DATE: 14/02/2022

UMZUMBE MUNICIPALITY

COUNCIL

SUBJECT: APPROVAL OF FINAL ADJUSTMENT BUDGET 2021/2022

PURPOSE: TO ENSURE APPROVAL OF FINAL ADJUSTMENT BUDGET 2021/2022

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 financial implications in terms of the adjustments on the budget. Council must ensure that going forward expenditure is strictly managed and ensure cost reduction where possible.

RECOMMENDATION

- The Council approves the Adjustments Budget for the 2021/2022 financial year.

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

Umzumbe
MUNICIPALITY

BUILDING A BETTER FUTURE

ADJUSTMENT BUDGET OF UMZUMBE MUNICIPALITY 2021-2022

FEBRUARY 2022

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 2021-2022 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 2021 as well as revenue/expenditure that will be realistically earned/incurred during the next six months ended 30 June 2022.

There was an overall increase of R78 million from the original budget resulting in the total adjusted budget of R 375 million. This increase can be mainly attributed to an increase relating to government grant and subsidies of R 13 million and 64 million relating to utilization of internal savings, while a net increase of R1,1 million relating to interest from investments, property rates and other income. The adjusted operational budget amounts to R261 million and the adjusted capital budget amounts to R114 million.

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

The R13 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 and other government departments and the district municipality.

The 64 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 and tender sales were adjusted upward.

Operational expenditure budget was increased by R26 million to R261 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 R52 million to R114 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 had already factored in 4,5% towards inflationary projections. There was also 6% that was applied to employee related costs taking into consideration the Salary and Wage Collective Agreement. 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 R78 million from the original budget resulting in the total adjusted budget of R 375 million. This increase can be mainly attributed to an increase relating to government grant and subsidies of R 13 million and 64 million relating to utilization of internal savings, while a net increase of R1,1 million relating to interest from investments, property rates and other income. The adjusted operational budget amounts to R261 million and the adjusted capital budget amounts to R114 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 2021-2022 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 2021-2022 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 R13 million increase in government grant and subsidies arises out of the rollovers of prior year unspent grant balances such Disaster Management, INEP and Massification which had been approved by National Treasury and other government departments and the district municipality.

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 R98 million which represents 38% of the operational budget. This comprises R19 million for councilors and R79 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 6% 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. There was no increase from the prior year as a 5% increase was already factored in but was not received. Therefore, no further changes were required compared 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 management grant & Equitable share grant.

Capital expenditure budget was increased by R52 million to R114 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 2021-2022 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 2021-2022 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 17 FEBRUARY 2022