

Ubuntu Municipality



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ubuntu • ithemba • izithethe
humanity • hope • heritage*

ADJUSTMENT BUDGET 2023/24

1. INTRODUCTION

Section 28 of the MFMA determines that:

“(1) A municipality may revise an approved annual budget through an adjustments budget.

(2) An adjustments 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 [Schedules B1 to B10 attached as Appendix A to the Adjustments Budget Report]. Adjustments Budget 2023/2024

(4) Only the mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of subsection (2)(b) to (g) may only be tabled within any prescribed limitations as to timing and frequency [on or before 28 February 2024].

The annual operating and capital budget have been evaluated and adjusted based on the abovementioned legislative requirements.

2. Council Resolutions

The Council of Ubuntu Municipality, acting in terms of section 28 (2) of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

1.1. The annual budget adjustments of the municipality for the financial year 2023/2024 and the multi-year and single-year capital appropriations as set out in the following tables in part 1.8 of this report

1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table B2;

- 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table B3;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table B4; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table B5.
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables in part 1.4 of this report:
- 1.2.1. Budgeted Financial Position as contained in Table B6;
 - 1.2.2. Budgeted Cash Flows as contained in Table B7;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table B8;
 - 1.2.4. Asset management as contained in Table B9; and
2. The Council of Ubuntu Municipality take note of the fact that adjusted budget is funded.
3. The adjustment budget is adopted on 28 February 2024.

3. EXECUTIVE SUMMARY

This report is a summary of the main budget issues arising from the in-year monitoring processes and the municipality's performance. It compares the process of the budget to the projections contained in the Service Delivery and Budget Implementation Plan (SDBIP). No taxes or tariffs are to be adjusted.

The table below is the original budget and the proposed adjustment for the 2023/2024.

Description	Total Budget 2023/24 R'000	Adjustment Budget 2023/24
Total Revenue (Excluding Capital Transfers)	164 258	167 927
Total Operating Expenditure	163 062	166 047
Total Capital Expenditure	37 819	36 280
Surplus/ (Deficit)	1 196	1 880

The 2023/24 proposed adjustment is an upward adjustment as the anticipated revenue has increased from R 164 258 to R 167 927 and the anticipated expenditure increased from R 163 062 to R 166 047 due to Finance Charges not budgeted for, Contracted Services for planned projects and general expenditure line items. Total capital grant expenditure will decrease.

3.1 Revenue adjustment by line

Description	Ref	Budget Year 2023/24									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 2024/25	+2 2025/26
R thousands	1	A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
Revenue By Source												
Exchange Revenue												
Service charges - Electricity	2	23,757	-	-	-	-	-	1,039	1,039	24,796	25,183	26,693
Service charges - Water	2	17,040	-	-	-	-	-	0	0	17,040	18,062	19,146
Service charges - Waste Water Management	2	4,447	-	-	-	-	-	-	-	4,447	4,714	4,997
Service charges - Waste Management	2	3,885	-	-	-	-	-	1,553	1,553	5,439	4,119	4,366
Sale of Goods and Rendering of Services		65	-	-	-	-	-	21	21	86	69	73
Agency services		575	-	-	-	-	-	268	268	843	619	673
Interest		-	-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		9,861	-	-	-	-	-	(1,186)	(1,186)	8,675	10,468	11,095
Interest earned from Current and Non Current Assets		425	-	-	-	-	-	1,118	1,118	1,543	451	478
Dividends		-	-	-	-	-	-	-	-	-	-	0
Rent on Land		408	-	-	-	-	-	8	8	416	432	458
Rental from Fixed Assets		553	-	-	-	-	-	-	-	553	586	622
Licence and permits		460	-	-	-	-	-	-	-	460	488	517
Operational Revenue		2,118	-	-	-	-	-	-	-	2,118	569	601
Non-Exchange Revenue												
Property rates	2	26,259	-	-	-	-	-	848	848	27,107	27,835	29,505
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		19,470	-	-	-	-	-	-	-	19,470	20,639	21,877
Licences or permits		-	-	-	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational		54,933	-	-	-	-	-	-	-	54,933	57,497	58,425
Interest		-	-	-	-	-	-	-	-	-	-	0
Fuel Levy		-	-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		-	-	-	-	-	-	-	-	-	-	-
Other Gains		-	-	-	-	-	-	-	-	-	-	(0)
Discontinued Operations		-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		164,258						3,669	3,669	167,927	171,729	179,525

There has been an increase in service charges (Electricity, Waste Water, Refuse), reason for increases is because the projected billing is higher than the revenue budgeted for.

Service charges on water remains the same therefore the projected billing is in line with the revenue budgeted.

Interest from outstanding debtors, there has been a decreased in the interest that is charged on outstanding debtors, this is due to stringent credit control measures have been put in place, which resulted in payment arrangements being entered into. As per the Credit Control Policy of the municipality, interest in waived during the payment arrangement period.

The municipality had planned for the traffic service law enforcement project to kick start at the end of Quarter 1; however, this did not materialise in the set period, hence there is no changes on traffic fines.

3.2 Expenditure adjustment by line

Description	Ref	Budget Year 2023/24									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 2024/25	+2 2025/26
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		48,726	-	-	-	-	-	-	-	48,726	51,584	54,679
Remuneration of councillors		4,466	-	-	-	-	-	-	-	4,466	4,734	5,018
Bulk purchases - electricity		25,770	-	-	-	-	-	(4,100)	(4,100)	21,670	22,970	24,348
Inventory consumed		3,654	-	-	-	-	-	(443)	(443)	3,211	3,302	3,532
Debt impairment		-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortisation		25,961	-	-	-	-	-	-	-	25,961	27,518	29,169
Interest		611	-	-	-	-	-	4,841	4,841	5,452	647	686
Contracted services		16,561	-	-	-	-	-	1,270	1,270	17,832	22,482	23,822
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-	-
Irrecoverable debts written off		20,000	-	-	-	-	-	-	-	20,000	18,200	19,472
Operational costs		17,314	-	-	-	-	-	1,415	1,415	18,729	18,161	19,188
Losses on disposal of Assets		-	-	-	-	-	-	-	-	-	-	-
Other Losses		-	-	-	-	-	-	-	-	-	-	(0)
Total Expenditure		163,062	-	-	-	-	-	2,984	2,984	166,047	169,599	179,914

Employee related cost has remained unchanged it is in accordance with the staff establishment for all employees.

Finance chargers has an upwards adjustment, reason for upwards the municipality not budgeted for finance charges. The municipality applied for debt relief with Eskom and was approved.

Bulk purchase has a downwards adjustment. The municipality applied for debt relief with Eskom and was approved.

Operational Expenditure has an upward adjustment to make provision for the remainder of the financial year expenditure after the mid-year assessment was concluded. The upward adjustment is informed by the anticipated operational expenditure for the remaining months of the financial year.

Contracted Services has an upward adjustment as some of the planned projects were implemented. The upward adjustment is informed by the anticipated expenditure for the remaining months of the financial year.

A slight downward adjustment has been made to other material which include consumables mainly. The downward adjustment was due to line items having less than the anticipated expenditure.

Based on the current collection rate of the municipality, cost containment policy needs to be institutionalised to ensure that the municipality can reach its objectives and deliver quality services to the community.

4. PROJECTS

4.1 Conditional Grant funded projects

Municipal Infrastructure grant has been adjusted downwards on the updated DORA allocation due to unspent portion. See table below.

DESCRIPTION	TOTAL AS PER THE DORA	ADJUSTED AMOUNT ON DORA	DIFFERENCE
MIG ALLOCATION	23,009,000.00	22,205,000.00	804,000.00
SPORTS GROUND	12,000,000.00	11,196,000.00	804,000.00
UPGRADING OF GROUND SUPPLY PHASE 02	11,009,000.00	11,009,000.00	-

5. ADJUSTMENT BUDGET TABLES

Attached is the B1-B10 tables of the adjustment budget.

6. RECOMMENDATION

6.1 That council approves the Adjustment Budget for 2023/2024 as per section 28 of the Municipal Finance Management Act No 56 of 2003.
