DATE: 17/02/2021

UMZUMBE MUNICIPALITY

COUNCIL

SUBJECT: APPROVAL OF FINAL ADJUSTMENT BUDGET 2020/2021

PURPOSE: TO ENSURE APPROVAL OF FINAL ADJUSTMENT BUDGET 2020/2021

BACKGROUND

In terms of section 72(1) of the Municipal Finance Management Act, No. 56 of 2003, the accounting officer must by 25 January of each year:

- Assess the performance of the municipality during the first half of the financial year, taking into account the –

(a) The monthly statements (i.e. financial reports);

(b) Annual report for previous year; and

(c) 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 (SDBIP)

- Submit a report on such assessment to –

(a) The mayor of the municipality;

(b) The National Treasury; and

(c) The Provincial Treasury.

In terms of section 72 (3) of the MFMA, the accounting officer must as part of the review-

(a) Make recommendations as to whether the adjustment budget is necessary; and

(b) Recommend revised projections for revenue and expenditure to the extent that this may be necessary.

STRATEGIC IMPLICATIONS

The report facilitates the monitoring and transparency of overall expenditure in terms of the budget. It further serves to ensure compliance.

STAFF IMPLICATIONS

There are no staff implications.

OTHER PARTIES CONSULTED

Provincial & National Treasury, Budget Steering Committee.

COMMUNICATION

This report is tabled to Council and submitted to Provincial and National Treasury.

LEGAL IMPLICATIONS

Compliance with MFMA.

FINANCIAL IMPLICATIONS

There are no financial implications except for the implications of the adjustments on the budget.

RECOMMENDATION

- The Council approves the Adjustments Budget for the 2020/2021 financial year.

PREPARED BY:	APPROVED BY:
Mr. K. AUDAN	Mr. T.P. CELE
CHIEF FINANCIAL OFFICER	MUNICIPAL MANAGER

ADJUSTMENT BUDGET OF UMZUMBE MUNICIPALITY 2020-2021

FEBRUARY 2021

PART 1

1. EXECUTIVE SUMMARY

In terms of section 72 (3) of the MFMA, the accounting officer must as part of the review-

(a) Make recommendations as to whether the adjustment budget is necessary; and

(b) Recommend revised projections for revenue and expenditure to the extent that this may be necessary.

The municipality had conducted its processes in order to prepare the adjustment budget for the 2020-2021 financial year. The processes entailed thorough consultation with the various departments whereby departmental budget adjustments were submitted and confirmed. The information was also presented to the budget steering committee. Due consideration was given to revenue/expenditure that was earned/incurred for the past six months ended 31 December 2020 as well as revenue/expenditure that will be realistically earned/incurred during the next six months ended 30 June 2021.

There was an overall increase of R88 million from the original budget resulting in the total adjusted budget of R 420 million. This increase can be mainly attributed to an increase relating to government grant and subsidies of R 42 million and 55 million relating to utilization of internal savings, while a decrease of R9 million relating to interest from investments. The adjusted operational budget amounts to R245 million and the adjusted capital budget amounts to R175 million.

The interest on investments were adjusted downward due to the severe impact of a decrease in interest rates. However, the municipality forecasts keeping funds invested for the next six months at competitive interest rates taking into account the severe impact on interest rates.

The R42 million increase in government grant and subsidies arises out of the rollovers of prior year unspent grant balances which had been approved by National Treasury.

The 55 million additional internal savings, relate mainly to internal funds that have been rolled over for other capital projects that were initiated in the previous financial year. Anticipated income from other income such as hall hire were adjusted downward.

Operational expenditure budget was increased by R18 million to R245 million to accommodate priority projects within the departments such as repairs & maintenance, NGO/NPOs, LED projects, community and social projects as well as general administration targets.

Capital expenditure budget was increased by R70 million to R175 million to accommodate prioritized capital projects such as construction of roads, indoor sports complex, office building as well as the purchase of machinery, equipment & vehicles.

2. ADJUSTMENT BUDGET TABLES

Annexure B

The adjustment budget tables is attached to this report. The adjustment budget tables contain the following:

1. Table B1 Adjustment Budget Summary.

2. Table B2 Adjust Budget Financial Performance (standard classification).

3. Table B3 Adjustment Budget Financial Performance (revenue and expenditure by municipal vote).

4. Table B4 Adjustment Budget Financial Performance (revenue and expenditure).

5. Table B5 Adjustment Capital Expenditure Budget by vote and funding.

6. Table B6 Adjustment Budget Financial Position.

7. Table B7 Adjustment Budget Cash Flow.

8. Table B8 Cash backed reserves / accumulated surplus reconciliation.

9. Table B9 Asset Management.

10. Table B10 Basic Service Delivery Measurement.

ADJUSTMENTS TO BUDGET ASSUMPTIONS

The municipality views cost containment as a priority with a view to strict monitoring and control over expenditure. In preparation of the budget, cost containment measures have been factored in where possible in terms of circular 82. The municipality budget has also factored in 7% towards inflationary projections. There was also 7% that was applied to employee related costs taking into consideration the Salary and Wage Collective Agreement.

ADJUSTMENTS TO BUDGET FUNDING

There was an overall increase of R88 million from the original budget resulting in the total adjusted budget of R 420 million. This increase can be mainly attributed to an increase relating to government grant and subsidies of R 42 million and 55 million relating to utilization of internal savings, while a decrease of R9 million relating to interest from investments. The adjusted operational budget amounts to R245 million and the adjusted capital budget amounts to R175 million.

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The municipality's cash flow is projected to be positive throughout the 2020-2021 year. The municipality will monitor and evaluate the financial stability against strict implementation of the approved 2020-2021 budget.

ADJUSTMENTS TO EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMS

The municipality's sources of revenue are government grants and subsidies, interest from investments, tender sales, and hall hire and municipal property rates income. With regards to the main government grants, the municipality will receive allocations from equitable share, Local Government Financial Management Grant (FMG), INEP, EPWP and Municipal Infrastructure Grant (MIG). The R42 million increase in government grant and subsidies arises out of the rollovers of prior year unspent grant balances such MIG, Disaster Management , INEP and Massification which had been approved by National Treasury.

The municipality plans to spend the full amount for each grant in accordance with their respective business plans. Regular monitoring, evaluation and reporting will be undertaken for each grant in this regard.

ADJUSTMENT TO ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

The municipality has shared service level agreements with UGU South Coast Tourism entity falling under the UGU district municipality and the UGU South Coast Development Agency falling under the Ray Nkonyeni Municipality for the promotion and development of tourism and local economic development in Umzumbe. These have already been accounted for in the budget.

ADJUSTMENTS TO COUNCILORS AND EMPLOYEE BENEFITS

The total budgeted amount for employee costs and councilors remuneration is R94 million which represents 22% of the total budget. This comprises R18 million for councilors and R76 million for staff. The Salary and Wage Collective Agreement for the period 01 July 2018 to 30 June 2021 had been concluded. In this regard, the municipality had initially applied an increase of 7% to employee related costs. With regard to councillors, the municipality has utilised the remuneration in accordance with the latest Gazette and had initially applied a 5% increase. Therefore no further changes were required.

ADJUSTMENTS TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS

The municipality comprises the following departments: Municipal mangers office, Financial services, Technical services, Corporate services & Community and Social services. Each department in the municipality has conducted strategic review sessions. This formed the basis for the review of the service delivery and budget implementation plans. The adjustment budget has been taken into consideration in reviewing and adjusting the service delivery and budget implementation plans.

ADJUSTMENT TO CAPITAL EXPENDITURE

The capital budget is funded mainly from MIG, Internal reserves, Disaster management grant & Equitable share grant.

Capital expenditure budget was increased by R70 million to R175 million to accommodate prioritized capital projects such as construction of roads, indoor sports complex, office building as well as the purchase of machinery, equipment & vehicles.

SUPPORTING DOCUMENTS

Refer to the schedule attached for more details and in support of the above information.

CONCLUSION AND RECOMMENDATION

The proposed detailed budget adjustments (as attached) are expected to enhance service delivery by ensuring that resources are earmarked for those activities where they are needed the most and to ensure that under spending is minimized.

It is recommended that the adjustment budget for the 2020-2021 financial year be approved.

MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I, T.P. CELE, Municipal Manager of Umzumbe Municipality, hereby certify that the adjustment budget for the 2020-2021 financial year has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name Mr. T.P. CELE

Municipal Manager of Umzumbe Municipality (KZN213)

Signature

Date 19/02/2021