

KZN235
OKHAHLAMBA LOCAL
MUNICIPALITY
2020/2021
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 2020/2021 ADJUSTMENT BUDGET SPEECH

Honourable Speaker, Cllr. S. A. Zulu
Deputy Mayor of Okhahlamba Municipality Cllr. T. G. Ngozo
Members of the Council of Okhahlamba
Councillors present
Officials, all protocol observed

Greetings to all

Chairperson, Mr Speaker, I would like to greet you and all members of the council and officials, and I hereby present Adjustment Budget for 2020/2021 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 SEPTEMBER 2020	ADJUSTMENT BUDGET FEBRUARY 2021	ADJUSTMENT BUDGET APRIL 2021
Operating Expenditure	211,894,000	211,894,000	233,101,986	233,101,986
Capital Expenditure	40,846,000	40,846,000	56,848,064	56,380,064
Total Budget	R 252,740,000	R 252,740,000	R 289,950,050	R 289,482,050

Operating expenditure is adjusted by 10% and capital expenditure is adjusted by 39%, 29% of the 39% increase in Capex is due to rollover grant amounting to R 8.9 million for smart centres and R 3 million additional allocation for informal economic infrastructure.

In April 2021, the capital budget was reduced by 468 000 due to decrease in MIG allocation.

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 29th of April 2021, the Council of Okhahlamba Local Municipality met in the Council Chambers of Okhahlamba Municipality to consider the 2020/2021 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:

- 2020/2021 Adjustments Budget

EXECUTIVE SUMMARY

COUNCILLORS, EXECUTIVE COMMITTEE AND OFFICIALS

EXECUTIVE COMMITTEE

DESIGNATION	SURNAME & INITIALS
Mayor	Cllr. M. G. Ndlangisa
Deputy Mayor	Cllr. T. G. Ngozo
Executive Committee Member	Cllr. K. I. Hadebe
Executive Committee Member	Cllr. T. A. Sigubudu
Executive Committee Member	Cllr. B. M. Dlamini

COUNCIL

DESIGNATION	SURNAME & INITIALS
Mayor	Cllr. M. G. Ndlangisa
Deputy Mayor	Cllr. T. G. Ngozo
Speaker	Cllr. S. A. Zulu
Councillor	Cllr. E. N. N. Bengu
Councillor	Cllr. M. J. Hadebe
Councillor	Cllr. M. H. Msimanga
Councillor	Cllr. S. R. Mlambo
Councillor	Cllr. K. S. Dladla
Councillor	Cllr. K. I. Hadebe
Councillor	Cllr. M. P. Vilakazi
Councillor	Cllr. P. P. Sigubudu
Councillor	Cllr. M. M. S. Vilakazi
Councillor	Cllr. M.H. Hlatshwayo
Councillor	Cllr. K. Simelane
Councillor	Cllr. P. A. M. Mfuphi
Councillor	Cllr. T. A. Sigubudu

DESIGNATION	SURNAME & INITIALS
PR	Cllr. B. M. Dlamini
PR	Cllr. M. I. Dlamini
PR	Cllr. S. Ndimande
PR	Cllr. T. D. J. Van Rensburg
PR	Cllr. I. M. Buthelezi
PR	Cllr. K. Langa
PR	Cllr. S. M. Hlongwane
PR	Cllr. S. M. Buthelezi
PR	Cllr. J. E. Nqubuka
PR	Cllr. N. A. Mdakane
PR	Cllr. F. E. Buthelezi
PR	Cllr. R.K. Hlongwane
PR	Cllr. S. C. Hadebe

MANAGEMENT COMMITTEE MEMBERS

DESIGNATION	SURNAME & INITIALS
Municipal Manager	SN Malinga
Chief Financial Officer	NP Ntuli (Acting)
Director: Technical Services	Vacant
Director: Social and Community	TP Mazibuko
Director: Corporate	GM Mohlokoana
Senior Legal Advisor and Contract Management	Z Motala
Chief Operations Officer	Vacant
Chief of Staff	Vacant
Roads & Maintenance Manager	MK Hlatshwayo
Public Facilities Manager	ZA Zikode
Internal Audit Manager	S Dlamini
IDP/PMS Manager	S Nene
Protection Services Manager	TN Langa
Manager Finance	NP Nene
IT Manager	ITM Makhubu
Risk Management and Communication Manager	NP Ntuli
LED Manager	HP Ndaba
Senior Accountant	Vacant
Accountant Expenditure	V Shezi
Accountant Income	Z Mazibuko
Accountant Assets	S Mncube
Accountant SCM	T Maphalala
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 SEPTEMBER 2020	ADJUSTMENT BUDGET FEBRUARY 2021	ADJUSTMENT BUDGET APRIL 2021
Operating Income	R 195,754 000	R 221,048,000	R 224,032,000	R 224,032,000
Operating Expenditure	R 211,894,000	R 211,894,000	R 233,102,000	R 233,102,000
Capital Budget	R 40,846,000	R 40,846,000	R 56,848,064	R 56,380,064

Grants

The Municipality has the following allocations for 2020/2021:

GRANT	ORIGINAL BUDGET "R"	ADJUSTMENT BUDGET SEPTEMBER 2020 "R"	ADJUSTMENT BUDGET FEBRUARY 2021 "R"	ADJUSTMENT BUDGET FEBRUARY 2021 "R"
EQUITABLE SHARE	132 687 000	158 017 000	158 017 000	158 017 000
INTEGRETED NATIONAL ELECTRIFICATION PROGRAMME	6 800 000	6 800 000	5 000 000	7 000 000
FINANCE MANAGEMENT GRANT	1 900 000	1 900 000	1 900 000	1 900 000
EPWP	3 081 000	3 081 000	3 081 000	3 081 000
PROVINCIALISATION OF LIBRARIES	1 809 000	1 809 000	1 809 000	1 809 000
MUSEUM SUBSIDY	213 000	213 000	213 000	213 000
COMMUNITY LIBRARY SERVICES GRANT	911 000	911 000	911 000	911 000
MIG	38 136 000	38 136 000	38 136 000	37,668,000
DRAKENSBERG EXTRAVAGANZA	6 500 000	6 500 000	6 500 000	6 500 000
TITLE DEED RESTORATION	136 000	100 000	100 000	100 000
DISASTER RELIEF GRANT			628,909.86	628,909.86
SMART CENTRE GRANT			8,912,063.69	8,912,063.69
SMALL TOWN GRANT			23,800	23,800

LGSETA SUBSIDY			14,273	14,273
BUSINESS PLANS SYSTEM GRANT			46,503.25	46,503.25
FRESH PRODUCE GRANT			81,473.80	81,473.80
INFORMAL TRADERS GRANT			R 3 000 000	R 3 000 000

Operating Expenditure

Description	ORIGINAL BUDGET "R"	ADJUSTMENT BUDGET SEPTEMBER 2020 "R"	ADJUSTMENT BUDGET FEBRUARY 2021 "R"
Salaries and Allowances	94,555,000	94,555,000	100,312,000
Remuneration of Councillors	10,949,000	10,949,000	10,949,000
Other expenditure	40,884,000	40,884,000	43,346,000
Contracted services	27,682,000	27,682,000	36,079,000

Capital Expenditure

	ORIGINAL BUDGET	ADJUSTMENT BUDGET SEPTEMBER 2020 "R"	ADJUSTMENT BUDGET FEBRUARY 2021 "R"	ADJUSTMENT BUDGET APRIL 2021 "R"
Capital Budget	40,846,000	40,846,000	56,848,064	R 56,380,064

Capital Activities:

Capital revenue = R 56,380,064.

Capital Expenditure = R 56,380,064

Capital expenditure is funded through:

Municipal Infrastructure Grant = R 37,668,000

Smart Centre Grants = R 8,912,064.

Informal Economic Infrastructure Grant = R 3000,000.

Surplus Cash = R 6,800,000.

PROVISION OF BASIC SERVICES

Waste Removal

Refuse removal, was increased by R 100 000, the municipality billing is R 245, 651 per month.

Free Basic Electricity

Free Basic Electricity, no changes from it, the municipality pays Eskom R 96 000 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 2020/2021 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 2020/2021 Financial year

The vacant posts employer contribution were calculated using:

UIF = 1% of salary limit 148.72

SDL = 1% of Salary

Pension and Provident fund maximum option = 13.65% salary

DEBT IMPAIRMENTS

Debt impairment was budgeted for using 56% gross debtors balance since there municipality debtors' balance is increasing drastically over the years and the municipality only collects 65% 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 2020//21 financial year with assets already in the FAR and it amounted to R 27.5 million.

The municipality also made an additional provision for depreciation amounting to R 1 million since it had the following:

Work in Progress as at 30 June 2019 = R 13 324 169.

2019/20 Capital Budget = R 56,380,064.

Finance Charges

The municipality will be paying out interest of R 1,305,000 for the R 20 ml loan in 2020/201.

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

As the Municipality is making lease repayment, the interest decreases over the 2020/21 MTREF.

Other materials

These line items are very critical to the operations of the Municipality the 2020/21 budget was increased; these include:

Disaster Management materials

Cleaning materials

Solid Waste Materials

Public spaces and parks materials

Repairs and Maintenance materials

Contracted services

The municipality has increased the budget by R 8.4 million(30%) in the final budget, main contributing lire items are security services R 2 million (7.2%) and repairs and maintenance R 3.5 million (12%).

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

Transfers and subsidies

The municipality pays R 10 000 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 65% 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 4,073,702.66

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 SEPTEMBER 2020 "R"	ADJUSTMENT BUDGET FEBRUARY 2021 "R"	ADJUSTMENT BUDGET APRIL 2021 "R"
National Government	R 44,468,000	169,798,000	167,998,000.00	169,998,000.00
Provincial Government	R 9,569,000	R 9,533,000	9,533,000.00	9,533,000.00
TOTAL	54,037,000	179,331,000	177,531,000.00	179,531,000.00

CAPITAL

FROM	ORIGINAL BUDGET	ADJUSTMENT BUDGET SEPTEMBER 2020 "R"	ADJUSTMENT BUDGET FEBRUARY 2021 "R"	ADJUSTMENT BUDGET APRIL 2021 "R"
National Government	38,136,000	R 38,136,000	38,136,000	37,668,000
Provincial Government	-	-	3,000,000	3,000,000
TOTAL	38,136,000	38,136,000	41,136,000.00	40,668,000.00

ADJUSTMENTS TO EXPENDITURE ON ALLOCATION AND GRANT PROGRAMMES

GRANT	ORIGINAL BUDGET	ADJUSTMENT BUDGET SEPTEMBER 2020	ADJUSTMENT BUDGET FEBRUARY 2021	ADJUSTMENT BUDGET APRIL 2021
		“R”	“R”	“R”
Equitable share	R 132,687,000	R 158,017,000		
Tittle deed restoration	R 136,000	R 100,000		
DISASTER RELIEF GRANT			628,909.86	
SMART CENTRE GRANT			8,912,063.69	
SMALL TOWN GRANT			23,800	
LGSETA SUBSIDY			14,273	
BUSINESS PLANS SYSTEM GRANT			46,503.25	
FRESH PRODUCE GRANT			81,473.80	
INFORMAL TRADERS GRANT			R 3 000 000	
INTEGRETED NATIONAL ELECTRIFICATION PROGRAMME	6 800 000		5 000 000	7 000 000
MUNICIPAL INFRASTRUCTURE GRANT	38,136,000.00			37,668,000.00
TOTAL	R 177,759,000	R 158,117,000	17,707,023.60	44,668,000

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 there were no adjustment.

The table below shows the adjustments:

DESCRIPTION	ORIGINAL BUDGET	ADJUSTMENT BUDGET SEPTEMBER 2020	ADJUSTMENT BUDGET FEBRUARY 2021
		“R”	“R”
201 Salaries	9,401,099.00	9,401,099.00	9,401,099.00
214 Allowance Cell phone	1,287,600.00	1,287,600.00	1,287,600.00
Travel allowance	260,793.20	260,793.20	260,793.20
TOTAL	10,949,492.12	10,949,492.12	10,949,492.12

The overall increase in salaries is 6%, the table below outlines the adjustments:

Description	ORIGINAL BUDGET	ADJUSTMENT BUDGET SEPTEMBER 2020	ADJUSTMENT BUDGET FEBRUARY 2021
		"R"	"R"
201 Salaries	67,871,570.58	67,871,570.58	72,570,364.03
203 Bonus	4,495,259.84	4,495,259.84	5,498,343.92
000 performance Bonus	717,046.82	717,046.82	790,371.24
205 Overtime	1,875,000.00	1,875,000.00	1,343,871.69
207 Allowance Housing	426,617.64	426,617.64	450,463.56
209 Allowance Standby	980,937.58	980,937.58	1,341,714.65
211 Allowance Transport	3,142,877.52	3,142,877.52	2,909,731.20
213 Post retirement benefits	118,667.18	118,667.18	118,667.18
220 Pension Fund	9,939,316.15	9,939,316.15	10,422,767.76
222 Medical Aid	2,007,086.33	2,007,086.33	2,421,293.76
000 Interest Cost: Post Employment Benefits	28,245.62	28,245.62	287,000.00
226 UIF	488,074.29	488,074.29	525,792.48
231 Bargaining Council	24,821.64	24,821.64	27,086.40
248 Leave Pay	2,273,206.30	2,273,206.30	1,438,093.41
291 Long Service Awards	166,521.89	166,521.89	166,521.89
236 Inservice Trainees	-	-	
TOTAL	94,555,249.38	94,555,249.38	100,312,083.16

SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

There following projects will be added on the SDBIP:

Hadebe gravel road with 50% target

Uvivane gravel road with 50% target

Hambrook access road with 10% target

Grandstands with 100% target

Informal economic infrastructure with 100% target.

ADJUSTMENTS TO CAPITAL EXPENDITURE

Description	ORIGINAL BUDGET	ADJUSTMENT BUDGET SEPTEMBER 2020	ADJUSTMENT BUDGET FEBRUARY 2021	ADJUSTMENT BUDGET APRIL 2021
		"R"	"R"	"R"
Infrastructure	28,536,000.00	28,536,000.00	28,636,000.00	28,168,000.00
Buildings and centres	9,600,000.00	9,600,000.00	24,912,063.69	24,912,063.69
Office furniture	930,000.00	930,000.00	980,000.00	980,000.00
IT equipment	350,000.00	350,000.00	350,000.00	350,000.00
Machinery & equipment	1,080,000.00	1,080,000.00	1,670,000.00	1,670,000.00
Community	100,000.00	100,000.00	-	-
Motor vehicle	250,000.00	250,000.00	100,000.00	100,000.00
Intangible assets			200,000.00	200,000.00
	40,846,000.00	40,846,000.00	56,848,063.69	56,380,063.69

FUNDING POSITION OF THE BUDGET (TABLE B8)

UNSPENT GRANTS:

The municipality anticipate to full spend the 2020/21 allocations.

Description	Amount
Smart Centers	8,912,063.69
Acton Homes/Enhlanhleni Housing	8,262,902.00
Extravaganza	6,500,000.00
Human Settlement	3,734,766.91
Amazizi 2	794,869.79
Langkloof and Guguletu	748,180.93
Disaster Relief	628,909.86
Door of Hope	94,200.00
Fresh Produce Centre	81,473.80
Small Town	64,440.88
Business Plans Information Management Systems	46,503.25
Grant-LG Seta/ learnerships	8,214.86

Unspent balance 30/06/2020	29,876,525.96
less rollovers	-16,168,950.59
Smart Centers	8,912,063.69
Extravaganza	6,500,000.00
Disaster Relief	628,909.86
Fresh Produce Centre	81,473.80
Business Plans Information Management Systems	46,503.25
Unspent balance 30/06/2021	13,707,575.37

Other Provisions

Total provisions amount to R 13,330,493.00

OTHER SUPPORTING DOCUMENTS

Annexure B