

# **ADJUSTMENTS BUDGET OF UTHUKELA DISTRICT MUNICIPALITY**



**2023/24**



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## 1.1. Mayor's Report

UThukela District Municipality has experienced financial challenges in the 2023/24 financial year and remains under administration in terms of S139 of the MFMA. The challenges encountered in the first half of the year included the review of the budget funding plan which led to the late compilation of a "credible" budget funding plan, adopted at the end of September 2023. The municipality has also encountered challenges in terms of grant spending. Amongst other material challenges the municipality has had to deal with staff disputes which emanated from changes to controls, such as the approval and monitoring of overtime. The municipality has responded positively to the said challenges and continues to support government interventions.

The municipality tabled a midyear review in January 2024, which analysed and reflected on the financial performance of the first six months of the year. On review of the financial performance at midyear it was evident that an adjustments budget is required. The major aim of this adjustments budget is to consider and apply remedial measures in areas of non-performance. This adjustments budget also seeks to prioritise and apply the feedback received from Treasury and COGTA on the midyear performance. The budget remains unfunded and is supported by means of a budget funding plan. Senior management has contributed strategies to the funding plan.

Various capital projects budgeted for this financial year have commenced, going forward these projects will remain under the strict monitoring and supervision. This will ensure capital grants are fully spent and that capital projects are implemented successfully as per the adopted business plans.

The municipality remains committed to the turn-around time of the budget funding plan and the improvement of the audit opinion, all strengthening the level of basic service delivery.

It must be noted that an amount of R 431 million has been received from the budgeted total of R579 million of the equitable share and an amount of R166 million has been received in respect of the MIG (municipal infrastructure grant) in respect of MWSIG (municipal water services infrastructure grant) R68 million was received.

## 1.2 Council Resolutions

On 27 February 2024

The Council of UThukela District Municipality met at the Ladysmith, Alfred Duma, Town Hall to consider the adjustments budget of the municipality for the financial year 2023/24. The Council approved and adopted the following resolutions:

1. The UThukela District Local Municipality, acting in terms of section 72 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The adjustments budget of the municipality for the financial year 2023/24 and the multi-year and single-year capital appropriations as set out in the following tables:



- 1.1.1. Adjustments Budget Financial Performance (revenue and expenditure by standard classification) as contained in Table B2
- 1.1.2. Adjustments Budget Financial Performance (revenue and expenditure by municipal vote) as contained in Table B3
- 1.1.3. Adjustments Budget Summary as contained in Table B1
- 1.1.4. Adjustments Budget financial performance (revenue and expenditure) as contained in Table B4
  
- 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:
  - 1.2.1. Adjustments Budget Financial Position as contained in Table B6
  - 1.2.2. Adjustments Budget Cash Flows as contained in Table B7
  - 1.2.3. Adjustments Budget Cash backed reserves and accumulated surplus reconciliation as contained in Table A8
  - 1.2.4. Adjustments Budget Asset management as contained in Table B9
  - 1.2.5. Adjustments Budget Basic service delivery measurement as contained in Table B10

## 1.3 Executive Summary

Section 72 of the Municipal Finance Management Act (MFMA) requires that municipalities review their financial results for the mid-year during January of each year

Section 72 indicates that the following information must be provided:

- the monthly statements referred to in section 71 for the first half of the financial year;
- the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
- the past year's annual report, and progress on resolving problems identified in the annual report

As part of the review the accounting officer must:

- make recommendations as to whether an adjustment budget is necessary and
- recommend revised projections for revenue and expenditure to the extent that this may be necessary



## Background

An Adjustment Budget must be table to council any time after the mid-year budget review have been tabled to council but no later than 28 February of the current year as per Municipal Budget Regulation Reporting 23(1).

The Mid- Year Budget Review Report has highlighted variances in terms of actual year to date income and expenditure versus year to date budgets. The variances were considered and where necessary adjustments were made.

Consideration of section 18 of MFMA was made, which states that:

*"An annual budget may only be funded from:*

- a) Realistic anticipated revenues to be collected;*
- b) Cash backed accumulated funds from previous year's surpluses not committed for other purposes; and*
- c) borrowed funds, but only for the capital budget referred to in section 17(2)*

*(2) Revenue projections in the budget must be realistic, taking into account:*

- a) Projected revenue for the current year based on collection levels to date; and*
- b) Actual revenue collected in previous financial years."*

Great emphasis has been placed on ensuring that the budget the available resources are employed onto the municipality's core function; further more adjustments have been made to votes impacting directly on service delivery.



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## Adjustments Budget Financial Performance (functional classification) – [B2]

R thousands	2023/24	2024/25	2025/26
<b>Revenue - Functional</b>			
<i><b>Municipal governance and administration</b></i>	<b>593 455</b>	<b>595 635</b>	<b>567 725</b>
Executive and council	-	-	-
Finance and administration	593 455	595 635	567 725
Internal audit	-	-	-
<i><b>Community and public safety</b></i>	<b>27</b>	<b>39</b>	<b>370</b>
Community and social services	-	-	346
Sport and recreation	-	-	-
Public safety	-	-	-
Housing	-	-	-
Health	27	39	24
<i><b>Economic and environmental services</b></i>	<b>-</b>	<b>-</b>	<b>-</b>
Planning and development	-	-	-
Road transport	-	-	-
Environmental protection	-	-	-
<i><b>Trading services</b></i>	<b>637 537</b>	<b>592 999</b>	<b>228 333</b>
Energy sources	-	-	-
Water management	637 537	592 999	228 333
Waste water management	-	-	-
Waste management	-	-	-
<i><b>Other</b></i>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Revenue - Functional</b>	<b>1 231 020</b>	<b>1 188 673</b>	<b>796 428</b>
<b>Expenditure - Functional</b>			
<i><b>Municipal governance and administration</b></i>	<b>395 526</b>	<b>417 572</b>	<b>239 697</b>
Executive and council	61 263	64 311	33 586
Finance and administration	334 263	353 261	206 111
Internal audit	-	-	-
<i><b>Community and public safety</b></i>	<b>46 971</b>	<b>47 204</b>	<b>35 131</b>
Community and social services	7 410	7 477	8 884
Sport and recreation	-	-	-
Public safety	-	-	-
Housing	-	-	-
Health	39 561	39 727	26 247
<i><b>Economic and environmental services</b></i>	<b>30 249</b>	<b>28 785</b>	<b>10 429</b>
Planning and development	30 249	28 785	10 429
Road transport	-	-	-
Environmental protection	-	-	-
<i><b>Trading services</b></i>	<b>463 660</b>	<b>556 975</b>	<b>248 782</b>
Energy sources	-	-	-
Water management	463 660	556 975	248 782
Waste water management	-	-	-
Waste management	-	-	-
<i><b>Other</b></i>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenditure - Functional</b>	<b>936 405</b>	<b>1 050 536</b>	<b>534 038</b>
<b>Surplus/(Deficit)</b>	<b>294 615</b>	<b>138 137</b>	<b>262 389</b>



## Summary of Adjusted Revenue Classified by Main Revenue Source [B4]

Description	Adopted Budget Funding Plan	Increase / (Decrease) Adjustment	Year 1	Year 2	Year 3
R thousand	2023/24	2023/24	2023/24	2024/25	2025/26
<b>Revenue</b>					
<b>Exchange Revenue</b>					
Service charges - Electricity	—				
Service charges - Water	248 652	1 376	250 028	264 520	281 744
Service charges - Waste Water Management	18 132	(972)	17 160	19 910	21 207
Service charges - Waste Management					
Sale of Goods and Rendering of Services	2 517	(1 920)	596	628	659
Agency services					
Interest					
Interest earned from Receivables	55 980	4 920	60 900	64 128	67 270
Interest earned from Current and Non Current Assets	7 717	2 276	9 994	10 523	11 039
Dividends					
Rent on Land					
Rental from Fixed Assets					
Licence and permits					
Operational Revenue	2 384	(2 191)	193	204	214
<b>Non-Exchange Revenue</b>					
Property rates					
Surcharges and Taxes					
Fines, penalties and forfeits	39	(12)	27	29	30
Licences or permits					
Transfer and subsidies - Operational	585 779	0	585 779	622 502	658 129
Interest					
Fuel Levy					
Operational Revenue					
Gains on disposal of Assets					
Other Gains					
Discontinued Operations	—			29 742	31 527
<b>Total Revenue (excluding capital transfers and co</b>	<b>921 200</b>	<b>3 478</b>	<b>924 678</b>	<b>1 012 186</b>	<b>1 071 818</b>

After the midyear review and the relevant feedback comments from treasury it was noted that a few adjustments to operating revenue and expenditure were required. Below is the discussion pertaining to the adjusted items. The net adjustment to operating revenue is an increase of R3,4 million.

### **WATER& SANITATION SALES:**

Water and sanitation charges have been increased from the original budget estimate which was underestimated. The newly computed billing figures of R250 and R17 million for water and sanitation respectively are based on the actual billing figures at midyear which result in a net increase of R404 thousand from the approved budget funding plan. The municipality has noted the impact of disruptions in water supply on the sales generated, the consistency and improvement in water supply has been



prioritised which will positively impact future water and sanitation sales. The total water and sanitation sales do not include prepaid water sales for 2024/25, however the sales have been factored into the budget for the outer years of the MTERF under the discontinued operations, pending the outcomes of the court case.

The municipality has conducted a data cleansing exercise in the current financial year, assisted by consultants deployed by the National Treasury, this included clearing negative billing and identifying meters that were not billing correctly and applying the necessary remedial adjustments on the individual consumer accounts.

## **INTEREST FROM INVESTMENTS:**

The municipality has been able to increase the interest on the investment of funds by R2.2 million above the budget of the funding plan. The municipality has prioritised the management of cash flows and monthly fixed costs, complying with the terms of section 62(1)(a) of the MFMA to use the resources of the municipality effectively, efficiently and economically.

Unspent grants at mid-year were fully cash backed, the municipality has ensured to set aside investments pertaining to conditional grants. This will prevent the misallocation of funds, and ensure the approval of any possible roll-overs.

## **TRANSFERS AND SUBSIDIES:**

Operating Transfers and Subsidies amount to R585 million which includes an amount of R579 equitable share. In December 2023 an amount of R3,8 million was withheld from the equitable share in relation to an unapproved roll-over for the Water Services Infrastructure Grant. The reduction in the equitable share has impacted negatively on the cash inflow and budget funding plan.

Transfers and Subsidies made up, 63% of the revenue basket. This is an indication that the municipality is grant reliant. The cut in revenue (equitable share) will need to be supported by an importunate revenue drive. The Revenue Section remains a priority within the budget and treasury office, furthermore there is additional support that has been provided by National Treasury by means of consultants.

## **FINES AND PENALTIES:**

This line item relates specifically to fines issued by the Health Department, the municipality has been unable to budget accurately for this line item in the past. The projection of R27 thousand is based on the total fines issued at midyear which amounted to R16 thousand, an amount of R48 thousand had been incorrectly allocated to this line item. The municipality may have to allocate additional resources and improve consistency in the issuing of fines for the maximum recovery. An increase on this line item is anticipated due to the municipality now issuing air pollution fines which were previously not issued.



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## **INTEREST FROM OUTSTANDING DEBTORS:**

This line item has yielded a positive variance of 17%, at midyear the municipality billed more interest than originally anticipated. The municipality has adopted a strong drive to improve the collection rate in the previous quarter ending December 2023. Therefore, a decline is anticipated going forward on this line item. The revenue section being assisted by sectional heads is engaging actively with the debtors of different categories.

## **OTHER REVENUE:**

Other revenue has been decreased by R1,9 million, this adjustment is due to the under generation of revenue which was anticipated from goods such as tender documents and GIS maps. The municipality will be conservative in the future estimation of this line item to ensure a realistic measure of other revenue for the budget funding plan.

## **Summary of Adjusted Expenditure Classified by Line Item [B4]**

Description	Adopted Budget Funding Plan	Increase / (Decrease) Adjustment	Year 1	Year 2	Year 3
R thousand	2023/24	2023/24	2023/24	2024/25	2025/26
<b><u>Revenue</u></b>					
<b><u>Expenditure</u></b>					
Employee related costs	355 922	(2 200)	353 722	370 265	387 496
Remuneration of councillors	6 709	(545)	6 164	6 466	6 770
Bulk purchases - electricity		–	–		
Inventory consumed	31 868	16 215	48 083	29 432	30 815
Debt impairment	156 966	0	156 966	164 658	172 397
Depreciation and amortisation	95 609	(0)	95 609	100 294	105 008
Interest		500	500		
Contracted services	121 583	14 201	135 784	117 774	118 370
Transfers and subsidies	3 285	2 200	5 485	3 446	3 608
Irrecoverable debts written off		–	–		
Operational costs	146 970	(12 879)	134 091	160 333	176 746
Losses on disposal of Assets	–				
Other Losses	–				
<b>Total Expenditure</b>	<b>918 912</b>	<b>17 493</b>	<b>936 405</b>	<b>952 668</b>	<b>1 001 210</b>
<b>Surplus/(Deficit)</b>	<b>2 288</b>	<b>(14 015)</b>	<b>(11 727)</b>	<b>59 518</b>	<b>70 608</b>



## **EMPLOYEE REALATED COSTS:**

The adjustment to employee related cost is R2,2 million this amount relates to salaries for the uThukela Development Agency. The municipality is responsible for payment the payment of salaries over and above the yearly monetary transfer to the agency.

At mid-year the employee related cost was exceeded by 2% the variance was evaluated and the amount included R19 million paid for bonuses in the month of November 2023. The budget funding plan had reduced budgeted overtime and stand-by. The process of authorising overtime was also reviewed in order to ensure that only unavoidable overtime is incurred. However, overtime is still above the recommended norm of 5%. The issue of regularly bursting pipes due to aging infrastructure has been reported as the primary cause of overtime.

Cost savings that resulted from budgeted vacant positions have been shifted to cover the exceeded budget for overtime and stand-by, the municipality has not increased the salary budget for the 2023/24 financial year. Further to that management has resolved to reduce the current overtime and stand-by trend by 25% which translates to R584 cost savings per month.

The municipality is not in a position to afford any further increases to salaries which constitute 38% of total operating expenditure (*just below the norm of 40%*) and 61% of the equitable share. The municipality has been advised by both Treasury and COGTA to process an application to SALGA not to effect a salary increment for the 2024/25 financial year as the municipality is faced with financial challenges.

## **INVENTORY CONSUMED: (fuel & oil, chemicals, water purchases)**

The total incremental adjustment to inventory consumed is R16.2 million. In the adopted budget funding plan various strategies were compiled to reduce the amount spent on this line item. The municipality was aiming to reduce the budget for inventory consumed by at least 40% of the original budget translating to R12 million.

The municipality has managed to achieve reduction in costs relating to fuel and oil, due to the improved controls in fleet management, cost savings of R974 thousand were achieved at mid-year.

The budget for chemicals had been exceeded at midyear due to reported factors such as water turbidity and floods. The municipality has converted from using chlorine tablets to using powder aiming to reduce the amount spent on chemicals as per the adopted budget funding plan. The panel of service providers was also expanded for competitive prices. An additional budget of R19 million based on expenditure at midyear has been effected on chemicals, which has been prioritised as a major component of the core function.



## **CONTRACTED SERVICES:**

Contracted services have been increased by a net effect R14 million, this increase includes the following amongst other expenditure increases.

- Security R1,4 million
- Pipelines & portable water maintenance R21 million
- Legal Fees R3,8 million
- Computer Programs R4,8 million
- Vehicle Repairs R1,3 million

The municipality has prioritised the review of contracts, this is one of the primary cost saving strategy of our budget funding plan. It must be noted that a net reduction of R18, 2 million has been effected in the adjustments. The outsourcing of services/consultants has been reviewed, the hiring of water tankers has been halted. The municipality has prioritised shifting funds between line items in order to minimise the overall increase to this line item.

## **OPERATIONAL COSTS:**

This line item relates to general expenditure such as Protective Clothing, Rent & Hire Vehicles, Rental Office Machines, Renting of Offices, telephone etc. The net decrease to this line item is R12,8 million which has contributed positively to the budget funding plan. this increase includes the following amongst other expenditure decreases. A detailed breakdown is contained in the attached budget funding plan.

- Insurance -R3 779 960
- Plant & Equipment Hire -R3 471 155
- Protective Clothing -R1 253 945
- Vehicle Licencing - Fleet Management -R1 972 978
- Skills Development Levy -R4 441 523

The municipality has noted an increase in the provision for travel and subsistence which is not in line with the budget funding plan. Management is currently reviewing the applicable policy, in order to reduce the amount of expenditure incurred on this line item, the municipality is committed to reviewing and workshopping the revised policy, effects of which will also influence the outer years of the MTREF.



## ADJUSTMENTS TO THE CAPITAL BUDGET

### Adjustments Capital Expenditure Budget by vote and funding [B5]

Description	Adopted Budget Funding Plan	Increase / (Decrease) Adjustment	Year 1	Year 2	Year 3
R thousand	2023/24	2023/24	2023/24	2024/25	2025/26
<b>Capital Expenditure - Functional</b>					
<b>Governance and administration</b>	1 150	(624)	527	1 270	1 330
Executive and council					
Finance and administration	1 150	(624)	527	1 270	1 330
Internal audit					
<b>Community and public safety</b>	-	-	-	-	-
Community and social services					
Sport and recreation					
Public safety					
Housing					
Health					
<b>Economic and environmental services</b>	-	-	-	-	-
Planning and development					
Road transport					
Environmental protection					
<b>Trading services</b>	327 184	(20 842)	306 342	327 473	342 723
Energy sources					
Water management	265 763	15 970	281 733	263 042	275 264
Waste water management	61 421	(36 812)	24 609	64 431	67 459
Waste management					
<b>Other</b>					
<b>Total Capital Expenditure - Functional</b>	<b>328 334</b>	<b>(21 466)</b>	<b>306 868</b>	<b>328 743</b>	<b>344 053</b>
<b>Funded by:</b>					
National Government	306 342	(36 812)	306 342	326 589	341 798
Provincial Government					
District Municipality					
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educ Institutions)					
<b>Transfers recognised - capital</b>	<b>306 342</b>	<b>(36 812)</b>	<b>306 342</b>	<b>326 589</b>	<b>341 798</b>
<b>Borrowing</b>					
<b>Internally generated funds</b>	22 053	(21 527)	527	2 154	2 255
<b>Total Capital Funding</b>	<b>328 395</b>	<b>(58 338)</b>	<b>306 868</b>	<b>328 743</b>	<b>344 053</b>

The capital budget was mainly affected by the reprioritisation of capital projects funded by infrastructure grants. Below are the capital projects listed per grant. The revised budget funding plan consisted of R20 million for the purchase of vehicles, plant and equipment. The aim of the allocated budget was to reduce the amount the municipality incurs on hiring.



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## Adjustments Budget Cash Flows – [B7]

Description	Adopted Budget Funding Plan 2023/24	Increase / (Decrease) Adjustment 2023/24	Year 1 2023/24	Year 2 2024/25	Year 3 2025/26	Year 4 2026/27	Year 5 2027/28	Year 6 2028/29	Year 7 2029/30	Year 8 2030/31	Year 9 2031/32	Year 10 2032/33
<b>R thousand</b>												
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>												
<b>Receipts</b>												
Property rates	–	12 970	115 959	127 994	136 328	160 913	170 568	180 802	210 815	223 464	236 872	251 084
Service charges	102 990	–	74 654	77 137	80 917	85 325	89 187	93 221	100 308	104 879	109 654	114 642
Other revenue	74 654	–	581 931	622 502	658 129	699 737	734 724	771 460	810 033	850 534	893 061	937 714
Transfers and Subsidies - Operational	585 779	(3 840)	306 342	326 589	341 798	357 863	374 682	392 292	410 730	430 034	450 246	471 407
Transfers and Subsidies - Capital	306 342	–	9 994	8 126	8 524	8 925	9 371	9 840	10 332	10 849	11 391	11 961
Interest	7 717	2 276	–	–	–	–	–	–	–	–	–	–
<b>Payments</b>												
Suppliers and employees	(804 967)	(13 739)	(817 967)	(818 593)	(844 758)	(877 455)	(921 515)	(970 255)	(1 021 584)	(1 072 765)	(1 129 520)	(1 189 290)
Interest	–	–	–	–	–	–	–	–	–	–	–	–
Transfers and Subsidies	(3 285)	(2 200)	(5 485)	(3 446)	(3 608)	(3 778)	(3 966)	(4 165)	(4 373)	(4 592)	(4 821)	(5 062)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>269 231</b>	<b>(4 542)</b>	<b>265 428</b>	<b>340 310</b>	<b>377 330</b>	<b>431 529</b>	<b>453 051</b>	<b>473 195</b>	<b>516 261</b>	<b>542 403</b>	<b>566 882</b>	<b>592 455</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>												
<b>Payments</b>												
Capital assets	(328 395)	21 527	(306 868)	(328 743)	(344 053)	(360 223)	(377 154)	(394 880)	(413 440)	(432 871)	(453 216)	(474 517)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(328 395)</b>	<b>21 527</b>	<b>(306 868)</b>	<b>(328 743)</b>	<b>(344 053)</b>	<b>(360 223)</b>	<b>(377 154)</b>	<b>(394 880)</b>	<b>(413 440)</b>	<b>(432 871)</b>	<b>(453 216)</b>	<b>(474 517)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(59 164)</b>	<b>16 985</b>	<b>(41 441)</b>	<b>11 567</b>	<b>33 277</b>	<b>71 306</b>	<b>75 897</b>	<b>78 315</b>	<b>102 821</b>	<b>109 532</b>	<b>113 666</b>	<b>117 938</b>
Cash/cash equivalents at the year begin:	13 498	–	13 498	(27 943)	(16 376)	16 901	88 207	164 103	242 418	345 239	454 772	568 438
Cash/cash equivalents at the year end:	<b>(45 667)</b>	<b>16 985</b>	<b>(27 943)</b>	<b>(16 376)</b>	<b>16 901</b>	<b>88 207</b>	<b>164 103</b>	<b>242 418</b>	<b>345 239</b>	<b>454 772</b>	<b>568 438</b>	<b>686 375</b>



**Table B8 Cash backed reserves/accumulated surplus reconciliation –[B8]**

Description	Adopted Budget Funding Plan 2023/24	Increase / (Decrease) Adjustment 2023/24	Year 1 2023/24	Year 2 2024/25	Year 3 2025/26	Year 4 2026/27	Year 5 2027/28	Year 6 2028/29	Year 7 2029/30	Year 8 2030/31	Year 9 2031/32	Year 10 2032/33
<b>R thousand</b>												
<b>Cash and investments available</b>												
Cash/cash equivalents at the year end	(45 667)	17 724	(27 943)	(15 850)	17 427	88 733	164 630	242 945	345 766	455 298	568 964	686 902
Other current investments > 90 days												
Non current investments	-											
<b>Cash and investments available:</b>	<b>(45 667)</b>	<b>17 724</b>	<b>(27 943)</b>	<b>(15 850)</b>	<b>17 427</b>	<b>88 733</b>	<b>164 630</b>	<b>242 945</b>	<b>345 766</b>	<b>455 298</b>	<b>568 964</b>	<b>686 902</b>
<b>Application of cash and investments</b>												
Unspent conditional transfers	13 665	(3 848)	9 817	13 665	13 665	13 665	13 665	13 665	13 665	13 665	13 665	13 665
Unspent borrowing												
Statutory requirements	24 569	1 548	26 117	23 466	24 993	24 137	25 585	27 120	25 873	27 425	29 071	30 815
Other working capital requirements	445 987	31 565	477 552	437 679	433 648	423 084	418 224	412 993	397 617	391 716	385 369	378 546
Other provisions	50 117	-	50 117	50 117	50 117	50 117	50 117	50 117	50 117	50 117	50 117	50 117
Long term investments committed	-											
Reserves to be backed by cash/investments	-											
<b>Total Application of cash and investments:</b>	<b>534 338</b>	<b>29 264</b>	<b>563 602</b>	<b>524 927</b>	<b>522 423</b>	<b>511 003</b>	<b>507 591</b>	<b>503 896</b>	<b>487 271</b>	<b>482 923</b>	<b>478 222</b>	<b>473 143</b>
<b>Surplus(shortfall)</b>	<b>(580 005)</b>	<b>(11 541)</b>	<b>(591 545)</b>	<b>(540 776)</b>	<b>(504 996)</b>	<b>(422 270)</b>	<b>(342 961)</b>	<b>(260 951)</b>	<b>(141 505)</b>	<b>(27 625)</b>	<b>90 742</b>	<b>213 759</b>



The amount anticipated to be collected from service charges has also been reviewed in light of amounts collected as at the end of the second quarter. A collection rate of 43.4% has been applied to the projected water and sanitation sales as per our average collection rate at mid-year which translates to R12.9 million. The municipality has been conservative in the estimation of revenue collection and has not applied the collection rate on outstanding debtors. Realistic revenue assumptions are the key to a credible budget funding plan.

Other Income includes VAT income projection R74,6 million. At mid-year the municipality had received R50,7 million as at the end of December 2023.

The total anticipated payments have been adjusted to increase by R13,7 million relating to an attachment by a creditor on the municipal bank account. The amount has impacted negatively on the budget funding plan. It must be noted that the adopted budget funding plan budgeted an amount of R804 million, included 100% of all expenditure budgeted for the current financial year and an additional amount R106 million for the long outstanding debts and repayment plans. This amount included a budget of R12 million and R7,2 million for uMngeni and DWS respectively.

The unapproved rollover has been accounted for in the cash flow, as it was withheld from the equitable share in December 2023. The anticipated closing cash balance at the end of the financial year is an overdraft of R27,9 million.

B8 further emphasises that our budget is unfunded to the extent of a R591million deficit an increase from the adopted budget funding plan which projected an unfunded position of R501 million.

Statutory requirements of R26.1 million is the provision for VAT payable. Which is the amount owed to SARS at the applicable collection rate. A further provision for unspent grant funding at year end of R9.8 million based on the unspent funds of the previous financial years. The municipality does however anticipate to spend in full all conditional grants in the current financial year.

The amount of R50 million provision for employee leave. This provision has been ear marked as an area for reduction, by managing and limiting the amount of leave days that may be accumulated by employees. This would reduce the provision and ultimately reduce the budget deficit.

The municipality has increased other working capital to R477, 5 million due to the net increase in expenditure. The budget funding plan still depicts the turnaround year for a funded budget as the 9<sup>th</sup> year which is the 2031/32 financial year.



## 2.1 Adjustments to budget funding:

### Revenue

Description	Adopted Budget Funding Plan	Increase / (Decrease) Adjustment	Year 1	Year 2	Year 3
R thousand	2023/24	2023/24	2023/24	2024/25	2025/26
Total Revenue (excluding capital transfers and co	921 200	3 478	924 678	1 012 186	1 071 818

The above table is an extract of table B4 of schedule B. The total decrease in operating revenue is R3.4 million. A detailed analysis of each line item can be seen in the explanatory notes to table B4 (an analysis of operating revenue).

### Cash and Investment particulars by maturity:

<b>Bank Balances</b>				
The following reflects bank balances at 31 December 2023				
DESCRIPTION	SEPTEMBER 2023	OCTOBER 2023	NOVEMBER 2023	DECEMBER 2023
FNB MAIN ACCOUNT 62252306280	61,912,762.42	43,188,202.58	17,127,156.68	14,791,225.24
FNB WATER ACCOUNT 62253072385	0	0	0	0
	<b>61,912,762.42</b>	<b>43,188,202.58</b>	<b>0.00</b>	<b>14,791,225.24</b>
<b>Total cash held</b>	<b>14,791,225.24</b>			
<b>CONSUMER DEBTORS - PAYMENTS VS BILLING AS AT 31 DECEMBER 2023</b>				
MONTH	BILLING	MONTHS	RECEIPTS	RECOVERY RATE %
June 2023	25,608,838.15	July 2023	15,146,405.33	59.15%
July 2023	30,432,078.23	August 2023	9,514,192.41	31.26%
August 2023	30,257,372.83	September 2023	12,208,941.91	40.35%
September 2023	29,957,161.76	October 2023	12,433,443.85	41.50%
October 2023	23,953,175.82	November 2023	9,529,050.56	39.78%
November 2023	28,423,891.12	December 2023	8,803,764.50	30.97%
<b>TOTAL</b>	<b>168,632,517.91</b>		<b>67,635,798.56</b>	<b>40%</b>
<b>TOTALS</b>				
BILLING - JUNE 2023 - DECEMBER 2023		168,632,517.91		
RECEIPTS - JULY 2023- DECEMBER 2023		67,635,798.56		
DIFFERENCE		<b>100,996,719.35</b>	40%	



**ANALYSIS OF CASH & INVESTMENTS:**

Investments by maturity Name of institution & investment ID	Ref	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
R thousands						
<b>Municipality</b>						
FNB		54,525	492	(182,284)	182,284	55,017
NEDBANK		1,247	10	(1,249)	1,249	1,257
INVESTEC		381	3			384
ABSA		1,615	659	(30,000)	123,000	95,274
STANDARD BANK		7,605	22	(7,628)	7,628	7,628
<b>Municipality sub-total</b>		<b>65,373</b>	<b>1,187</b>	<b>(221,161)</b>	<b>314,161</b>	<b>159,560</b>

Cash on hand at the end of December 2023 was R14,7 million and investments were R159,5 million.  
The conditional grants were fully cash-backed.



## 2.2 Expenditure on grants and reconciliations of unspent funds

### Adjustments budget – transfers and grant receipts – [SB7]

	Budget Amount 2022/23	Received	Spent & transferred to income		Closing Balance/ Unspent
Grant Type		2023/24	2023/24	% Spent on received amount	2023/24
MUNICIPAL INFRASTRUCTURE GRANT	221,342,000.00	132,806,000.00	107,841,379.68	77%	32,954,855.45
WATER & SANITATION INFRASTRUCTURE GRANT	85,000,000.00	68,000,000.00	35,263,233.17	51%	34,536,766.83
RURAL ROAD ASSET MANAGEMENT SYSTEM	2,672,000.00	1,870,000.00	1,189,058.93	64%	680,941.07
	309,014,000.00	202,676,000.00	144,293,671.78		68,172,563.35

The unspent grants at the end of December 2023 was R85 million, these unspent funds were fully cash backed.

## 2.3 Adjustments to Councillor and employee benefits [SB11]

Description	Adopted Budget Funding Plan	Increase / (Decrease) Adjustment	Year 1	Year 2	Year 3
<b>Expenditure</b>					
Employee related costs	355 922	(2 200)	353 722	370 265	387 496
Remuneration of councillors	6 709	(545)	6 164	6 466	6 770
<b>Total Expenditure</b>	<b>362 631</b>	<b>(2 745)</b>	<b>359 886</b>	<b>376 731</b>	<b>394 266</b>

A total decrease of R2.7 million will be effected to employee related costs and councillor allowances decreasing the total budget to R359 million from the previously anticipated R362 million. Detailed explanation under discussion of table B4.

## 2.4 Other Supporting Tables/ Information

- B Schedule
- Budget Funding Plan
- Grant Register (31 January 2023)
- Investment Register (31 January 2023)
- Creditors listing (31 January 2023)
- Bank reconciliation (31 January 2023)



## 2.6 Municipal Manager's quality certificate



I **Langelihle Jili** Municipal Manager of UThukela District Municipality, hereby certify that the adjustments budget and supporting documentation have been prepared in accordance with S72 of the Municipal Finance Management Act and the regulations made under this Act. In conjunction with National Treasury circular number 91.

Print Name: **LS Jili**  
**Municipal Manager**

Signature:

Date: **27 February 2024**