

KZN235
OKHAHLAMBA LOCAL
MUNICIPALITY
2022/2023
ADJUSTMENTS BUDGET



Okhahlamba Local Municipality

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INTRODUCTION

In terms of Section 28 of the Local Government Municipal Finance Management Act No. 56 of 2003 (MFMA): A municipality may revise an approved annual budget through an adjustment budget

In terms of the Section 28(4) of the MFMA: Only the mayor may table an adjustment budget in the municipal council but an adjustment in terms of subsection (2) (b) to (g) may only be tabled within any prescribed limitation as to timing or frequency

Regulation 21 of the Municipal Budget and Reporting Regulations (MBRR) further prescribes that an adjustment budget and supporting documentation of a municipality must be in the format specified in Schedule B and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of Section 168 (1) of the act.

MAYOR'S REPORT

MAYORAL 2022/23 MID- YEAR BUDGET AND PERFORMANCE ASSESSMENT SPEECH

Honourable Speaker, Cllr. S. Z. Khumalo
Deputy Mayor of Okhahlamba Municipality Cllr. N. E. Shabalala
Members of the Council of Okhahlamba
Councillors present.
Officials, all protocol observed.

Greetings to all

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Chairperson, Mr Speaker, I would like to greet you and all members of the council and officials, and I hereby present Adjustment Budget for 2022/2023 financial year as outlined in the Municipal Finance Management Act. (MFMA, Section 28 of MFMA in relation to the tabling of Adjustment Budget).

I would like to highlight the following items:

DESCRIPTION	ANNUAL BUDGET	ADJUSTMENT BUDGET FEBRUARY 2023
Operating Expenditure	R 239 396,000	R 262 571,000
Capital Expenditure	R 58 356 132	R 58 891,000
Total Budget	R 297,752,132	R 321,462,000

Operating expenditure is adjusted by 9.68% and capital expenditure is adjusted by 1%.

Honourable Speaker and Councillors, this report reflects the wishes and aspirations of the people of Okhahlamba and it is aligned with the priorities set by Treasury (circular 66 & 67) and it is in line with the Okhahlamba SDBIP and IDP priorities which according to my administration's point of view should be implemented at a Local Level after considering the needs of the Community, therefore I recommend that the Municipal Council approves the adjustment budget and the revised Service Delivery and Budget Implementation Plan.

I would like to grant council members a chance to look into the content and more details are contained in the attached reports.

As I conclude I would like council members to have in mind the need to provide quality services to our community when considering Adjustment Budget, I thank you for this wonderful opportunity granted to me to present this report to the Council of Okhahlamba.

I thank you.

RESOLUTION

On the 28th of February 2023, the Council of Okhahlamba Local Municipality met in the Council Chambers of Okhahlamba Municipality to consider the 2022/2023 Adjustments Budget. The council approved and adopted the following resolutions:

2.1. The Council of Okhahlamba Local Municipality, acting in terms of section 28 (1) of the Municipal Finance Management Act (Act 56 of 2003) approves and adopt:

- 2022/2023 Adjustments Budget

EXECUTIVE SUMMARY**COUNCILLORS, EXECUTIVE COMMITTEE AND OFFICIALS****EXECUTIVE COMMITTEE**

DESIGNATION	SURNAME & INITIALS
Mayor	Cllr. V. R. Mlotshwa
Deputy Mayor	Cllr. N. E. Shabalala
Executive Committee Member	Cllr. M. A. Mavundla
Executive Committee Member	Cllr. S. M. Buthelezi
Executive Committee Member	Cllr. M. G. Ndlangisa

COUNCIL

DESIGNATION	SURNAME & INITIALS
Mayor	Cllr. V. R. Mlotshwa
Deputy Mayor	Cllr. N. E. Shabalala
Speaker	Cllr. S. Z. Khumalo
Councillor	Cllr. M. N. Dlamini
Councillor	Cllr. S. P. Sehlako
Councillor	Cllr. P. N. Zwane
Councillor	Cllr. B. Z. Mchunu
Councillor	Cllr. D.R. Hlongwane
Councillor	Cllr. M. A. Mavundla
Councillor	Cllr. S. M. Buthelezi
Councillor	Cllr. L. K. Letsoalo
Councillor	Cllr. R.S Ngwenya
Councillor	Cllr. B. A. Coka
Councillor	Cllr V. W. Mazibuko
Councillor	Cllr. S. P Khoza
Councillor	Cllr. T. J. Dladla
Councillor	Cllr. R. T. Khoza
PR	Cllr. M. G. Ndlangisa
PR	Cllr. V. P. Mvula
PR	Cllr. P.A.M Mfuphi
PR	Cllr. P. W. Hlongwane
PR	Cllr. K.O. Hadebe
PR	Cllr. K. A. Hlongwane
PR	Cllr. I. M. Buthelezi
PR	Cllr. N. P. Khumalo
PR	Cllr. D. T. Sibeko
PR	Cllr. N. A Mdakane
PR	Cllr. D. S. Ndaba
PR	Cllr. M. M. Zakwe

MANAGEMENT COMMITTEE MEMBERS

DESIGNATION	SURNAME & INITIALS
Municipal Manager	SN Malinga
Chief Financial Officer	SS Dlamini
Director: Technical Services	Vacant
Director: Social and Community	T Mazibuko
Director: Corporate	Vacant
Manager: Legal Advisor	Vacant
Manager in the Office of the Mayor	Hlatshwayo
Maintenance Manager	MK Hlatshwayo
Thusong Centre Manager	ZA Zikode
Internal Audit Manager	SB Xaba
IDP/PMS Manager	S Nene
Protection Services Manager	TN Langa
IT Manager	TM Hlatshwayo
Risk Management and Communication Manager	M Khumalo
LED Manager	HP Ndaba
Manager Finance	N Nene
Accountant Expenditure	Vacant
Accountant Income	Z Mazibuko
Accountant Assets	S Mncube
Accountant SCM	T Maphalala
Accountant Budget	K Dubazane
Housing Officer/ Building Inspector	AP Nkosi
Waste Management Officer	XA Kheswa

FINANCIAL AND SERVICE DELIVERY IMPLICATIONS OF THE ADJUSTMENT BUDGET

Income and expenditure

DESCRIPTION	ORIGINAL BUDGET	ADJUSTMENT BUDGET FEBRUARY 2023
Operating Income	R 208 624,000	R 205 598,000
Operating Expenditure	R 239 396,000	R 262 571,000
Capital Budget	R 58 356 132	R 58 891,000

Grants

The Municipality has the following allocations for 2022/2023:

Description	Budget R '000	Adjustments Budget R '000
MIG	31 891	31 891
FMG	1 850	1 850
INEP	7 100	7 100
EPWP	3 638	3 638
Museum subsidy	235	235
Provincialisation of Libraries	1 964	1 964
Community Library Services subsidy	1 023	1 023
Small Town	15 900	15 900
Human Settlement	22 614	22 614
Small Business Development (Industrial Hub)	5 443	5 443

Operating Expenditure

Description	ORIGINAL BUDGET "R"	ADJUSTMENT BUDGET FEBRUARY 2023 "R"
Salaries and Allowances	118 938,000	121 168,000
Remuneration of Councillors	10,949,000	11 135,000
Other expenditure	32 448,000	43 432,000
Contracted services	32 153,000	37 351,000

Capital Expenditure

	ORIGINAL BUDGET	ADJUSTMENT BUDGET FEBRUARY 2023 "R"
Capital Budget	58 356 132	58 891 132

Capital Activities:

Capital revenue = R 58 891 132.

Capital Expenditure = R 58 891 132.

Capital expenditure is funded through:

Municipal Infrastructure Grant = R 31 891 000.00.

Small Business Development = R 5,443,132.00.

Small town = R 15 900 000

Surplus Cash = R 5 657 000

PROVISION OF BASIC SERVICES

Waste Removal

Refuse removal, was increased by R 286 000, Khethani township (RDP) households offered rebates on refuse removal as per the Municipality's indigent policy..

Free Basic Electricity

Free Basic Electricity, no changes from it, the municipality pays Eskom R 10 000 monthly on average.

ADJUSTMENT BUDGET TABLES

Annexure A attached

PART 2 SUPPORTING DOCUMENTATION

ADJUSTMENT TO BUDGET ASSUMPTIONS

In the compilation of the Adjustment MTREF, the following influencing factors were considered:

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling Okhahlamba Local Municipality adjustment budget.

Okhahlamba expenditure framework for the 2021/2022 Adjustment Budget is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made

Salaries were adjusted using the following assumptions:

Organogram with vacant posts expected to be filled within 2021/2022 Financial year

The vacant posts employer contribution were calculated using:

UIF = 1% of salary limit 177.12

SDL = 1% of Salary

Pension and Provident fund maximum option = 13.65% salary

DEBT IMPAIRMENTS

Debt impairment was budgeted for using 60% gross debtors balance since there municipality debtors' balance is increasing drastically over the years and the municipality only collects 75% as per the collection rate. This alone is an indication for impairments.

The municipality opted for this rate because there are ongoing engagements with government departments to settle their debts, the engagements have been fruitful. The municipality will be implementing a recently developed debt collection strategy and anticipate a positive spinoff in the collection of outstanding debtors.

DEPRECIATION AND ASSETS IMPAIRMENTS

The Municipality will submit Fixed Asset Register with the Final Budget

The municipality ran depreciation report for 2022//23 financial year with assets already in the FAR and it amounted to R 32. million.

The municipality also made an additional provision for depreciation amounting to R 4.6 million since it had the following:

Work in Progress as at 30 June 2019 = R 50 536 745.

2022/23 Capital Budget = R 58 891,000.

Finance Charges

The municipality will be paying out interest of R 399 000 for the R 20 ml loan in 2022/23.

The Municipality used the actual interest as per the amortization tables.

As the Municipality is making lease repayment, the interest decreases over the 2021/22 MTREF.

Other materials

Other materials increased by 600 000.00.

Contracted services

The municipality has increased the budget by R 5.2 million (23%) in the adjustments budget, main contributing line items are repairs and maintenance R 950 000.00 (37%), EPWP R 3 033 711.00 and Social programmes R 400 000.00.

The municipality will ensure that contract register is submitted with the final budget.

Transfers and subsidies

The municipality pays R 20 000 on average per month for scholar patrols.

Other Expenditure:

General expenditure was budgeted for using zero based budgeting where every department function is reviewed comprehensively and each expenditure must be approved, rather than increased.

It requires the budget request to be justified in complete detail by each department rather than just increasing its expenditure from the previous year

CASH FLOW

Receipt

Property rates

The average collection rate is 70% therefore the property rate and service charges collection is budgeted for using 11% collection rate.

Other revenue

Other revenue are cash transactions from the figure in table A4.

All cash transactions (excluding depreciation and debt impairment) has been included with the assumption 100% of cash transactions will be paid including capital expenditure.

Repayment of Borrowings:

The Municipality will make the following capital repayments:

ABSA 20 ml lease = 5,378,482.54 – R 1,305,000= R 4,506,000

The Municipality has settled the Westbank lease.

ADJUSTMENT TO BUDGET FUNDING

The Municipality made an adjustment on the following allocations to be received:

OPERATIONAL

FROM	ORIGINAL BUDGET "R"	ADJUSTMENT BUDGET FEBRUARY 2023 "R"
National Government	155,235,000	155,235,000
Provincial Government	3,071,000	3,071,000
TOTAL	158 443,000	158 443,000

CAPITAL

FROM	ORIGINAL BUDGET "R"	ADJUSTMENT BUDGET FEBRUARY 2023 "R"
National Government	31 891,000	31 891,000
Provincial Government	21 343 132.00	21 343 132.00
TOTAL	53 234 132.00	53 234 132.00

ADJUSTMENTS TO EXPENDITURE ON ALLOCATION AND GRANT PROGRAMMES

No additional allocation has been received.

ADJUSTMENTS TO ALLOCATIONS OR GRANTS MADE BY THE MUNICIPALITY

The Municipality does not have grants or allocation made to other organisations.

ADJUSTMENTS TO COUNCILLORS AND BOARD MEMBERS ALLOWANCES AND EMPLOYEE BENEFITS.

Councillors' allowances is increased by 3.6%.

The table below shows the adjustments:

	FINAL BUDGET 2022-2023	Adjustments	ADJUSTMENT BUDGET 2022-2023
SALARY	9 595 892.00	289 866.28	9 885 758.28
CELLPHONE	1 287 600.00	(104 400.00)	1 183 200.00
TRAVEL	66 000.00	-	66 000.00
DATA	-	-	
SDL	95 959.00	13 409.24	109 368.24
	11 045 451.00	198 875.52	11 244 326.52
		PLUS backpay 2021/22	198 875.52
		Total including backpay	11 443 202.04

The overall increase in salaries is 2.1%, the table below outlines the adjustments:

Description	FINAL BUDGET 2022-2023	Adjustments	ADJUSTMENT BUDGET 2022-2023
201 Salaries	84 843 294.00	2 179 328.40	87 022 622.40
203 Bonus	6 269 197.00	22 724.73	6 291 921.73
000 performance Bonus	821 196.00	-	821 196.00
205 Overtime	1 421 599.00	-	1 421 599.00
207 Allowance Housing	884 681.00	(232 585.04)	652 095.96
209 Allowance Standby	1 404 041.00	-	1 404 041.00
211 Allowance Transport	4 076 433.00	(635 601.40)	3 440 831.60
213 Post retirement benefits	118 667.00	0.18	118 667.18
220 Pension Fund	13 040 524.00	435 581.72	13 476 105.72
222 Medical Aid	2 559 461.00	336 163.12	2 895 624.12
000 Interest Cost: Post Employment Benefits	408 597.00	-	408 597.00
226 UIF	562 716.00	123 026.40	685 742.40
231 Bargaining Council	45 880.00	1 424.00	47 304.00
234 Skills Levy	786 656.69	239 264.62	1 025 921.31
248 Leave Pay	1 938 226.00	-	1 938 226.00
291 Long Service Awards	543 533.00	-	543 533.00
236 Inservice Trainees	-		
TOTAL	119 724 701.69	2 469 326.73	122 194 028.42

SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

There following projects will be added on the SDBIP:

Industrial hub 50% target

ADJUSTMENTS TO CAPITAL EXPENDITURE

Description	Budget R '000	Adjustments Budget R '000
Infrastructure	31 891	31 891
Machinery and Equipment	1 115	1 115
Community assets	21 993	21 993
Computer Equipment	0	0
Office Equipment	1 157	1 157
Intangible assets	200	200
Motor vehicles	2 000	2 000
TOTAL	58 356	58 891

FUNDING POSITION OF THE BUDGET (TABLE B8)

UNSPENT GRANTS:

The municipality anticipate to full spend the 2022/23 allocations.

Description	Amount
Housing Projects grants	9,900,153
Extravaganza	6,950
Human Settlement	441,794
Grant-LG Seta/ learnerships	515 135
Small Town Rehab	5 000 000
KZN EDTEA grant	1223
Unspent balance 30/06/2022	15 865 255

Other Provisions

Total provisions amount to =703 000 + 11 492 394 + 5 865 285 = R 18 060 679

OTHER SUPPORTING DOCUMENTS

Annexure B