be in a prescribed form.*

Council with regard to the 2023/2024 2nd Adjusted Budget table the following resolutions for adoption:

- (a) In terms of Sec 28(2) of the MFMA, the proposed 2023/2024 2nd Adjustment Budget (Capital & Operating) be approved as set out in the report
- (b) The 2023/24 Adjusted Medium Term Revenue and Expenditure Framework (MTREF) be approved as set out in Budget Tables
- (c) The report on the 2023/24 2nd Adjustments Budget, in electronic formats be submitted to both Provincial and National Treasuries within 10 working days as required by the Regulation 24 of the Municipal Budget and Reporting Regulations(MBRR).
- (d) It be noted that any adjustments made to the 2023/24 Operating Budget do not result in any changes to the municipal taxes and tariffs.



2.1 VISION, MISSION AND OBJECTIVES OF THE UMDONI MUNICIPALITY

VISION
MISSION STATEMENT
PRINCIPLES OF UMDONI MUNICIPALITY

“BY 2030 UMDONI WILL BE THE JEWEL OF THE SOUTH COAST”

“WORKING TOGETHER IN CONTRIBUTING TO JOB CREATION, ECONOMIC VIABILITY THROUGH SUSTAINED LOCAL ECONOMIC DEVELOPMENT TO ENSURE THE WELLBEING OF OUR COMMUNITY IN ECO FRIENDLY ENVIRONMENT.”

- **JOB CREATION**
- **ECONOMIC VIABILITY**
- **WELLBEING OF THE COMMUNITY**
- **ENVIRONMENTALLY FRIENDLY ENVIRONMENT**
- **LOCAL ECONOMIC DEVELOPMENT**



2.2 **MAYORS REPORT**

The Municipal Finance Management Act, No. 56 of 2003 requires the assessment of the Mid-Term budget and performance of the municipality which must be complied annually in January. During this assessment it was recommended that an adjustments budget is necessary due to matters identified during the mid-year assessment.

This Adjustments Budget is required to re-align and reprioritize expenditure and other service delivery programmes to ensure our objectives are met by the end of the financial year. As government, we understand the economic situation which our communities are facing, the need to keep make a living while maintaining the high living cost. At the same time, we strive to provide the best and quality service for a better life for all, even though there are constraints from consumers in paying for services. We encourage consumers to get used to a culture of paying for services in order for provision of sustainable services.

Consumers are encouraged to apply for indigent relief should they find difficulty in meeting their payment obligations towards the Municipality. As a Municipality, we strive to be efficient, effective and prudent in the manner in which we deal with the state and municipal resources. We continue taking serious the issues of governance and service delivery, striving towards a clean administration and compliance with all applicable legislation.

We have in place an audit action addressing matters raised in the 2022/23 audit, structures in place entrusted with such oversight includes the audit committee, the risk management committee and all Council structures. The audit action plane tabled in Council is monitored on through the performance management system and the Management Committee to ensure that the findings are addressed and not repeated in the 2023/2024 audit.

The mid-term budget and performance assessment tabled in January 2023 at Council provided the financial status of operations within the municipality as well as its entity for the first six months. Subsequently, the first adjustment budget was prepared in February 2024.

In an effort to provide services in a sustainable manner and managing any disruptive circumstances in the process, the municipality had applied for funding to the National Disaster Management Centre to restore the condition of the infrastructure which was destroyed during the severe weather



events that occurred in May/June 2022. The National Department of Cooperative Governance had approved the application and allocated the funding amounting to R9,4 million to the municipality as Municipal Disaster Response Grant(MDRG). Furthermore, additional funding has been received for the following grants; EPWP R200 thousands and MIG amounting to R4 million. This additional funding has been appropriated accordingly in the budget to be spent before the end of the current financial year(MIG) and the MDRG to be spent within six months from the date of receipt.

As outlined in the mid-year budget assessment sound financial management should be promoted and practised on a daily basis. Council will continue to prioritize service delivery and ensure that budgets remain funded and fully comply with all legislation prescripts.

I thank you.



2.3 EXECUTIVE SUMMARY

In an effort to achieve service delivery with the limited resource envelop available, the municipality's service delivery priorities were reviewed as part of this year's planning and budget preparation process. In addressing the state of infrastructure and amenities, Council re-prioritized from low- to high-priority programmes so as to maintain sound financial discipline. A review was undertaken of expenditures on non-core items. Budget has been reduced in some of the administrative programmes in lieu of the service delivery programmes. Cost containment measures will continue to be implemented to a greater extent to contain the spending. The focus will be to aggressively chase up arrear debtors and reduce the debtors in arrear and improve the cash flow and liquidity of the municipality. The challenge is to remain financially viable and remain a going concern going forward in order to continue service delivery. In terms of the capital budget, it envisaged that grant funds will be spent during the 2024-2024 year, which will improve service delivery, where projects will be completed. In instances were transferring departments adjusted their allocations, the adjustment budget reflects these changes.

In view of the aforementioned, the following table is a consolidated overview of the 2023/2024 Adjusted Medium-term Revenue and Expenditure Framework:

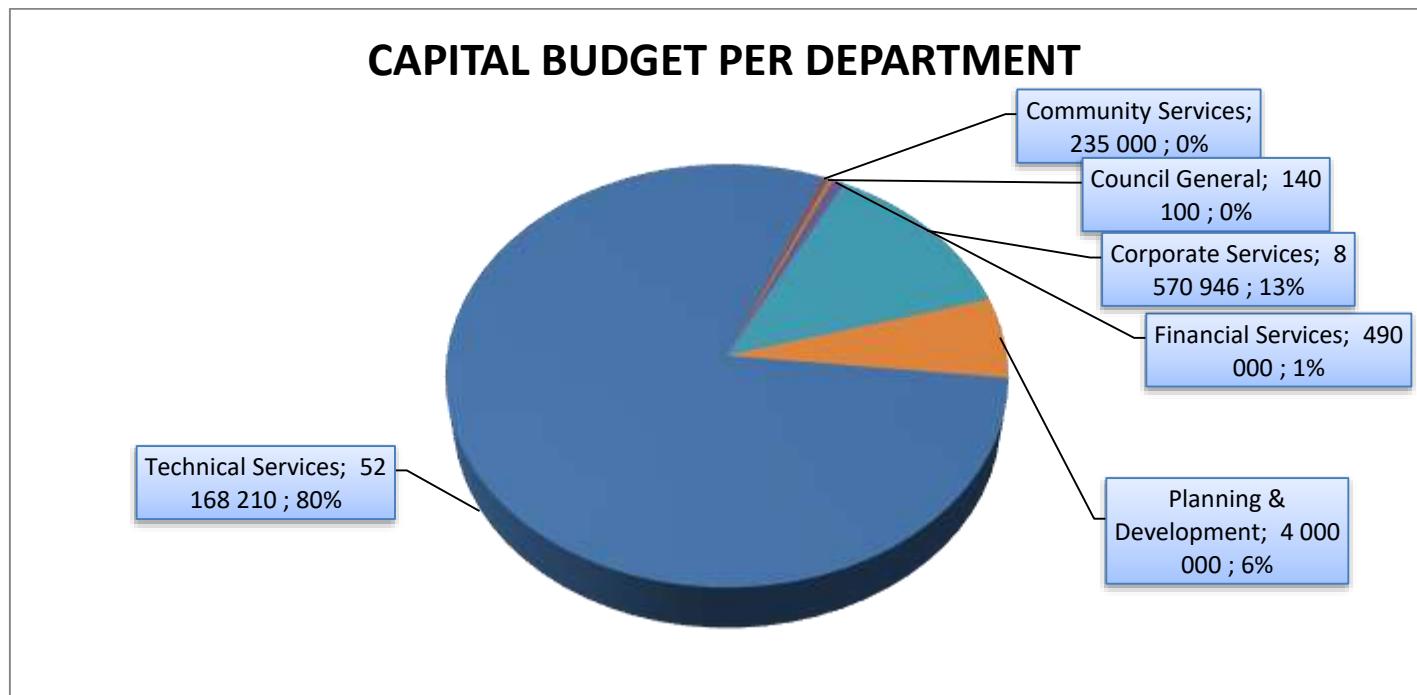
KZN212 Umdoni - Table B1 Adjustments Budget Summary - 24/04/2024												
Description R thousands	Budget Year 2023/24										Budget Year +1 2024/25	Budget Year +2 2025/26
	Original Budget A	Prior Adjusted 1 A1	Accum. Funds 2 B	Multi-year capital 3 C	Unfore. Unavoid. 4 D	Nat. or Prov. Govt 5 E	Other Adjusts. 6 F	Total Adjusts. 7 G	Adjusted Budget 8 H	Adjusted Budget	Adjusted Budget	
<u>Financial Performance</u>												
Property rates	128 181	128 627	-	-	-	-	-	-	128 627	158 383	165 827	
Service charges	12 959	12 964	-	-	-	-	-	-	12 964	13 594	14 233	
Investment revenue	8 276	10 500	-	-	-	-	-	-	10 500	8 682	9 090	
Transfers recognised - operational	189 779	191 941	-	-	-	-	9 600	9 600	201 541	200 222	197 334	
Other own revenue	28 954	29 334	-	-	-	-	-	-	29 334	30 373	31 801	
Total Revenue (excluding capital transfers and contributions)	368 149	373 366	-	-	-	-	9 600	9 600	382 966	411 252	418 283	



2023/2024 ADJUSTMENT BUDGET EXECUTIVE SUMMARY

2.4 OVERVIEW OF THE 2023/2024 ADJUSTMENT CAPITAL BUDGET

The Capital Expenditure has increased from R 61 604 254 to R 65 604 256 (including vat). Capital budget excluding vat amounts to R 57 591 210 which was previously approved at R 54 112 948. It has increased approximately by R3 478 262 (6,4%). The increase emanates from additional grant funding (MIG) received. Comparison of the adjustment capital budget allocations per department follows:





ADJUSTMENTS PER VOTE/DEPT CLASSIFICATION

Council – No adjustment made.

Finance – No adjustment made.

Corporate Services – No adjustment made.

Community Services – No adjustment made.

Technical Services – A substantial adjustment has been made on this department. Funding amounting to R4 million has been received as MIG additional funding. This additional funding has been allocated to roads and a hall as follows; Dumisa Hall and Skills Center (ward 05) R1 020 million, Nsongeni Tar road (ward 16) at R1 498 million and Mafithini Tar road (ward 08) allocated R1 480 million. These allocations were appropriated to projects which did not have funding during the first adjustment budget. The total adjustment amounts to R4 million vat inclusive and R3,4 million vat exclusive.

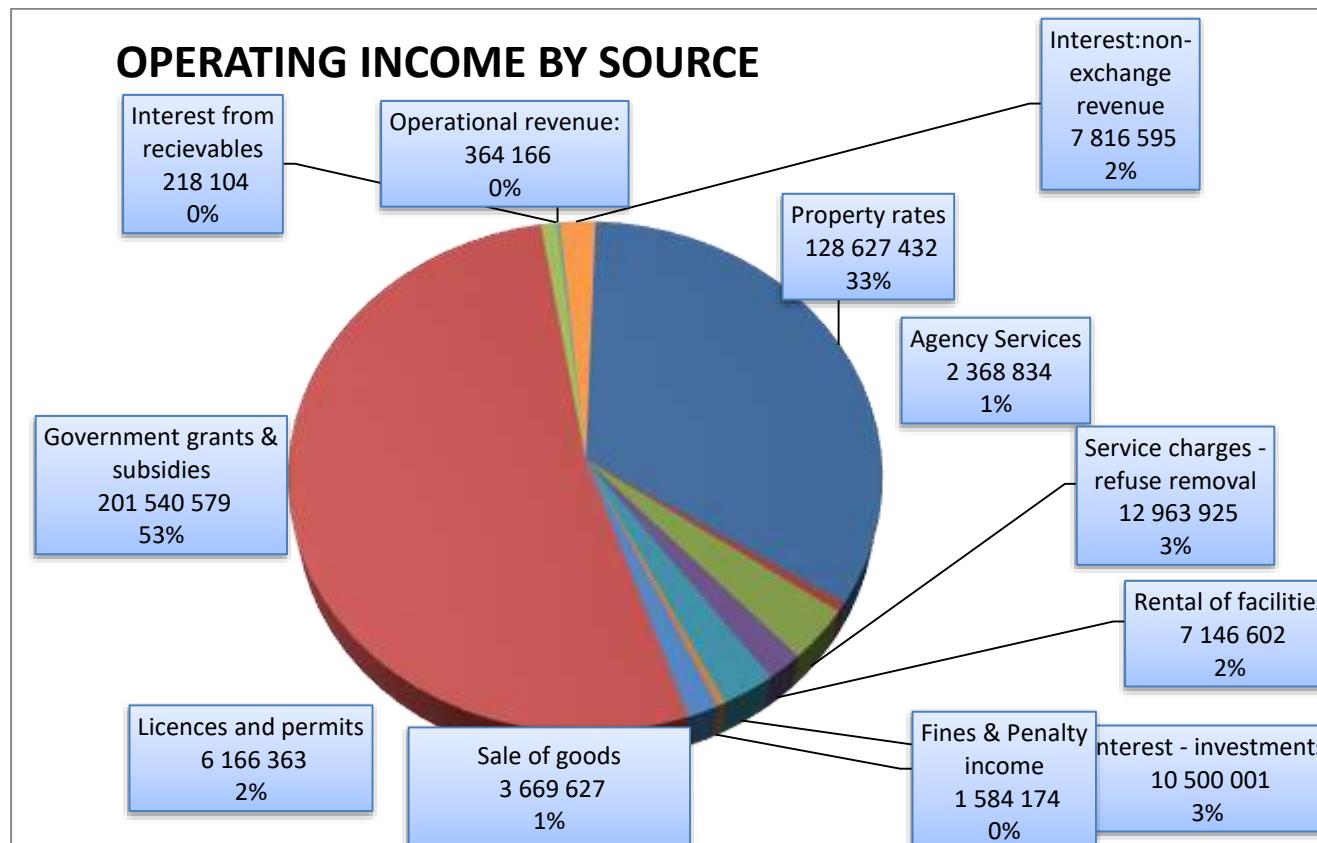
Planning and Development – No adjustment made.



2.5 OVERVIEW OF THE 2023/2024 ADJUSTMENT OPERATING BUDGET

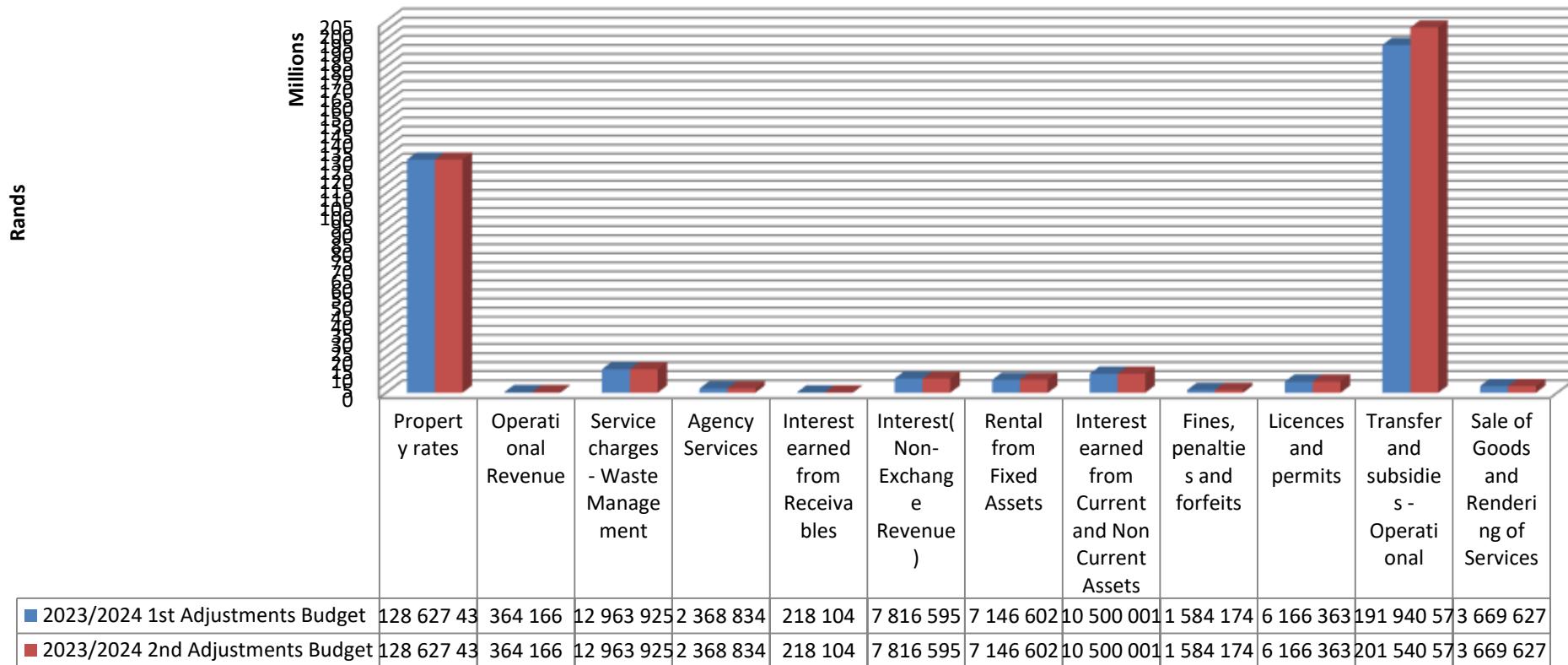
2.5.1. OPERATING INCOME

The operating income has increased from R 373 366 402 to R 382 966 402. This is an increase of R 9 600 000 (2,57%), a graphical presentation of the adjusted composition of income is shown below, together with comparatives per source of revenue:





COMPARISON OF OPERATING INCOME BY SOURCE





Property Rates Income No adjustment made.

Service Charges Income No adjustment made.

Rental from Fixed Assets No adjustment made.

Interest earned from Current and Non-Current Assets No adjustment made.

Interest No adjustment made.

Interest earned from Receivables No adjustment.

Fines and penalty income No adjustment made.

Licenses and permits No adjustment made.

Sale of Goods and Rendering of Services No adjustment made.

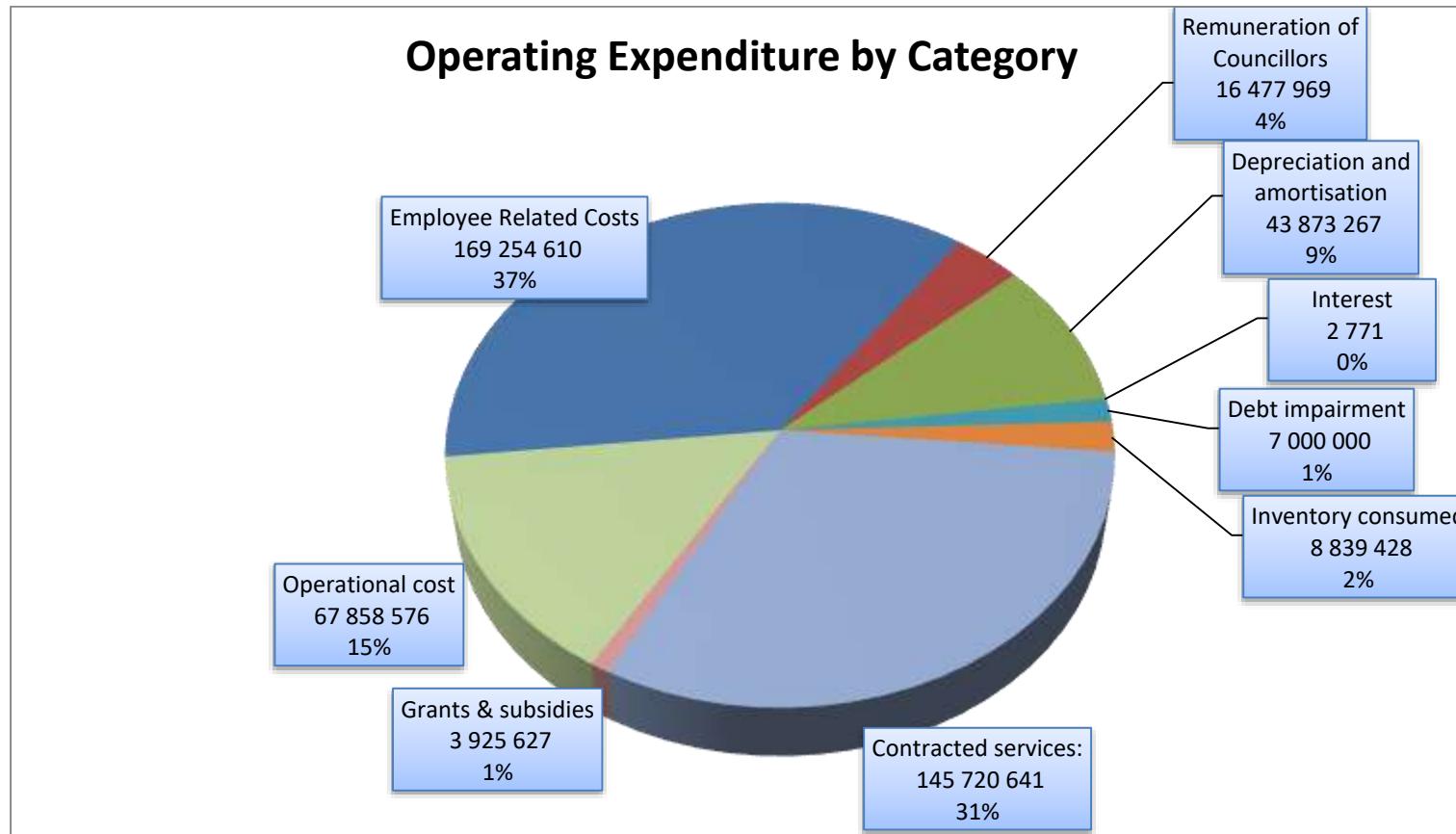
Government Grants an adjustment of R9,6 million has been made on this income source. The adjustment is resulting from additional revenues received from national government in the form of EPWP Grant (R200 thousands) and Municipal Disaster Response Grant (MRDG) at R9,4 million.

Agency Services No adjustment made.



2.5.2. OPERATING EXPENDITURE

Operating expenditure increased from R 453 352 889 to R 462 952 889, resulting in R9 600 000 (2,12%) increase in expenditure. The increase is resulting from the additional funding received in the form of operating grants. A graphical overview of the composition of operational expenditure as well as comparisons by category to the approved budget follows:





Employee related costs amounts to R 169,2 million. An adjustment of R200 thousands being the top-up has been effected which stems from the additional funding received in the form of EPWP Grant.

Remuneration of Councilors No adjustment.

Depreciation There has been no adjustment made.

Contracted services R9,6 million being the upward adjustment. Included in the total adjustments is the R9,4 million of the disaster funding relating to the seven projects. Disaster projects are as follows; Hlongwa Road - Ward 04, Vukaphi Road - Ward 05, Mpemba Road - Ward 06, Shange Road - Ward 08, Hazelwood Area (Gravel Roads) - Ward 13, Mpemba Road - Ward 14 and Bushy grove - Ward 15. Major allocations are; security services allocated at R20,1 million, Landfill site management R15 million, Grass cutting R6,2 million, Provision of life guards at R1,8 million, Street lights maintenance R3,5 million, Electrification Programme expenditure at R5,8 million. Furthermore, there are appropriations made relating to rural roads and urban roads rehabilitation both at R30,5 million in total.

The budget for Other Expenditure the upward adjustment amounts to R207 thousands which is effected as a summary of virements processed which also needs to be taken into accounts when doing the adjustment budget in line with the guidance issued on the MFMA Circulars. These virements were not increasing or decreasing the budget. Major allocations are; Operating leases sitting at R3,3 million, Audit fees R2,6 million, Telephone and fax R1,5 million, Landfill site contribution to provision R2,2 million, Drivers and Licenses and permits R1,3 million, and Network extensions at R3,1 million.

Other Materials No adjustment effected.

Transfers and Subsidies R489 thousands being the downward adjustment on this expenditure category. Major allocations are as follows; R1,5 million appropriated for Co-operative development assistance, R1,4 million for disaster relief expenditure and R276 thousands allocated under youth development programmes.



Debt Impairment No adjustment made under this category. Debtors are assessed as an on-going exercise and the impact of the proposed incentive cannot be quantified currently. The prescribed debt write off will also affect the impairment.



2.8 *ADJUSTMENTS TO BUDGET ASSUMPTIONS*

Budget assumptions have changed due to several issues.

Revenue

- All revenue levels were based on current and past year actual trends, and therefore resulted in a realistic revenue base and kept in line with inflation as far as possible;
- Tariffs, rates and surcharges: still the same.
- Mostly other income has been increased taking into account the prevailing current trends.

Expenditure

- Expenditure levels were kept as low as possible whilst prioritizing service delivery
- The following areas were targeted in terms of expenditure:
 - Councilors Allowances
 - General expenses
- Employee costs budgeted have been increased.
- Administrative costs budgeted have been decreased.

Financing the capital budget (borrowing, own revenue, surpluses not committed)

Capital Budget has been funded by Grants (MIG), Informal Trader Stalls Grant, Finance Management Grant and internal funding. The majority of the capital budget has been allocated to Roads, Community halls and Sports fields. No borrowing to be utilised as funding.



Service Delivery Backlogs

Service delivery backlogs have been addressed extensively as a results a substantial amount of the capital budget has been set aside for upgrading of assets in an effort to eradicate backlog.

Main revenue streams

The municipality's main revenue streams comprise of property rates, service charges: refuse and own revenue. Revenue projections have been made based on the current trends.

Operating expenditure appropriations and major expenditure items

Expenditure has been estimated taking into account cost containment measures. Major expenses are employee related costs (37%), Contracted services (31%) and other expenditure (15%).

Asset management / repairs and maintenance appropriations aligned to infrastructure plans

Repairs and maintenance budget is above the norm of 8%(sitting at 10,2%). This has been achieved because funding from reserves will be used.

Conditional grants and planned applications and outcomes

Grants support plans are being implemented. The aim is 100% spending.

External factors

The National Treasury forecasts real GDP growth of 0.8 per cent in 2023, compared with 0.9 per cent projected in the 2023 Budget Review. Growth is projected to average 1.4 per cent from 2024 to 2026. Relative to the 2023 Budget, the weaker projection for 2023 mainly reflects lower household consumption expenditure due to higher inflation and interest rates, and lower net exports.

Power cuts are expected to continue till this year (2024). Faster, determined implementation of energy and logistics reforms remains critical to boosting economic growth". Extracted from the MFMA Circular 125.



General inflation outlook and its impact on the municipal activities

These are key factors that have been taken into consideration in the compilation of the 2023/24 Adjustment Budget:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers;

Growth or decline in tax base of the municipality

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition, the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.



Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of approximately to 100 per cent is achieved on operating and capital expenditure for the 2023/2024 Adjustment Budget of which performance has been factored into the cash flow budget at 90% to accommodate the accruals at year end for operating expenditure and 100% capital budget except retentions withheld.



2.9 *OVERVIEW OF BUDGET FUNDING*

Challenges and risks facing the municipality with the implementation of the 2023/2024 Budget;

- The ongoing difficulties in the national and local economy;
- Aging infrastructure;
- The major challenge facing the municipality is low revenue collections as they are below the norm,
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities
- The increasing salary bill and the need to fill critical vacancies;
- Aged fleet
- SARS delays in releasing vat refunds due to the current audit that is currently under way.

Utilisation of Reserves and the Funding of the Outer years of the MTREF:

- Reserves are only anticipated to be utilized in the 2023/24 financial year and the next financial year if there are unspent funds.



UMDONI MUNICIPALITY

2ndADJUSTMENT BUDGET DOCUMENTATION FOR THE 2023/2024 BUDGET YEAR

KZN212 Umdoni - Table B8 Cash backed reserves/accumulated surplus reconciliation - 24/04/2024

Description	Ref	Budget Year 2023/24										Budget Year +1 2024/25	Budget Year +2 2025/26
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget		
R thousands		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H			
Cash and investments available													
Cash/cash equivalents at the year end	1	262 114	124 241	—	—	—	—	800	800	125 041	311 199	342 371	
Other current investments > 90 days		—	—	—	—	—	—	—	—	—	—	—	
Non current assets - Investments	1	—	—	—	—	—	—	—	—	—	—	—	
Cash and investments available:		262 114	124 241	—	—	—	—	800	800	125 041	311 199	342 371	
Applications of cash and investments													
Unspent conditional transfers	2	4 986	4	—	—	—	—	0	0	4	4 986	4 986	
Unspent borrowing		—	—	—	—	—	—	—	—	—	—	—	
Statutory requirements		(35 309)	(19 455)	—	—	—	—	522	522	(18 934)	(46 789)	(58 167)	
Other working capital requirements		14 482	3 505	—	—	—	—	800	800	4 305	78 712	127 506	
Other provisions		5 435	57 143	—	—	—	—	—	—	57 143	7 078	8 796	
Long term investments committed		—	—	—	—	—	—	—	—	—	—	—	
Reserves to be backed by cash/investments		34 233	3 143	—	—	—	—	—	—	3 143	58 103	59 478	
Total Application of cash and investments:		23 827	44 338	—	—	—	—	1 322	1 322	45 660	102 089	142 598	
Surplus(shortfall)		238 288	79 903	—	—	—	—	(522)	(522)	79 381	209 110	199 773	

**2.10 ADJUSTMENTS TO BUDGET FUNDING**

Umdoni Municipality primary funding source is rates and grants.

OPERATIONAL REVENUE

DESCRIPTION	ADJUSTED BUDGET
<u>OPERATING REVENUE BY SOURCE:</u>	
Property rates	128 627 432
Sale of Goods and Rendering of Services	3 669 627
Service charges - Waste Management	12 963 925
Rental from Fixed Assets	7 146 602
Agency Services	2 368 834
Interest earned from Current and Non-Current Assets	10 500 001
Fines and Penalty income	1 584 174
Interest earned from Receivables	218 104
Interest	7 816 595
Operational Revenue	364 166



UMDONI MUNICIPALITY

2ndADJUSTMENT BUDGET DOCUMENTATION FOR THE 2023/2024 BUDGET YEAR

Licences and permits	6 166 363
Government grants and subsidies	201 540 579
Total Revenue by Source	382 366 402

***2.11 ADJUSTMENTS TO EXPENDITURE ON GRANT ALLOCATIONS***

No further adjustments were made except for the one mentioned above in the expenditure analysis.

Government Grants And Subsidies	1 st Adjusted Budget	2 nd Adjusted Budget	Variance
Expanded Public Works Grant(EPWP)	R1 401 000	R1 601 000	R200 000
Municipal Infrastructure Grant(MIG)	R33 635 000	R37 635 000	R4 000 000
Municipal Disaster Response Grant(MRDG)	R0	R9 400 000	R9 400 000

FUNDING SOURCE: CAPITAL	
National Grants	36 231 424
Provincial Grants	4 800 000
Internal Revenue	24 572 833
TOTAL: FUNDING SOURCE	65 604 256



2.12 ADJUSTMENTS TO ALLOCATIONS AND GRANTS MADE

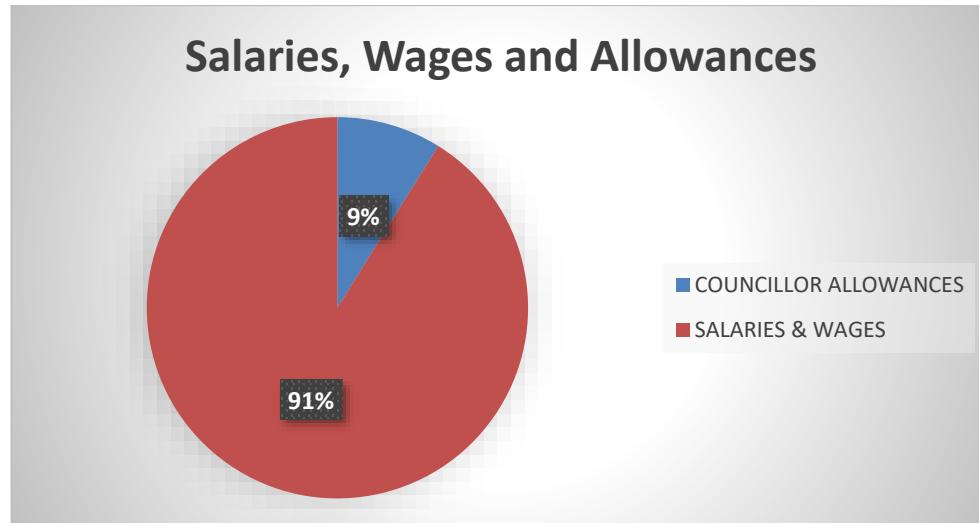
No adjustments made except the ones highlighted under operating expenditure.



2.13 *ADJUSTMENTS TO COUNCILLOR ALLOWANCES AND EMPLOYEE COSTS*

Both Councilor Allowances and employee costs have been adjusted as stratified below:

Salaries, Wages and Allowances



	Adjusted Budget	%
Councillor Allowances	16 477 969	8,87%
Salaries and Wages	169 254 610	91,13%
Total	185 732 579	100,00%

The total annual budget for salaries and allowances (including councillor allowances) is sitting at R185,7 million. The remuneration ratio is currently sitting at 40% (within the threshold of 25% - 40%).



2.14 ADJUSTMENTS TO SDBIP

The SDBIP will be adjusted in accordance with the adjustments to the budget.



3. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

I, MRS T.C. NDLELA, Municipal Manager of UMDONI MUNICIPALITY, hereby certify that the adjustment budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act, No.56 of 2003 and, to the extent as indicated in the budget documents, the regulations made under this Act, and that the annual budget and supporting documentation are consistent with the revised Integrated Development Plan of the Municipality.

PRINT NAME: _____

MUNICIPAL MANAGER OF: _____

SIGNATURE: _____

DATE: _____