

" The City of Heritage "



**MUNICIPAL ADJUSTMENTS BUDGETS AND SUPPORTING
TABLES**

2018/2019

ULUNDI MUNICIPALITY
BUDGET ADJUSTMENT FOR THE FINANCIAL YEAR 2018/2019

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PART 1

➤ Mayor's report

TABLING OF BUDGET ADJUSTMENT FOR 2018/2019

BY HIS WORSHIP THE MAYOR OF ULUNDI, CLLR W.M NTSHANGASE AT THE COUNCIL CHAMBER OF THE ULUNDI MUNICIPAL COUNCIL ON 28 FEBRUARY 2019

MAYORAL REPORT ON ADJUSTMENT BUDGET

Honourable Speaker, Chief Whip, Deputy Mayor, Chairperson of the MPAC, Honourable Councillors, Municipal Manager, Municipal Executive Directors, Senior Managers and Officials I greet you all.

I extend warm greetings on this day of 28 February 2019. Honourable Speaker you will remember that recently I tabled the Mid-year assessment report where a resolution was taken that the Accounting Officer be mandated to prepare Adjustment Budget for tabling in Council in terms of Section 28 of the Municipal Finance Management Act.

Municipal adjustments budgets

1. A municipality may revise an approved annual budget through an adjustments budget.
2. An adjustment 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 format.

May I also remind you that a Financial Recovery Plan was also adopted and approved by this Council which was also taken into consideration when this Adjustment Budget was prepared. Therefore, on that note, a very conservative approach had to be followed.

The following items were affected:

1. Electricity Bulk Purchase was decreased by R200 000.
2. Other materials were reduced by R881 000.
3. Contracted Services were reduced by R994 000 following the reviewal of a service level agreement of one of the service providers.
4. Other expenditure was increased by R28 104 000 following the guidance from National Treasury that electricity project grant (INEP) should not be capitalised since it is regarded as an operational expenditure item.

Below is a summary of the main adjustments for the 2018/2019 financial year.

	Description	Original budget 'R	Adjustment 'R	Final Budget 'R	Comments
	Revenue Items				
1	Rental facilities	800 000	424 000	1 224 000	Based on the current actual, it is anticipated that R1.2 Million will be collected.
2	Transfers and subsidies	151 514 000	(500 000)	151 014 000	Downward adjustment is due to Land Management Use grant which was budgeted at R1m but only R500 000.00 was received.
3	Other Revenue	1 492 000	27 000	1 519 000	There has been an increase in electrical items like tampering fees and reconnection fees.

	Description R thousands	Original budget 'R	Adjustment 'R	Final Budget 'R	Comments
	Expenditure items:				
1	Employee related costs	121 110 000	13 991 000	135 101 000	Upward adjustment to cater mainly for overtime, Medical Aid contributions, January 2019 increment and stand-by allowances
2	Remuneration of councillors	16 000 000	1 500 000	17 500 000	Upward adjustment to accommodate implementation of Councillors remuneration as Gazetted by National COGTA Minister
3	Depreciation & asset impairment	51 500 000	(11 113 000)	40 387 000	There was overbudgeting
4	Other materials	5 548 000	(881 000)	4 667 000	Reduction is due to Financial Recovery Plan implementation
5	Contracted services	66 251 000	(944 000)	65 307 000	1. This is because of the reviewal of a service level agreement of one of the service providers.
6	Other expenditure	28 250 000	28 104 000	56 354 000	This adjustment is mainly due to R18 Million for INEP grant following National Treasury's guidance that it must be categorised under operational expenditure
7	Finance charges		5 516 000	5 516 000	This was erroneously omitted during the original budget stage.

Honourable Speaker and Councillors, I wish to confirm further to you that as one of the State Entities we are also being monitored by other structures of National and Provincial Government in terms of the Municipal Finance Management Act. On that note, KZN Provincial Treasury had submitted comments in response to a 2018/2019 Mid-Year Budget Performance Assessment Report that was tabled on the 24th January 2019 and those comments have been taken into consideration when finalizing the Adjustment Budget.

In conclusion, Honourable Speaker and Colleagues I wish to mention that after effecting all necessary adjustments in the 2018/2019 budget the total budget changed from the original of R355 536 000.00 to R367 217 000.00. All the budget votes were within the budgetary limits and based on the current trend the municipality decided to affect an adjustment budget to avoid unauthorised expenditure in terms of section 32 of the Municipal Management Act number 56 of 2003.

With those words I wish to thank all of you for this opportunity. May the Almighty Lord, Bless you abundantly.

2. COUNCIL RESOLUTION(S)

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EXTRACT

FROM MINUTES OF THE 2018/2019 SPECIAL MEETING OF THE ULUNDI MUNICIPAL COUNCIL IN ACCORDANCE WITH SECTION 29 (1) READ WITH SECTION 18 (2) OF THE LOCAL GOVERNMENT MUNICIPAL STRUCTURES ACT NO 117 OF 1998 HELD IN THE COUNCIL CHAMBER, ULUNDI CIVIC CENTRE AT BA 81, PRINCE MANGOSUTHU STREET ON THURSDAY, 28 FEBRUARY 2019 AT 10H00

- A1. APPROVAL OF MEDIUM-TERM REVENUE AND EXPENDITURE BUDGET ADJUSTMENT FOR 2018/2019 FINANCIAL YEAR (A1./2)
5/1/1

RESOLVED:

1. THAT the Adjustment Budget for the financial year 2018/2019 and the two outer years 2019/2020 and 2020/2021 amounting to R367 217 000; R423 033 984.00 and R487 335 150.00 be approved respectively.
2. THAT it be noted that the Adjustment Budget is MSCOA compliant and in line with the approved Financial Recovery Plan.

CERTIFIED A TRUE COPY


Z.G. DHLAMINI: DIRECTOR
CORPORATE AND MANAGEMENT SERVICES

ULUNDI

28-02-2019

3. EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitable to all communities.

The municipality's business and service delivery priorities were received as part of this year's planning and budget process. Where appropriate, funds were transferred from low to high priority programmes as to maintain sound financial stewardship. Nice to have items were also eliminated from the budget, the municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of the debt owed by customers. Furthermore, the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of people lead government.

Below is a table showing a consolidated overview of the adjustment budget for 2018/2019:

No	Description	Original Budget R	Adjustment(s) R	Final/Adjusted Budget R
1.	Operating Revenue	307 201 000.00	1 681 000.00	308 882 000.00
2.	Operating Expenditure	(342 859 000.00)	38 173 000	(381 032 000.00)
3.	Capital Expenditure	(48 335 000.00)	(10 000 000.00)	(58 335 000.00)
4.	Surplus/(Deficit)	12 677 000.00	(26 492 000.00)	13 815 000.00

4. ADJUSTMENTS BUDGET TABLES

5. ADJUSTMENTS TO BUDGET ASSUMPTIONS

5.1 Given the constraints on the revenue side, the Council took very tough decisions on the expenditure side. Priority was given to:

- Protecting the poor from the worst impacts of the economic downturn;
- Supporting meaningful local economic development (LED) initiatives that foster micro and small business opportunities and job creation;
- Securing the health of the asset base (especially the Council's revenue generating assets) by increasing spending on repairs and maintenance; and
- Expediting spending on capital projects that are funded by conditional grants.

5.2 In preparing the adjustments budget, the following priorities were considered:

- Deliver more and better services in a caring and efficient manner;
- Hold political office bearers and public servants accountable;
- Shift resources to new priorities;
- Move from debate to effective implementation and decisive action; and
- Work in partnership with communities, labour and businesses to achieve our shared objectives.

5.3 The following budget assumptions have a major influence on the budget adjustment:

- It will take some time for the economic upturn to flow through to increase municipal revenues and better cash flows.
- The revenue stream of this municipality may be under pressure for the next quarter of 2019.
- Also, the high cost of moving waste to the regional dump site.

6. ADJUSTMENTS TO BUDGET FUNDING

6.1 Below follows an explanation as to how the adjustment budget is funded:

No	Description	Amount 'R
1.	Property rates	
2.	Service Charges – Electricity revenue	65 117 000.00
3.	Service Charges – Refuse revenue	67 998 000.00
4.	Rental of facilities and equipment	9 210 000.00
5.	Interest earned – external Investment	1 224 000.00
6.	Interest earned – outstanding debtors	1 600 000.00
7.	Fines, Penalties and forfeits	1 000 000.00
8.	Licences and permits	5 500 000.00
9.	Transfers and subsidies	3 900 000.00
10.	Other revenue	151 014 000.00
11.	Gains on disposal of PPE	1 519 000.00
12.	Integrated National Electrification Programme (INEP)	800 000.00
Total		326 882 000.00

The adjusted capital expenditure is funded as follows:

No	Description	Amount 'R
1.	Municipal Infrastructure Grant (MIG)	40 335 000.00
Total		40 335 000.00

7. ADJUSTMENTS TO EXPENDITURE ON ALLOCATIONS AND GRANTS PROGRAMMES

- There were adjustments to grant allocation for R10 000 000 which was an additional funding from MIG.

8. ADJUSTMENTS TO COUNCILLOR ALLOWANCES AND EMPLOYEES BENEFITS

- The employee related costs have been adjusted upwards by R13 991 000.00 the adjustment is to cater for amongst others overtime, Medical Aid contribution January increment, stand-by allowance.
- Councillor's remuneration: it has increased by R1 500 000.00, the adjustment to accommodate the effects of the Upper limits as Gazetted on 15 December 2018.

9. ADJUSTMENT TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

DEPARTMENT	KPI NO.	INDICATOR		AMEND	REMOVE	NEW	COMMENT
Technical Services	TS 2.3	20 households electrified (cabling with a meter box) in Ematafuleni	R1 080 010.00		√		Project will be done by Eskom
	TS 2.4	26 households electrified (cabling with a meter box) in Gade	R936 010.00		√		Project will be done by Eskom
	TS 2.8	20 households electrified (cabling with a meter box) in Babanango	R720 000.00		√		Project will be done by Eskom
	TS 5.7	Construction of 35 Streetlights in CBD, Unit C and Unit B North	R851 626.86		√		Project will be done in the next financial year
	TS 2.21	Electrification of Esiphiva Ward 7	R2 116 131.00			√	Savings of Ward 16 and 13 to be used for this project
	TS 6.3	Unit D Community Hall Phase 2	R1 739 640.78			√	MIG approval came late
	TS 5	CBD Roads Phase 2	R4 200 000.00			√	Additional funding received from MIG
	TS 5.1	B-North Roads Phase 2	R5 800 000.00			√	Additional funding received from MIG

	TS 5.2	Rural Road re-gravelling – 1Km per ward	R3 640 000.00					
	TS 2.17	Nkonjeni Electrification	R979 838.71	√			√	Prioritised by Council
Finance	FS 8.1	Reduction of debt using Contour system (30% of prepaid electricity sales disallowed towards the existing debt)	R28 500 000.00	√				More houses were added. Budget to be adjusted from R979 838.71 to R1 699 383.71
Corporate	CMS 1.1	Commemoration of Anglo-Zulu War (King Cetshwayo Legacy)	R293 000.00			√		The use of 30% reduction mechanism did not materialise. Annual target to be reduces from R28 500 000.00 to R17 000 000.00
	CMS 1.4	Princess Magogo Musical Symposium	R150 000.00			√		Budget Constraints
	CMS 4.1	Feasibility Study, Business Plan & Purchase of Equipment	R1 995 000.00			√		Budget Constraints
	CMS 11	Implementation of Job Evaluation Outcomes	R771 936.00			√		Budget Constraints
	CMS 18.4	Taking Council to the People Event	R400 000.00			√		Budget Constraints
	CMS 23	Ward Committees Training	R500 000.00			√		Budget Constraints
	CMS 18.17	IGR Meeting Attended	Nil			√		Budget Constraints
	Planning	DPL 10.1	Subdivision of properties in CBD (Layout Amendment)	R300 000.00			√	
DPL 10.8		Appointment of Service Provider to manage Outdoor Advertising	R300 000.00			√		Budget Constraints
DPL 5.9		IGR Meetings Attended	Nil			√		Budget Constraints
						√		Meeting convened externally

Community Services	DPL 8	IDP Stakeholder Engagements	Nil	√			Target to be moved to the last quarter
	CS 2.6	Waste compacted & building rubble removed in Babanango	R422 400.00		√		Budget Constraints
	CS 5.4	Date of conducting coaching clinics for Rugby and Table Tennis	R64 000.00		√		Budget Constraints
	CS 8.5	Training of Community Members on Silk Screen Printing	R228 000.00		√		Budget Constraints
	CS 11.10	IGR Meetings attended	Nil		√		Meetings convened externally
Protection Services	PS 3	Number of Payments of stipends to animal herders	Nil	√			Amend POE
	PS 4.8	1250 of Learner's License tests undertaken per quarter	Nil	√			Amend Target from 1250 to 600
	PS 4.9	50 Fire Prevention Inspections conducted on Business Premises per quarter	Nil	√			Amend Target from 50 to 30
	PS 5.8	Quarterly Back2Basics Report to be submitted to the MM	Nil	√			Not applicable to Department

10. ADJUSTMENT TO CAPITAL EXPENDITURE

It should be noted that due to financial constraints that the municipality is currently facing it is highly impossible to incur capital expenditure as we do not have reserves that are cash backed. Therefore, Council took a decision to postpone capital expenditure that should be funded internally up until the financial situation improves. As a result, there has been an upward adjustment of R10 000 000.00 which is an additional funding from MIG.

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" The City of Heritage "



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I Nkosenye Godfrey Zulu, Municipal Manager of Ulundi Municipal, hereby certify that

The monthly budget statements

Quarterly report on the implementation of the budget and financial state affairs of the municipality

The adjusted budget of Ulundi Municipality for 2018/2019 has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

Print Name: Mr. N.G Zulu

Municipal Manager of Ulundi Municipality (KZN266)

Signature: _____

A handwritten signature in black ink, appearing to be "N.G. Zulu", is written over a horizontal line.

Date: 28 February 2019