ADJUSTMENT BUDGET 2022/23

OF

Umzumbe Municipality

ADJUSTMENT BUDGET 2022-2023

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 adjustments are 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 2022/23 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 2022 as well as revenue/expenditure that will be realistically earned/incurred during the next six months ending 30 June 2023.

There was an overall increase of **R50.8 million (VAT INCLUSIVE)** from the original budget resulting in an overall adjusted budget of **R416 million (VAT INCLUSIVE)**. This increase can be attributed to an increase in Plant Hire budget to offset an over expenditure of R17 million incurred, an amount of R5 million was approved to be reprioritized from **Municipal Infrastructure Grant** to fund roads maintenance as a result of the floods from April 2022, an increase in allocation for investment in infrastructure asset and other operation costs utilizing internal funds to the amount of R46 million, while a net increase of R3.5 million relating to interest from investments and other income. The adjusted operational budget amounts to **R300 million (VAT INCLUSIVE)** and the adjusted capital budget amounts to **R115 million (VAT INCLUSIVE).**

The interest on investment was adjusted slightly upwards due to the recovery of the economy and slight increase in in interest rates by the SA Reserve Bank. The municipality forecasts keeping the funds invested for the next six months at competitive interest rates taking into account the positive outlook projected on interest rates.

The additional R46 million from internal savings relates to mainly internal funds that have been rolled over for other capital projects that were initiated in the previous financial year as well as other operational projects. Anticipated income from other income such as Hall Hire was adjusted upwards.

Operational expenditure budget was increased by **R43.8 million (VAT INCLUSIVE)** to **R300 million** to accommodate priority projects within departments such as repairs and maintenance, NGO/NPO support, LED projects, community and social projects, Planning projects with potential to unlock significant economic opportunities for the municipality and its residents as well as general administration targets.

Capital expenditure budget increased by **R6.9 million (VAT INCLUSIVE)** to **R115 million (VAT INCLUSIVE)** to accommodate priority capital projects such as construction of roads, community halls, office buildings as well as purchase machinery, equipment and furniture.

2. ADJUSTEMENT 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 Adjustment 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 Budget Capital Expenditure by vote and Funding.
6. Table B6 Adjustment Budget Financial Position.
7. Table B7 Adjustment Budget Cash Flow.
8. Table B8 Adjustment Budget Cash Backed Reserves/Accumulated Surplus Reconciliation.
9. Table B9 Adjustment Budget Asset Management.

10. Table B2 Adjustment Budget Service Delivery Management.

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. There were no changes to these assumptions from the original budget as the municipality felt that it is still appears relevant towards the next six months.

ADJUSTMENTS TO BUDGET FUNDING

There was an overall increase of **R50.8 million (VAT INCLUSIVE)** from the original budget resulting in the total adjusted budget of **R416 million (VAT INCLUSIVE)**. This increase can be mainly attributed to an increase relating to R46 million relating to utilization of internal savings, while a net increase of R3.5 million relating to interest from investments, property rates and other income. The adjusted operational budget amounts to **R300 million** and the adjusted capital budget amounts to **R115 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 2022-2023 year. However, through the advice of the CFO, the municipal manager has emphasized the severe pressure on financial resources in terms of utilization of internal savings and that council must take this into consideration. The municipality will monitor and evaluate the financial stability against strict implementation of the approved 2023-2024 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. wiith 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 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 R99.8 million which represents 35% of the operational budget. This comprises R18.9 million for councilors and R80.8 million for staff. There were no adjustments to the original budget.

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 Recovery grant & Equitable share grant.

Capital expenditure budget was increased by **R6.9 million (VAT INCLUSIVE)** to **R115 million (VAT INCLUSIVE)** accommodate prioritized capital projects such as construction of roads, office building as well as the purchase of machinery, equipment and furniture.

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 2022-2023 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 2022-2023 financial year has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I, T.P. CELE, Acting Municipal Manager of Umzumbe Municipality, hereby certify that the special adjustment budget for the 2022-2023 financial year has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the act and the regulations made under the act.

Print Name Thembinkosi Patrick Cele

Acting Municipal Manager of Umzumbe Municipality (KZN213)

Signature ______________________

Date 22 February 2023