

MAPHUMULO LOCAL MUNICIPALITY



NARRATIVE REPORT ADJUSTMENT BUDGET 2022/23

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1 PART 1

1.1 PURPOSE

To recommend to council an approval of 2022/23 adjustment budget in terms of section 28 (2) (b), (e) and (f) of the Municipal Finance Management Act of 2003.

1.2 BACKGROUND

Section 16 (1) of the MFMA requires that the Council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. On 30 May 2022, Council approved the Annual Budget for the financial year 2022/23. The approved 2022/23 annual budget and its supporting documentation was submitted to National and Provincial Treasury as required by section 22(b) (i) of the MFMA.

The adjustment budget is prepared in terms of Section 28 (2) (b), (e) and (f) of the MFMA which state that an adjustment Budget:

- (2) (b) May appropriate additional revenues that have become available over and above those anticipated in the annual budget in order to accelerate spending programmes already budgeted for;
- (2) (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 the projected roll-overs when the annual budget for the current year was approved by the council;
- (2) (f) May correct any errors in the annual budget.

As per the requirements of section 28 (2) (b) and (e) of the MFMA the, corrections have been made in the approved budget, these include both corrections as indicated by Provincial Treasury as well as those identified by the municipality on reviewing and preparing this adjustments budget.

1.3 MAYOR'S REPORT

The Adjustment Budget is presented based section 28 of the MFMA which state that municipality may revise an approved annual budget through the adjustment budget. In the preparation of this adjustment budget, we made sure that basic service delivery is not compromised, and we also ensured compliance with the section 28 (4) – (5) of the MFMA. The strategic priorities for the Maphumulo Local Municipality are set out in the integrated Development Plan (IDP), which was reviewed for the 2022/23 financial year and will be revised every year as prescribed by legislation. This adjustment budget is in line with our IDP.

In order to ensure continuous and sustained development and service delivery within the municipal area, Maphumulo Municipality identified programs and projects that constituted the municipalities focus areas during the year under review. These programs and projects fall under the national key performance areas for local government. The integration of these programs and projects was pursued during this planning and alignment cycle.

The adjustment budget is prepared in terms of Section 28(2) of the MFMA which states that an Adjustment Budget:

- Revises the approved annual budget by adjusting revenue and expenditure estimates downwards if there's material under-collection of revenue during the current year.
- May appropriate additional revenues that have become available over and above those anticipated in the annual budget in order to accelerate spending programmes already budget for.
- May within a prescribed framework authorise unforeseeable and unavoidable expenditure recommended by the Mayor of the Municipality
- May authorise the utilisation of projected savings in one vote towards spending under another vote.
- May authorise the spending of unspent funds at the end of the past financial year where under-spending could not have been reasonably foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the Council of the Municipality.
- May correct errors in the annual budget and
- May provide for any other expenditure within a prescribed framework.

The Municipality adopted a Vision and Mission that will provide direction for the municipality. Under my leadership and that of the Acting Municipal Manager, Mr T Khuluse and the Executive Committee, much progress has been made to accelerate service delivery in the municipal area. In this context, it is recommended that Council considers and approves the adjustment budget.

1.4 EXECUTIVE SUMMARY

In preparing this Adjustment Budget we considered Section 28 of MFMA which states that the municipality may revise an approved annual budget through an adjustment budget. In terms of section 28 (4) of the MFMA, the Mayor of the Municipality must table an adjustment budget in the municipal Council accompanied by explanations on how the adjustment budget affects the annual budget, provide supporting documentation and motivates for any material changes to the annual budget. Paragraph (6) of that section, however, forbids the mayor to adjust tariffs and taxes except where required in terms of a financial recovery plan.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2022/23 Adjustment Budget Revenue and Expenditure Framework:

(A). Operating Expenditure Framework:

Description	Current Year 2022/23			Indicative Years	
	Original Budget	Adjustments	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25
Thousand	R'000	R'000	R'000	R'000	R'000
Total Revenue (excluding capital transfers and contributions)	142 198	(80)	142 119	145 758	153 081
Total Expenditure	(139 798)	(1 739)	(141 537)	(145 245)	(152 395)
Surplus/(Deficit)	2 400	(1 818)	582	514	686
capital transfers & subsidies	31 986		31 986	24 986	25 946

(B). Capital Expenditure Framework:

Description	Current Year 2022/23			Indicative Years	
	Original Budget	Adjustment	Adjusted Budget	Budget Year 2023/24	Budget Year 2024/25
Thousand	R'000	R'000	R'000	R'000	R'000
Capital Expenditure	33 687	(324)	33 363	22 559	23 446
Transfers recognised – capital-National	28 727		28 727	22 559	23 446
Transfers recognised – capital-Provincial		630	630		
Internally generated funds	4 960	(954)	4 006	2 803	3 009
Total Capital Funding	33 687	(324)	33 363	22 559	23 446

PART 2

1.5 ADJUSTMENTS TO BUDGET ASSUMPTIONS

IDP informs the budget. When the original budget was compiled, various public meetings were held, and input was gained from those meetings to compile the IDP. Strategic workshops were held with political stakeholders to identify needs in the various wards that would be included in the IDP. Those needs were prioritized and are still part of this 2022/23 Adjustment Budget.

The budget assumptions as per the original approved budget are still applicable on this adjustments budget.

1.6 ADJUSTMENTS TO BUDGET INCOME

Income is mainly made up of grants, property rates, and other income. These income projections are based on a billing charge except the interest earned from investment and other Income account which is based on cash bases.

The total operating income as per the original approved budget is R142.2 million, it has been adjusted downward to R142.1 million.

1.7 ADJUSTMENTS TO OPERATING INCOME AND EXPENDITURE

1.7.1 OPERATING INCOME

Table B4 shows the following:

KZN294 Maphumulo - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 28/02/2023												
Description	Ref	Budget Year 2022/23									Budget Year +1 2023/24	Budget Year +2 2024/25
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	1	A	A1	B	C	D	E	F	G	H		
Revenue By Source												
Property rates	2	24 002	-	-	-	-	-	(1 825)	(1 825)	22 176	25 202	26 462
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	202	-	-	-	-	-	-	-	202	202	202
Rental of facilities and equipment		932						20	20	952	979	1 028
Interest earned - external investments		462						200	200	662	486	510
Interest earned - outstanding debtors		209						(78)	(78)	131	164	164
Dividends received		-						-	-	-	-	-
Fines, penalties and forfeits		-						-	-	-	-	-
Licences and permits		8						-	-	8	8	9
Agency services		117						-	-	117	123	129
Transfers and subsidies		115 918						1 076	1 076	116 994	118 229	124 193
Other revenue	2	349	-	-	-	-	-	227	227	576	366	384
Gains		-						300	300	300	-	-
Total Revenue (excluding capital transfers and contributions)		142 198	-	-	-	-	-	(80)	(80)	142 119	145 758	153 081

Property Rates

The original approved budget for Property rates is R24 million. Property rate is adjusted downward to R22.2 million, this adjustment is based on actual revenue billed from July 2022 to January 2023 and the projection of billing for the next five months.

The actual billings for different property categories are as follows.

- Government properties were adjusted downward by R9116 000 because government properties were billed for entire year at the beginning of the financial year and no billing will happen till the end of financial year.
- Commercial properties adjusted downward by R916 000. Most of commercial properties is already billed for entire year we anticipate raising billing of R382 000 from now till the end of financial year.
- Agricultural properties were billed at the beginning of the year and these properties were given 100% rebate and no adjustment made for to agricultural properties.
- Ingonyama Trust properties were billed at the beginning for the entire year and were giving 100% rebate no adjustment made on this category.
- Residential properties adjusted upwards by R45 400.

Rental of Facilities and Equipment

Rental of facilities and Equipment comprises of hall hire fees and rentals debtors. Hall hire fee is on cash bases and Rental debtors is based on billings. The rental of facilities and equipment as per the original approved budget is R920 000 and adjusted upwards to R940 100 based on mid-year performance and expected monthly billings.

Hall hire rentals original budget was R12 300 and no adjustment made.

Refuse Revenue

The original budget for refuse revenue is R202 000, based on monthly performance no adjustment made on refuse revenue.

License and Permit

The original budget for license revenue is R8 000 and no adjustment made.

Agency services

The original budget for agency services is R117 000 and there's no adjustment made.

Interest Earned External Investments

Interest earned on external investments as per the original approved budget is R462 000 and is adjusted upwards by R200 00 to R662 000. This adjustment is based on the fact that the municipality opened new investment Bank account with ABSA Bank, and we are anticipating accumulating R200 000 from our new investment account.

Interest earned - outstanding debtors.

Interest earned on outstanding debtors as per the original approved budget is R209 000 and adjusted down to R164 000. This adjustment is based on that some property categories received 100% rebates; Government properties are paying accordingly what is outstanding on Government property is not yet due to us since we billed them in the beginning of the year (Pre billing).

The interest outstanding debtors final budget is made up of two property rates categories rental debtors, which budgeted as R45 000 for residential properties, R155 000 for commercial properties and R8 600 for Rental debtors.

Transfer receipts – operational

Budgeted operational grant was based on the Division of Revenue Bill (DoRB) issued by Treasury in March 2022. The original budget is R115.9 million. Transfers and subsidies adjusted by R1.1 million coming from previous year. This is Library grant approved roll over which will be realised during 2023.

Other Revenue

Other revenue account is on cash bases. Other revenue as per the original approved budget is R342 000 adjusted upward to R576 000. The following table shows the original budget and adjustments budget per item.

OTHER REVENUE DESCRIPTION	2022/23 ORIGINAL BUDGET	ADJUSTMENTS	2022/23 FINAL BUDGET
TRANSACTION HANDLING FEES	5 600.00	-	5 600.00
SKILLS DEVELOPMENT LEVIES RECOVERIES	60 000.00	300.00	60 300.00
SALE OF GOODS AND RENDERING OF SERVICES- PUBLICATIONS-TENDER DOCUMENTS	96 000.00	-	96 000.00
BUILDING PLANS APPROVALS	30 000.00	- 25 000.00	5 000.00
EXCHANGE REVENUE- SHARED SERVICES	145 000.00	55 614.13	200 614.13
OPERATION REVENUE- INSURANCE REFUNDS		199 980.00	199 980.00
LIBRARY COLLECTIONS	12 000.00	- 3 500.00	8 500.00
	348 600.00	227 394.13	575 994.13

1.7.2 OPERATING EXPENSES

KZN294 Maphumulo - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 28/02/2023												
Description	Ref	Budget Year 2022/23									Budget Year +1 2023/24	Budget Year +2 2024/25
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	1	A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
Expenditure By Type												
Employee related costs		52 889	-	-	-	-	-	1 335	1 335	54 224	53 538	56 189
Remuneration of councillors		9 440						1	1	9 441	9 912	10 408
Debt impairment		3 006						(985)	(985)	2 021	3 612	3 793
Depreciation & asset impairment		17 314	-	-	-	-	-	-	-	17 314	18 179	19 088
Finance charges		16						-	-	16	17	18
Bulk purchases - electricity		-	-	-	-	-	-	-	-	-	-	-
Inventory consumed		1 340	-	-	-	-	-	218	218	1 558	1 314	1 384
Contracted services		33 224	-	-	-	-	-	(1 803)	(1 803)	31 421	36 351	38 134
Transfers and subsidies		3 640						460	460	4 100	2 772	2 911
Other expenditure		18 929	-	-	-	-	-	2 514	2 514	21 442	19 550	20 471
Losses		-						-	-	-	-	-
Total Expenditure		139 798	-	-	-	-	-	1 739	1 739	141 537	145 245	152 395

Employee Related Cost and Remuneration for Councillors

Employee related costs as per the original approved budget is R52.9 million. This budget increased by R1.3 million after the recalculation of twelve months salaries for current employees and the few that might likely to join the municipality towards financial year-end. The final budget for Salaries is R54.2 million this budget it includes leave and bonus provision, Leave are payable as when the employee move from current position to the next within the municipality or if employee is leaving the municipality and Bonuses payable in the 2023/24 financial year, 25th of November 2023.

Remuneration for Councillors as per the original approved budget is R9.4 million and after the extra population of 12 months current councillor's salaries no much adjustments there the remuneration for councillors remain as R9.4million no changes.

Analysis of Employee cost the salary norm must rage between 25%- 40%. The current Budget salary norm as per this adjustment budget is as follows:

$$= \frac{\text{Employee Cost + Remuneration for Councillors}}{\text{Total Operating expenditure}}$$

$$= \frac{\text{R54.2 million + R9.4 million}}{\text{R140.3 million}}$$

$$= \mathbf{45\%} \quad \text{which is above the norm}$$

Although the municipal Employee related cost increases in the adjustment budget the contracted services adjustment budget show a decrease of R2.4 million.

Debt Impairment

Debts impairment consist of consumer debtors. Debtors are tested for debt impairment annually. The original budget for debt impairment is R3 million. This budget adjusted down to R2. million.

The reason for the adjustment is based on the billed revenue and the possibility to recover the debts before 30 June 2023.

The following rate payers are not paying as they supposed to. We raise billings and we also raised a provision for impairment of the amount equal to billing plus interest charge. This is done based on that we don't want to overstate budget for Accounts receivable and current ratio at the end of the budget year.

These are the rate payers which there is high possibility that they will fail to pay their debts as at the end of budget year there for we made a provision for current debt.

➤ Commercial	R 1 722 630.76
➤ Residential	<u>R 298 685.02</u>
Total Debts impairment	<u>R 2 021 315.78</u>

Depreciation and Assets Impairment

The original budget for depreciation and asset impairment is R17.3 million and there is no adjustment made.

Inventory and Consumable

The original budget is R1.3 million and adjusted upwards to R1.6 million. This budget includes consumable such as stationery, cleaning materials, small tools etc.

Contracted services.

Contracted services as per the original approved budget is R33.2 million, based on the analyses of contracted services line ne by line per department the adjusted contracted services adjusted downward to R31.4 million. There is a savings of R1.8 million.

Transfers and grants

Included in transfers and grants are free basic services (FBS), electrification project funded internal and SMME support funded by Municipal Employment Initiative (MEI) grant. Original budget is R3.6 million and adjusted to R4.1 million.

This adjustment is for expenditure incurred R 460 000 related to identification of energy and solar study which was not budgeted for in the original budget.

Other Expenditure

Other expenditure as per the original approved budget is R18.9 million. Analysis of Other expenditures per line item for each department results in adjusting the otherer expenditure upwards by R2.5 million, the final budget for other expenditure is R 21.4 million.

1.8 ADJUSTMENT TO CAPITAL EXPENDITURES

The initial approved budget was R33.7 million and there some adjustments made as per capital expenditure line items per department. The adjusted budget of capital expenditure R33.4 million which shows decrease of R324 000.

The capital expenditure adjustments are as follows:

1.8.1 CAPITAL EXPENDITURE BY VOTES

KZN294 Maphumulo - Table B5 Adjustments Capital Expenditure Budget by vote and funding - 28/02/2023												
Description	Ref	Budget Year 2022/23									Budget Year +1 2023/24	Budget Year +2 2024/25
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands		A	A1	B	C	D	E	F	G	H		
Capital Expenditure - Functional												
Governance and administration		4 310	-	-	-	-	-	(1 184)	(1 184)	3 126	-	-
Executive and council		-						30	30	30	-	-
Finance and administration		4 310						(1 214)	(1 214)	3 096	-	-
Internal audit		-						-	-	-	-	-
Community and public safety		11 550	-	-	-	-	-	(4 532)	(4 532)	7 018	-	-
Community and social services		3 550						760	760	4 310	-	-
Sport and recreation		8 000						(5 292)	(5 292)	2 708	-	-
Public safety		-						-	-	-	-	-
Housing		-						-	-	-	-	-
Health		-						-	-	-	-	-
Economic and environmental services		17 827	-	-	-	-	-	5 393	5 393	23 220	22 559	23 446
Planning and development		600						-	-	600	-	-
Road transport		17 227						5 393	5 393	22 620	22 559	23 446
Environmental protection		-						-	-	-	-	-
Trading services		-	-	-	-	-	-	-	-	-	-	-
Energy sources		-						-	-	-	-	-
Water management		-						-	-	-	-	-
Waste water management		-						-	-	-	-	-
Waste management		-						-	-	-	-	-
Other		-						-	-	-	-	-
Total Capital Expenditure - Functional	3	33 687	-	-	-	-	-	(324)	(324)	33 363	22 559	23 446

Governance and administration

The original budget is R4.3 million and adjusted down to R3.1 million. The adjustments for Government and administration explained in the table below.

EXPENDITURE BY FUNCTION	ASSETS DESCRIPTION	2023 ORIGINAL BUDGET EXC. VAT and Retentions	ADJUSTMENT	2023 ADJUSTED BUDGET
GOVERNANCE AND ADMINISTRATION	IT SOFT WARE - CORPORATE SERVICES	90 000.00	-	90 000.00
	MVOZANE SERVICE CENTRE	800 000.00	-	800 000.00
	EXECUTIVE VEHICLES - MUNICIPAL MANAGER	3 000 000.00	-	800 000.00
	IT COMPUTERS - MM		30 000.00	30 000.00
	IT COMPUTERS - TECHNICAL		19 000.00	19 000.00
	OFFICE EQUIPMENT - TECHNICAL	150 000.00	-	120 000.00
	OFFICE EQUIPMENT(AIRCONS & APPLIANCES)- Library			230 000.00
	INSTALLATION OF BORE HOLE - Library			150 000.00
	IT COMPUTERS -LIBRARY			100 000.00
	IT COMPUTERS - BTO	100 000.00	54 416.49	154 416.49
	IT COMPUTERS - COPRPATE SERVICES	170 000.00	-	122 150.00
		4 310 000.00	- 1 664 433.51	3 125 566.49

Economic and environmental services

The original budget is R17.8 million and adjusted upwards to R23.2 million. The adjustments for economic and environmental service explained in the table below.

EXPENDITURE BY FUNCTION	ASSETS DESCRIPTION	2023 ORIGINAL BUDGET EXC. VAT and Retentions	ADJUSTMENT	2023 ADJUSTED BUDGET
ECONOMIC AND ENVIRONMENTAL SERVICES	AGRICULTURAL TRACTOR -COMMUNITY SERVICES	600 000.00	-	600 000.00
	FURNITURE - TECHNICAL		101 000.00	101 000.00
	UPGRADES OF ALL ROADS -TECHNICAL	3 500 000.00	-	3 500 000.00
	OKHUKHO ROAD- TECHNICAL	-	2 739 881.19	2 739 881.19
	PHOZOMANE ROAD - TECHNICAL	5 748 137.87	-	5 748 137.87
	OKHALWENI ROAD- TECHNICAL	7 978 818.65	2 552 344.24	10 531 162.90
		17 826 956.52	5 393 225.43	23 220 181.95

Community and public safety

The original budget is R11.5 million and adjusted downwards to R7 million. The adjustments for community and public safety explained in the table below.

EXPENDITURE BY FUNCTION	ASSETS DESCRIPTION	2023 ORIGINAL BUDGET EXC. VAT and Retentions	ADJUSTMENT	2023 ADJUSTED BUDGET
COMMUNITY AND PUBLIC SAFETY	IT COMPUTER -COMMUNITY SERVICES	50 000.00	-	50 000.00
	FURNITURE - LIBRARY		150 000.00	150 000.00
	MVOZANE SERVICE CENTRE		609 773.75	609 773.75
	RENOVATIONS OF COMMUNITY HALL- COMMUNITY	3 500 000.00	-	3 500 000.00
	SABUYAZE SPORT FIELD	8 000 000.00	- 5 292 225.43	2 707 774.57
		11 550 000.00	- 4 532 451.68	7 017 548.32

It's important to note that these final adjustment budget figures are not an indication of available budget as at the end of February 2023. Some items are already at zero as at the end of February 2023, for such expenditure items no procurement will take place from now till the end of the financial year to avoid unauthorised expenditure.

1.8.2 CAPITAL EXPENDITURE BY FUNDING SOURCES

National Government grants

Total National Government transferred capital is made of MIG and MDR.

- I. MIG amount allocation is R 21.7 million VAT exclusive.
- II. MDR allocation amount to R7 million VAT inclusive.

The final adjusted budget movements are as follows.

MIG Grant

PROJECTS DESCRIPTION	2023 ORIGINAL BUDGET EXCL. VAT	ADJUSTMENTS	2023 ADJUSTED BUDGET EXCL. VAT
OKHUKHO ROAD- TECHNICAL	-	2 739 881.19	2 739 881.19
PHOZOMANE ROAD - TECHNICAL	5 748 137.87	-	5 748 137.87
OKHALWENI ROAD- TECHNICAL	7 978 818.65	2 552 344.24	10 531 162.90
SABUYAZE SPORT FIELD	8 000 000.00	- 5 292 225.43	2 707 774.57
Total allocation exc. Vat	21 726 956.52	-	21 726 956.52

MDR Grant

PROJECTS DESCRIPTION	2023 ORIGINAL BUDGET INCL. VAT	ADJUSTMENTS	2023 ADJUSTED BUDGET INCL. VAT
RENOVATIONS OF COMMUNITY HALL- COMMUNITY	3 500 000.00	0	3 500 000.00
UPGRADES OF ALL ROADS -TECHNICAL	3 500 000.00	0	3 500 000.00
	7 000 000.00	-	7 000 000.00

Provincial Government

Total Provincial Government transferred capital is made of Library grant approved roll over which only R630 000 used to fund Capital expenditure.

The capital expenditure funded from Library grant are as follows.

ASSETS DESCRIPTION	2023 ORIGINAL BUDGET	ADJUSTMENTS	2023 ADJUSTED BUDGET
OFFICE EQUIPMENT(AIRCONS & APPLIANCES)- Library		230 000.00	230 000.00
INSTALATION OF BORE HOLE - Library		150 000.00	150 000.00
IT COMPUTERS -LIBRARY		100 000.00	100 000.00
FURNITURE - LIBRARY		150 000.00	150 000.00
		630 000.00	630 000.00

Internally Generated Funds

Internally generated funds original budget was R5 million and decreases to R R4.3 million. This internal funding is coming from municipal own revenue generated.

Internal generated revenue explains as follows.

ASSETS DESCRIPTION	2023 ORIGINAL BUDGET	ADJUSTMENTS	2023 ADJUSTED BUDGET
IT SOFT WARE - CORPORATE SERVICES	90 000.00	-	90 000.00
MVOZANE SERVICE CENTRE	800 000.00	- 800 000.00	
EXECUTIVE VEHICLES - MUNICIPAL MANAGER	3 000 000.00	- 800 000.00	2 200 000.00
IT COMPUTERS - TECHNICAL		19 000.00	19 000.00
OFFICE EQUIPMENT - TECHNICAL	150 000.00	- 120 000.00	30 000.00
IT COMPUTERS - BTO	100 000.00	54 416.49	154 416.49
IT COMPUTERS - COPRPRATE SERVICES	170 000.00	- 47 850.00	122 150.00
AGRICULTURAL TRACTOR -COMMUNITY SERVICES	600 000.00	-	600 000.00
FURNITURE - TECHNICAL		101 000.00	101 000.00
IT COMPUTER -COMMUNITY SERVICES	50 000.00	-	50 000.00
MVOZANE SERVICE CENTRE		609 773.75	609 773.75
IT COMPUTERS - MM		30 000.00	30 000.00
	4 960 000.00	- 953 659.76	4 006 340.24

1.9 INEP GRANT BUDGET ADJUSTMENTS

INEP allocation amount to R30.7 million VAT inclusive (This is not forming part of capital expenditure since we are acting as an agent of DoE).

The following are projects list after the INEP projects were adjusted according to the following table.

PROJECTS DESCRIPTION	2023 ORIGINAL BUDGET INCL. VAT	ADJUSTMENTS	2023 ADJUSTED BUDGET INCL. VAT
Electrification of Mphise/Mbulwini Ward 3	3 168 429.83	370 618.42	3 539 048.25
Electrification of Ngwadumane & Wome Ward 8 and 7	15 404 407.79	- 1 650 348.39	13 754 059.40
Electrification of Kwazini/Otimati/Oqaqeni	12 177 162.38	- 1 368 734.52	10 808 427.87
Human resource supports for electrification projects	-	600 000.00	600 000.00
Electrification of Ward 4 and 5	-	2 048 464.48	2 048 464.48
	30 750 000.00	-	30 750 000.00

1.10 FINANCIAL POSITION ADJUSTMENTS

The financial position as per the adjustments results are as per the following table.

KZN294 Maphumulo - Table B6 Adjustments Budget Financial Position - 28/02/2023												
Description	Ref	Budget Year 2022/23									Budget Year +1 2023/24	Budget Year +2 2024/25
		Original Budget A	Prior Adjusted 3 A1	Accum. Funds 4 B	Multi-year capital 5 C	Unfore. Unavoid. 6 D	Nat. or Prov. Govt 7 E	Other Adjusts. 8 F	Total Adjusts. 9 G	Adjusted Budget 10 H	Adjusted Budget	Adjusted Budget
R thousands												
ASSETS												
Current assets												
Cash		18 831						(2 945)	(2 945)	15 886	107 428	117 261
Call investment deposits	1	—						—	—	—	—	—
Consumer debtors	1	1 604	—	—	—	—	—	(155)	(155)	1 449	(2 172)	(5 717)
Other debtors		1 354						1 585	1 585	2 939	16 243	17 658
Current portion of long-term receivables		20						(1)	(1)	19	—	—
Inventory		—	—	—	—	—	—	—	—	—	—	—
Total current assets		21 808	—	—	—	—	—	(1 516)	(1 516)	20 293	121 499	129 203
Non current assets												
Long-term receivables		—						—	—	—	—	—
Investments		—						—	—	—	—	—
Investment property		25 381						5 244	5 244	30 625	25 381	25 381
Investment in Associate		—						—	—	—	—	—
Property, plant and equipment	1	335 166	—	—	—	—	—	5 726	5 726	340 893	339 207	355 926
Biological		—						—	—	—	—	—
Intangible		278						(158)	(158)	120	289	232
Other non-current assets		—						—	—	—	—	—
Total non current assets		360 825	—	—	—	—	—	10 812	10 812	371 638	364 877	381 539
TOTAL ASSETS		382 634	—	—	—	—	—	9 297	9 297	391 930	486 376	510 742
LIABILITIES												
Current liabilities												
Bank overdraft		—						—	—	—	—	—
Borrowing		—	—		—	—	—	—	—	—	—	—
Consumer deposits		—						—	—	—	—	—
Trade and other payables		5 487	—	—	—	—	—	5 171	5 171	10 657	11 631	16 635
Provisions		2 948						(1 551)	(1 551)	1 397	2 735	2 870
Total current liabilities		8 435	—	—	—	—	—	3 620	3 620	12 054	14 366	19 505
Non current liabilities												
Borrowing	1	—	—	—	—	—	—	—	—	—	—	—
Provisions	1	2 126	—	—	—	—	—	702	702	2 828	—	—
Total non current liabilities		2 126	—	—	—	—	—	702	702	2 828	—	—
TOTAL LIABILITIES		10 561	—	—	—	—	—	4 321	4 321	14 882	14 366	19 505
NET ASSETS	2	372 073	—	—	—	—	—	4 975	4 975	377 048	472 010	491 237
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)		372 073	—	—	—	—	—	4 743	4 743	376 816	458 723	480 722
Reserves		—	—	—	—	—	—	—	—	—	—	—
TOTAL COMMUNITY WEALTH/EQUITY		372 073	—	—	—	—	—	4 743	4 743	376 816	458 723	480 722

1.11 CASH FLOW ACTIVITIES

1.11.1 Cash and Cash Equivalent (Bank balance as of 30 June 2023)

The original approved budget for cash and cash equivalent opening balance was R2.4 million which has been corrected in this adjusted budget to R6.3 million as per audited AFS. Cash flow has been prepared in accordance with the cash inflows and outflows, and there is no doubt that the closing cash and cash equivalent of R15.2 million is a reliable estimate.

KZN294 Maphumulo - Table B7 Adjustments Budget Cash Flows - 28/02/2023												
Description	Ref	Budget Year 2022/23									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	+1 2023/24	+2 2024/25
R thousands		A	A1	B	C	D	E	F	G	H		
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates		20 000						(864)	(864)	19 136	21 000	22 050
Service charges		180						—	—	180	180	180
Other revenue		9 197						879	879	10 076	9 657	10 140
Transfers and Subsidies - Operational	1	146 728						0	0	146 728	133 292	136 799
Transfers and Subsidies - Capital	1	31 986						—	—	31 986	25 943	26 963
Interest		462						200	200	662	486	510
Dividends		—						—	—	—	—	—
Payments												
Suppliers and employees		(179 520)						18 580	18 580	(160 939)	(164 136)	(168 352)
Finance charges		(16)						—	—	(16)	(17)	(18)
Transfers and Grants	1	(3 640)						(460)	(460)	(4 100)	(2 772)	(2 911)
NET CASH FROM/(USED) OPERATING ACTIVITIES		25 378	—	—	—	—	—	18 335	18 335	43 713	23 633	25 362
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE		—						—	—	—	—	—
Decrease (increase) in non-current receivables		—						—	—	—	—	—
Decrease (increase) in non-current investments		—						—	—	—	—	—
Payments												
Capital assets		(34 773)						650	650	(34 124)	(25 943)	(26 963)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(34 773)	—	—	—	—	—	650	650	(34 124)	(25 943)	(26 963)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans		—						—	—	—	—	—
Borrowing long term/refinancing		—						—	—	—	—	—
Increase (decrease) in consumer deposits		—						—	—	—	—	—
Payments												
Repayment of borrowing		—						—	—	—	—	—
NET CASH FROM/(USED) FINANCING ACTIVITIES		—	—	—	—	—	—	—	—	—	—	—
NET INCREASE/(DECREASE) IN CASH HELD		(9 395)	—	—	—	—	—	18 984	18 984	9 589	(2 310)	(1 601)
Cash/cash equivalents at the year begin:	2	2 453						3 844	3 844	6 297	21 821	27 251
Cash/cash equivalents at the year end:	2	(6 942)						22 829	22 829	15 886	19 511	25 650

1.11.2 CASH FLOW FROM OPERATING ACTIVITIES: RECEIPTS

Property rates

The budget for collection on property rate is mainly from state owned properties, original collection budget is R20 million and due to decreases on billing for state owned properties it follows the decrease in collection to R19 million.

Service Charges

We are anticipating collecting 100% in services charges. The adjusted budget is R180 000 same as original budget.

Other revenue

Other revenue includes other revenues, rental of facilities and License and permit, agency services and VAT refunds. The approved original budget is R9.3 million and adjusted up to R10.1 million. The breakdown of adjustment budget collection is as follows:

	2022/23 adjustment budget
Other Revenue	
Tender documents sales	96 000.00
Education, Training and Development Practices SETA	60 300.00
Agency Services	117 000.00
Rental from Fixed Assets	862 586.92
VAT	9 000 000.00
	10 135 886.92

Transfers and Subsidies – operational

Operational grants budget in the original budget is R146.7 million and there is no adjustment made.

Transfers and Subsidies – capital

Capital grants budget in the original budget is R32 million and there is no adjustment.

Interest

This is interest receive from investments original budget is R462 000 and adjusted to R662 400 as per B4.

1.11.3 CASH FLOW FROM OPERATING ACTIVITIES: PAYMENTS

Suppliers and employees

Suppliers and employees comprise Employee related cost, Remuneration of councillors, contracted services, transfers and grants and other expenditure and repayments of municipal current liabilities as per audited AFS.

The original budget for suppliers and employees is R153.7 million and this has been increased by R7.5 million therefore final adjusted budget is R 161.3 million. The adjustments on these items are as follows:

Suppliers and Employees	2022/23 adjustment budget
Operational	146 777 384.55
Employee related costs	
Remuneration of councillors	60 302 629.44
Inventory consumed	1 557 573.25
Contracted services	34 196 462.45
Other expenditure	23 045 719.42
INEPprjects	27 675 000.00
Other withdrawals	14 162 037.45
COIDA	1 000 000.00
Leave	200 671.87
Bonuses	2 758 556.00
Retentions	3 500 000.00
Trade Creditors	6 072 025.58
Human settlement grant	630 784.00
	160 939 422.00

Finance charges

The approved budget for finance charges is R16 000 and no adjustment made.

Transfers and Grants

The approved budget for transfers and grants is R3.6 million and adjusted to R4.1 million.

Capital Assets

The original approved budget is R35.5 million, capital assets adjusted to R44.3 million.

1.12 ADJUSTMENTS TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

The adjustments to the service delivery and budget implementation will be affected after the adjustment budget has been approved by the municipal council.

1.13 EFFECT OF THE ADJUSTMENT BUDGET ON PROVISION OF BASIC SERVICES

The effect of these adjustments will ensure accelerated basic service delivery to all stakeholders and will help mitigate the drought issue facing the municipality.

1.14 STRATEGIC AND LEGAL IMPLICATIONS

Section 28 of the Municipal Finance Management Act of 2003 allows Council to revise an approved budget via an adjustments budget process. Section 28 (2) of the same act lists the conditions under which Council can consider an adjustments budget. This adjustments budget is presented to Council of the Municipality in terms of section 28 (2) (b), (e) and (f) of the MFMA and other applicable guidelines as promulgated by National Treasury and applicable local government best practices. An Accounting Officer's quality certificate is also attached as prescribed by the municipal regulation.

1.15 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

I. Current ratio

$$= \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$= \frac{\text{R 20 293 000}}{\text{R 12 054 000}}$$

$$= \underline{\underline{1.6: 1}}$$

1.16 ADJUSTMENT BUDGET TABLES

The adjustment budget tables consist of:

- Table B1- Adjustment Budget Summary
- Table B2- Adjustment Budget Financial Performance (standard classification)
- Table B3- Adjustment Budget Financial Performance (revenue and expenditure by municipal vote)
- Table B4- Adjustment Budget Financial Performance (revenue and expenditure)
- Table B5- Adjustment Capital Expenditure Budget by vote and funding
- Table B6- Adjustment Budget Financial Position
- Table B7- Budget Cash Flows
- Table B8- Cash backed reserves/ accumulated surplus reconciliation.
- Table B9- Asset Management
- Table B10- Basic service delivery measurement

The above tables and its supporting schedules (B Schedule) will be attached as **Annexure A** and table together with this budget report.

1.17 CONSULTATIONS

Budget Steering Committee (MANCO input)

Municipal Council (Strategic Plan input)

Mid-year Budget assessment comments by Provincial Treasury

MFMA 56 of 2003,

mSCOA regulations

1.18 RESOLUTIONS / RECOMMENDATIONS

It is recommended to Council that,

- It be noted that the adjustment budget is being tabled by the Mayor in terms of section 28 (2) (b) and (e), as well as section 28 (4) of the MFMA.
- It be noted that the adjustment budget is fully compliant with section 28 (6) of the MFMA in that municipal tax and tariffs will not increase as a result of the adjustments budget.
- The 2022/23 adjustment budget be approved and adopted.
- Upon approval of the adjustment budget, in terms of section 22 (b) of the MFMA, the adjustment budget is submitted in both printed and electronic formats to the National Treasury and Provincial Treasury.
- Upon approval of the adjustment budget, in terms of mSCOA regulation issued by National Treasury the adjustment budget must be uploaded in LG portal in a form of data strings.
- All HOD to adjust the SDBIP target which effected as a result of this adjustment Budget.
- Accounting Officer to lock this approved final budget on municipal financial system with immediate effect.

1.19 QUALITY CERTIFICATE

I, Mr T Khuluse, the Acting Municipal Manager of Maphumulo Municipality, hereby certify that the 2022/23 adjustment budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the adjustments budget and the supporting documentation are consistent with the Integrated Development Plan of the municipality.

Name: Mr T Khuluse

Acting Municipal Manager of Maphumulo Municipality, KZN294

Signature: _____

Date: _____

PREPARED BY

MANAGER: BUDGET AND EXPENDITURE
SL JALI

DATE

REVIEWED BY

ACTING CHIEF FINANCIAL OFFICER
SI MANQELE

DATE

SUPPORTED / NOT SUPPORTED

ACTING MUNICIPAL MANAGER
T Khuluse

DATE