



# **uMNGENI MUNICIPALITY**

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## **MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT**

**2023/2024**

**Compiled in terms of Section 72 of the Local Government: Municipal Finance Management Act, 2003  
(Act 56 of 2003) (MFMA)**

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## **INTRODUCTION**

In terms of Section 72 of the Local Government Municipal Finance Management Act No. 56 of 2003 (MFMA) the Accounting Officer must by 25 January of each year assess the budget and performance of the municipality during the first half of the financial year. A report on such assessment must in terms of Section 72(1)(b) of the MFMA be submitted to the Mayor, Provincial Treasury and National Treasury.

The accounting officer must, as part of the review-

- (a) Make recommendations as to whether an adjustments budget is necessary; and
- (b) Recommend revised projections for revenue and expenditure to the extent that this may be necessary.

The mid-year performance supporting tables were prepared in accordance with section 72 of the MFMA.

## **OPERATIONAL INCOME AND EXPENDITURE ANALYSIS**

The operating budget as reflected in Table C1 of the Budget Statement Tables can be summarized as follows: -

| DETAILS                  | 2023/2024 APPROVED BUDGET | ACTUALS AS AT 31/12/2023 | % OF ANNUAL BUDGET PERFORMANCE |
|--------------------------|---------------------------|--------------------------|--------------------------------|
| Total Revenue            | 571,897,112               | 284,861,520              | 50%                            |
| Total Expenditure        | 571,589,705               | 264,700,912              | 46%                            |
| <b>Surplus / Deficit</b> | <b>307,407</b>            | <b>20,160,608</b>        |                                |

## **OPERATING REVENUE**

| OPERATING REVENUE STATEMENT FOR THE MONTH ENDING DECEMBER 2023 |                       |                       |                       |                                |                      |
|--|-----------------------|-----------------------|-----------------------|--------------------------------|----------------------|
| Descriptions   | Annual Budget         | YTD budget            | YTD Actual            | % of Annual Budget Performance | YTD Variance         |
| Rates  | 253,564,477.00        | 126,782,226.00        | 129,978,719.48        | 51%                            | (3,196,493.48)       |
| Service charges - Electricity                                  | 156,164,177.00        | 78,082,074.00         | 54,769,224.85         | 35%                            | 23,312,849.15        |
| Service charges - Refuse                                       | 10,752,478.00         | 5,376,240.00          | 5,932,326.13          | 55%                            | (556,086.13)         |
| Rental   | 1,370,048.00          | 685,020.00            | 666,952.36            | 49%                            | 18,067.64            |
| Fines  | 2,957,170.00          | 1,478,580.00          | 1,737,434.44          | 59%                            | (258,854.44)         |
| Licences   | 4,399,009.00          | 2,199,498.00          | 1,810,375.53          | 41%                            | 389,122.47           |
| Grants and subsidies   | 114,187,350.00        | 78,695,137.87         | 78,695,137.87         | 69%                            | -                    |
| Interest earned - external investments                         | 3,029,552.00          | 1,514,772.00          | 1,573,264.05          | 52%                            | (58,492.05)          |
| Operational revenue  | 1,878,595.00          | 939,276.00            | 153,690.59            | 8%                             | 785,585.41           |
| Sale of Goods and Rendering of Services                        | 5,609,203.00          | 2,804,550.00          | 1,786,064.66          | 32%                            | 1,018,485.34         |
| Interest earned - outstanding debtors                          | 17,985,053.00         | 8,992,518.00          | 7,758,329.95          | 43%                            | 1,234,188.05         |
| <b>TOTAL REVENUE</b>   | <b>571,897,112.00</b> | <b>307,549,891.87</b> | <b>284,861,519.91</b> | <b>50%</b>                     | <b>22,688,371.96</b> |

The Municipality's total revenue is sitting at 50 % as of December 2023, the targeted revenue should rightfully at 50% at mid-year when compared against the Annual Budget. From the above table the Annual projected revenue for the financial year ending 30 June 2024 was R571,8m, the year-to-date Actual is R 284,8m, which then resulted in the overall desired performance of 50% as indicated in the table above.

**Although the total revenue met the target for the first six months of the financial year, there are however items within revenue that did not meet the targeted projections, below are the reasons for the variances with reference to the above table, and are explained as follows: -**

### **PROPERTY RATES**

The actual balance for the first six months of the financial year for Property rates is R129m against the budgeted amount of R126m. The report reflects a favorable variance of R 3m or 1% for Property Rates which is above the targeted percentage at the Mid-Year.

### **SERVICE CHARGES – ELECTRICITY**

| ELECTRICITY REVENUE |             |      |                                 |                  |                 |                  |
|---------------------|-------------|------|---------------------------------|------------------|-----------------|------------------|
| Directorate         | Section     | Item | Item                            | Original Budget  | Actual Balance  | Available Budget |
| TECHNICAL SERVICES  | ELECTRICITY | IR   | Disconnection/Reconnection Fees | - 1,244,440.00   | - 1,742,580.59  | 498,140.59       |
| TECHNICAL SERVICES  | ELECTRICITY | IR   | Meter Compliance Testing        | -                | - 226.09        | 226.09           |
| TECHNICAL SERVICES  | ELECTRICITY | IR   | Notice Revenues                 | - 44,499.00      | - 1,739.13      | 42,759.87        |
| TECHNICAL SERVICES  | ELECTRICITY | IR   | Prepaid                         | - 33,690,755.00  | - 7,933,386.41  | 25,757,368.59    |
| TECHNICAL SERVICES  | ELECTRICITY | IR   | Conventional                    | - 119,175,661.00 | - 45,612,567.80 | 73,563,093.20    |
| TECHNICAL SERVICES  | ELECTRICITY | IR   | Conventional                    | 737,100.00       | 588,919.00      | 148,181.00       |
| TECHNICAL SERVICES  | ELECTRICITY | IR   | Ancillary Charges               | - 2,632,500.00   | -               | 2,632,500.00     |
| TECHNICAL SERVICES  | ELECTRICITY | IR   | Availability Charges            | - 113,422.00     | - 67,643.83     | 45,778.17        |
|                     |             |      |                                 | - 156,164,177.00 | - 54,769,224.85 | 101,394,952.15   |

The annual budget for Service Charges – Electricity was R156m, Actual Electricity billed is R 54m which is equivalent to 35% of the Annual budget, therefore there is a negative performance of R23m that is equivalent to 15% under-achievement as at 31 December 2023. The main contributing factor for underperformance is the electricity theft and illegal connections.

There is a significant threat that if the trend continues, Council will continue to incur an operating loss on the electricity-Trading services. Council is requested to fully support all revenue enhancement strategies to be implemented to recover the losses and stabilize the financial situation. Electricity losses is one of the audit issues raised by Auditor General in 2022/2023 financial year.

## **SERVICE CHARGES -REFUSE**

The Municipality has budgeted R 10,7m for refuse-services charges, billed revenue is amounted to R 5,9m that resulted a yielded positive variance of R 556k or 5 % when compared to the annual approved budget. For the first six months, this item has over-achieved in its performance.

## **RENTAL OF FACILITIES**

The Annual budget amount to R1,3m for Rental of facilities and equipment, this has underperformed by 1% when comparing the annual budget and year-to-date actual, the Municipality had targeted to bill R685k but billed is R 666k at midyear and this has also resulted in an unfavorable variance of R18k. The management must review the rental policy and renew the expired lease agreements to improve on the targeted amounted for this line item at the of financial year end.

## **TRAFFIC FINES**

Traffic Fines – the Municipality projected an annual budget of R 2,9m in traffic fines, the actual amount that has been issued for the first six months is R 1,7m, there is a positive variance of 9% if comparing the year-to-date actuals against the Annual budget.

## **LICENCES AND PERMITS**

There is a negative variance of R 389k under Licenses and Permits, the actual amount is R 1,8m whereas the annual budget was R 4,3m this is an indication for a downward adjustment for this item as the Actual is sitting at 41% by the Mid-Year .

## **OPERATIONAL REVENUE**

| Operational Revenue M06 |                     |      |                                 |         |                 |                |              |                  |
|-------------------------|---------------------|------|---------------------------------|---------|-----------------|----------------|--------------|------------------|
| Directorate             | Section             | Item | Item                            | Percent | Original Budget | Amended Budget | Revenue      | Available Budget |
| EXECUTIVE & COUNCIL     | EXECUTIVE & COUNCIL | IR   | Insurance Refund                | 0       | - 318,850.00    | - 318,850.00   | -            | - 318,850.00     |
| BUDGET & TREASURY       | FINANCE             | IR   | Administrative Handling Fees    | 37      | - 72,113.00     | - 72,113.00    | - 26,637.78  | - 45,475.22      |
| BUDGET & TREASURY       | FINANCE             | IR   | Transaction Handling Fees       | 0       | - 1,954.00      | - 1,954.00     | -            | - 1,954.00       |
| BUDGET & TREASURY       | FINANCE             | IR   | Discounts and Early Settlements | 0       | - 924,414.00    | - 924,414.00   | -            | - 924,414.00     |
| BUDGET & TREASURY       | FINANCE             | IR   | Incidental Cash Surpluses       | 63      | - 1,655.00      | - 1,655.00     | - 1,043.49   | - 611.51         |
| CORPORATE SERVICES      | HUMAN RESOURCES     | IR   | Skills Development Levy Refund  | 52      | - 243,709.00    | - 243,709.00   | - 126,009.32 | - 117,699.68     |
| BUDGET & TREASURY       | FINANCE             | IR   | Gains                           | 0       | - 315,900.00    | - 315,900.00   | -            | - 315,900.00     |
|                         |                     |      |                                 |         | - 1,878,595.00  | - 1,878,595.00 | - 153,690.59 | - 1,409,004.41   |

The municipality's operational revenue' has seen a negative variance as at 31 December 2023 due to shared services (Town Planning and servitudes) which are still to be received before the end of the financial year. This has underperformed by 42%. There will be a need to reduce some of the items listed above since the target actual for 50% has not been met, the item has achieved only 8% in the past six months.

## **SALE OF GOODS AND RENDERING OF SERVICES**

The Municipality budgeted R5,6m for this item, the half year outcome reflects that the item has been overbudgeted for as the year-to-date actual is R1,7m which is equivalent to 32% instead of 50% (there is 18% underperformance) – this will be adjusted downwards after an analysis has been done on this item.

## **INTEREST EARNED ON OUTSTANDING DEBTORS**

There is underperformance by 7% on the above item, this translates the result for bad debt write-off in the previous financial year. this line item will be adjusted downwards during the adjustment budget.

## **OPERATING EXPENDITURE**

| OPERATING EXPENDITURE STATEMENT FOR THE MONTH ENDING DECEMBER 2023 |                       |                       |                       |                                |                      |
|--|-----------------------|-----------------------|-----------------------|--------------------------------|----------------------|
| Descriptions   | Annual Budget         | YTD budget            | YTD Actual            | % of Annual Budget Performance | YTD Variance         |
| Salaries   | 155,965,773.00        | 77,982,156.00         | 71,746,432.90         | 46%                            | 6,235,723.10         |
| Remuneration of councillors  | 11,326,672.00         | 5,663,286.00          | 6,155,342.52          | 54%                            | (492,056.52)         |
| Bulk Purchases   | 190,198,440.00        | 95,099,220.00         | 100,026,602.79        | 53%                            | (4,927,382.79)       |
| Contracted Services  | 80,964,258.00         | 40,527,000.00         | 31,083,062.86         | 38%                            | 9,443,937.14         |
| Interest Expense   | 47,362.00             | 23,676.00             | 18,250.03             | 39%                            | 5,425.97             |
| Other Expenditure  | 65,163,035.00         | 32,636,112.00         | 24,314,115.56         | 37%                            | 8,321,996.44         |
| Depreciation   | 51,439,264.00         | 25,719,588.00         | 30,092,066.50         | 59%                            | (4,372,478.50)       |
| Inventory consumed   | 4,722,194.00          | 2,361,048.00          | 548,377.26            | 12%                            | 1,812,670.74         |
| Transfers and Grants   | 1,520,000.00          | 759,996.00            | 716,661.33            | 47%                            | 43,334.67            |
| Debt impairment  | 10,242,707.00         | -                     | -                     | 0%                             | -                    |
| <b>TOTAL EXPENDITURE</b>   | <b>571,589,705.00</b> | <b>280,772,082.00</b> | <b>264,700,911.75</b> | <b>46%</b>                     | <b>16,071,170.25</b> |

Expenditure incurred during the first six months amounted to R 264m, the Municipality has spent 46% of its Annual Budget which means on overall there is a positive variance (savings) of 4%.

## **EMPLOYEE RELATED COSTS**

The total approved budget for employee related costs for 2023/2024 budget year amounts to R 155m, actual expenditure is R 71m. The Municipality has spent 46 % to date which results in a saving realized of 4%, this is attributable to unfilled posts due to resignations, retirements, deaths, and the appointment of temporal employees which results in a saving on council contributions as well as Grap 25 provisions that are captured at year-end.

## **REMUNERATION OF COUNCILLORS**

The approved budget for the remuneration of Councilors for the 2023/2024 budget is R 11m. The budgeted expenditure to date is R 5,6m and actual expenditure is R 6,1m, Council should note that there has been an unfavorable variance of R 492k, this item has been marked for budget increase during the adjustment budget period.

## **DEPRECIATION**

Based on the Audited Property, Plant and equipment as at 30 June 2023 the actual depreciation amounted to R 60,5m. It seems that the provision for depreciation is under provided for and should be adjusted accordingly during the Adjustments Budget process.

## **FINANCE CHARGES**

There is a saving in this item of 11%, meaning that the Council can reduce the unspent funds by 11%, considering that the Municipality no longer have external loans and creditors are paid within 30 days as required per the legislation.

## **BULK PURCHASES**

The annual approved budget for Bulk purchases amounted to R 190m. The budgeted expenditure as at 31 December 2023 was R 95m and the actual expenditure to date is R 100m that is equivalent to 53 % spent which means there might be a need for an upward adjustment on this item.

## **CONTRACTED SERVICES**



| Section                       | Item | Item                                | Percentage | Contracted Services |                | Provisional Co | Expenditure   | Available Budget |
|-------------------------------|------|-------------------------------------|------------|---------------------|----------------|----------------|---------------|------------------|
|                               |      |                                     |            | Original Budget     | Amended Budget |                |               |                  |
| CEMETRY                       | IE   | Maintenance of Buildings and Facill | 0          | 26,325.00           | 26,325.00      | -              | -             | 26,325.00        |
| CEMETRY                       | IE   | Collection                          | 0          | 4,796.00            | 4,796.00       | -              | -             | 4,796.00         |
| COMMUNITY HALLS               | IE   | Maintenance of Buildings and Facill | 1          | 1,450,000.00        | 1,450,000.00   | 466,680.00     | 11,374.70     | 971,945.30       |
| COMMUNITY SERVICES            | IE   | Fire Services                       | 12         | 369,168.00          | 369,168.00     | -              | 44,747.30     | 324,420.70       |
| COMMUNITY SERVICES            | IE   | Catering Services                   | 92         | -                   | 50,000.00      | -              | 46,020.00     | 3,980.00         |
| COMMUNITY SERVICES            | IE   | Security Services                   | 0          | 378,975.00          | 378,975.00     | -              | -             | 378,975.00       |
| COMMUNITY SERVICES            | IE   | Transport Services                  | 69         | -                   | 70,000.00      | -              | 48,350.00     | 21,650.00        |
| COMMUNITY SERVICES            | IE   | Animal Care                         | 13         | 783,383.00          | 783,383.00     | -              | 99,612.50     | 683,770.50       |
| DISASTER MANAGEMENT           | IE   | Aerial Surveillance                 | 0          | 550,000.00          | 480,000.00     | -              | -             | 430,000.00       |
| ECONOMIC DEVELOPMENT & GROWTH | IE   | Agriculture                         | 13         | 331,800.00          | 311,800.00     | 169,000.00     | -             | 142,800.00       |
| ECONOMIC DEVELOPMENT & GROWTH | IE   | Event Promoters                     | 0          | -                   | 200,000.00     | 170,000.00     | -             | 30,000.00        |
| ELECTRICITY                   | IE   | Prepaid Electricity Vendors         | 54         | 734,920.00          | 734,920.00     | -              | 398,190.99    | 336,729.01       |
| ELECTRICITY                   | IE   | Electrical                          | 43         | 2,632,500.00        | 2,632,500.00   | -              | 1,126,741.21  | 1,505,758.79     |
| ELECTRICITY                   | IE   | Maintenance of Unspecified Assets   | 13         | 2,632,500.00        | 2,632,500.00   | -              | 351,944.00    | 2,280,556.00     |
| ELECTRICITY                   | IE   | Maintenance of Unspecified Assets   | 64         | 5,535,069.00        | 5,535,069.00   | -              | 3,524,534.87  | 2,010,534.13     |
| ELECTRICITY                   | IE   | Administrative and Support Staff    | 53         | 5,749,380.00        | 5,749,380.00   | -              | 3,056,294.94  | 2,693,085.06     |
| ELECTRICITY                   | IE   | Electricity                         | 0          | 4,600,000.00        | 4,600,000.00   | -              | -             | 4,600,000.00     |
| EXECUTIVE & COUNCIL           | IE   | Catering Services                   | 69         | -                   | 80,000.00      | -              | 55,120.91     | 24,879.09        |
| EXECUTIVE & COUNCIL           | IE   | Transport Services                  | 77         | -                   | 100,000.00     | 47,100.50      | 45,700.00     | 7,199.50         |
| EXECUTIVE & COUNCIL           | IE   | Communications                      | 38         | 450,000.00          | 320,000.00     | -              | 122,850.00    | 197,150.00       |
| EXECUTIVE & COUNCIL           | IE   | Human Resources                     | 0          | 3,244.00            | 3,244.00       | -              | -             | 3,244.00         |
| EXECUTIVE & COUNCIL           | IE   | Valuer and Assessors                | 0          | 39,302.00           | 39,302.00      | -              | -             | 39,302.00        |
| EXECUTIVE & COUNCIL           | IE   | Audit Committee                     | 36         | 1,449,243.00        | 1,399,243.00   | 104,347.20     | 401,007.68    | 893,888.12       |
| EXECUTIVE & COUNCIL           | IE   | Pest Control and Fumigation         | 56         | 433,742.00          | 433,742.00     | -              | 244,287.60    | 189,454.40       |
| FINANCE                       | IE   | Business and Financial Management   | 0          | 2,549,675.00        | 2,549,675.00   | -              | -             | 2,549,675.00     |
| FINANCE                       | IE   | Commissions and Committees          | 170        | 1,377,300.00        | 1,377,300.00   | -              | 2,341,425.94  | 964,125.94       |
| FINANCE                       | IE   | Collection                          | 58         | 1,081,136.00        | 1,081,136.00   | 38,207.21      | 626,710.88    | 416,218.11       |
| FINANCE                       | IE   | Accounting and Auditing             | 38         | 1,220,000.00        | 1,220,000.00   | 85,000.00      | 381,433.14    | 753,566.86       |
| FINANCE                       | IE   | Valuer                              | 8          | 3,269,579.00        | 3,269,579.00   | -              | 264,404.60    | 3,005,174.40     |
| HOUSING                       | IE   | Legal Advice and Litigation         | 14         | 200,000.00          | 200,000.00     | -              | 28,829.00     | 171,171.00       |
| HUMAN RESOURCES               | IE   | Human Resources                     | 6          | 1,000,000.00        | 1,000,000.00   | 34,408.70      | 21,886.97     | 943,704.33       |
| HUMAN RESOURCES               | IE   | Medical Examinations                | 0          | 250,000.00          | 250,000.00     | -              | -             | 250,000.00       |
| HUMAN RESOURCES               | IE   | Employee Wellness                   | 16         | 150,000.00          | 100,000.00     | 5,000.00       | 15,556.00     | 79,444.00        |
| HUMAN RESOURCES               | IE   | Catering Services                   | 80         | -                   | 50,000.00      | -              | 40,240.00     | 9,760.00         |
| HUMAN RESOURCES               | IE   | Legal Advice and Litigation         | 22         | 2,740,400.00        | 2,740,400.00   | 1,642.79       | 596,939.69    | 2,141,817.52     |
| LANDFILL SITES                | IE   | Geodetic, Control and Surveys       | 133        | 500,000.00          | 500,000.00     | -              | 665,800.00    | 165,800.00       |
| LANDFILL SITES                | IE   | Administrative and Support Staff    | 0          | 3,000,000.00        | 3,000,000.00   | -              | -             | 3,000,000.00     |
| MUNICIPAL OFFICES             | IE   | Security Services                   | 0          | -                   | -              | -              | -             | -                |
| MUNICIPAL OFFICES             | IE   | Maintenance of Buildings and Facill | 5          | 2,550,000.00        | 2,550,000.00   | 635,250.00     | 13,563.49     | 1,901,186.51     |
| PLANNING & DEVELOPMENT        | IE   | Land and Quantity Surveyors         | 67         | 450,000.00          | 450,000.00     | 250,000.00     | 160,000.00    | 40,000.00        |
| PLANNING & DEVELOPMENT        | IE   | Town Planner                        | 81         | -                   | 400,000.00     | 322,500.00     | -             | 77,500.00        |
| PLANNING & DEVELOPMENT        | IE   | Water                               | 0          | 843,200.00          | 443,200.00     | -              | -             | 443,200.00       |
| PLANNING & DEVELOPMENT        | IE   | Maintenance of Equipment            | 0          | 14,064.00           | 14,064.00      | -              | -             | 14,064.00        |
| PLANNING & DEVELOPMENT        | IE   | Maintenance of Unspecified Assets   | 0          | -                   | 90,000.00      | 70,000.00      | -             | 20,000.00        |
| PLANNING & DEVELOPMENT        | IE   | Catering Services                   | 86         | -                   | 46,000.00      | -              | 39,396.30     | 6,603.70         |
| PROPERTY SERVICES             | IE   | Maintenance of Buildings and Facill | 32         | 200,000.00          | 110,000.00     | -              | 64,909.95     | 45,090.05        |
| ROADS                         | IE   | Civil                               | 86         | -                   | 133,000.00     | -              | 114,833.72    | 18,166.28        |
| ROADS                         | IE   | Maintenance of Unspecified Assets   | 0          | 938,350.00          | 938,350.00     | -              | -             | 938,350.00       |
| ROADS                         | IE   | Maintenance of Unspecified Assets   | 100        | 7,150,000.00        | 7,017,000.00   | 367,950.00     | 7,023,595.84  | 374,545.84       |
| SPORT & RECREATION            | IE   | Clearing and Grass Cutting Services | 17         | 4,000,000.00        | 4,000,000.00   | 213,483.00     | 537,307.00    | 3,249,210.00     |
| SPORT & RECREATION            | IE   | Maintenance of Equipment            | 0          | 100,000.00          | 100,000.00     | -              | -             | 100,000.00       |
| TOURISM                       | IE   | Agriculture                         | 50         | 658,360.00          | 432,360.00     | -              | 214,055.98    | 218,304.02       |
| TOURISM                       | IE   | Maintenance of Buildings and Facill | 0          | 210,800.00          | 210,800.00     | -              | -             | 210,800.00       |
| TRAFFIC POLICE                | IE   | Security Services                   | 45         | 15,038,885.00       | 15,038,885.00  | -              | 6,821,917.59  | 8,216,967.41     |
| TRAFFIC POLICE                | IE   | Maintenance of Buildings and Facill | 0          | 600,000.00          | 600,000.00     | -              | -             | 600,000.00       |
| TRAFFIC POLICE                | IE   | Maintenance of Equipment            | 17         | 31,620.00           | 31,620.00      | -              | 5,250.00      | 26,370.00        |
| TRAFFIC POLICE                | IE   | Business and Financial Management   | 0          | 474,542.00          | 474,542.00     | -              | -             | 474,542.00       |
| WORKSHOPS                     | IE   | Maintenance of Unspecified Assets   | 69         | 2,212,000.00        | 2,212,000.00   | -              | 1,528,230.27  | 683,769.73       |
|                               |      |                                     |            | 80,964,258.00       | 80,964,258.00  | 7,980,569.40   | 31,083,062.86 | 46,900,635.74    |

The Municipality's annual budget is R 80m, actual expenditure is R 31m. The Municipality has spent 38% of the Annual Budget, leading to a favorable variance of 12%, an assessment and consultation with the Directors will be done to evaluate where there is a need to adjust on the item or not. The Council should note the audit issue was raised by the Auditor General regarding the indicators of impairment for maintenance of roads and stormwater infrastructure assets during the 2022/2023 financial year.

From the above, maintenance of buildings and facilities for municipal offices is sitting at 5%, Traffic police at 0% as at 31 December 2023. It is recommended that council adjusts on maintenance for roads and stormwater assets and master plan during the 2023/2024 adjustment budget as a corrective measure to action the issues that were raised by Auditor General, which are also included in the Audit Action Plan.

## OTHER EXPENDITURE

Other expenditure comprises of operational costs of the municipality, the annual budget for this item is R 65m, the actual expenditure to date is R 23m – which is 37% of Annual Budget leading to a saving of 13 %. The contributing factor to this saving is the implementation of the Cost Containment Strategies which outlines that Municipalities should cut down on expenditures.



Due to the significant matters outlined above, including the material under collection of revenue, an adjustment budget in terms of section 28(2)(A) is necessitated and departments are advised to cut down on expenditure. Full details will be provided in the adjustment budget which will be tabled in February 2024.

## **CAPITAL BUDGET PERFORMANCE**

Below is the comparison between the target and actual expenditure for the first six months of the financial year.

**The total Capital budget summary is as follows:**

### **Analysis of Capital Budget**

| CAPITAL EXPENDITURE FOR 2023/2024 - Q2 |                      |                           |                      |  |
|--|----------------------|---------------------------|----------------------|--|
| Department                             | Original Budget      | Actual Balance inc Shadow | Available Budget     | Project  |
| Community Services                     | 680,000.00           | -                         | 680,000.00           | Procurement of furniture and office equipment    |
| Economic Development & Growth          | 1,400,000.00         | -                         | 1,400,000.00         | Informal Trader Infrastructure                   |
| Economic Development & Growth          | 900,000.00           | -                         | 900,000.00           | Informal Trader Infrastructure                   |
| Electricity                            | 16,876,000.00        | 2,608,695.65              | 14,267,304.35        | Substation                                       |
| Electricity                            | 1,650,000.00         | -                         | 1,650,000.00         | Electrification Project                          |
| Electricity                            | 3,960,000.00         | 1,732,543.87              | 2,227,456.13         | uMngeni Public Lighting                          |
| Executive & Council                    | 1,100,000.00         | 194,368.00                | 905,632.00           | Procurement of furniture and office equipment    |
| Finance                                | 200,000.00           | 143,741.80                | 56,258.20            | Procurement of furniture and office equipment    |
| Human Resources                        | 200,000.00           | 158,098.00                | 41,902.00            | Procurement of furniture and office equipment    |
| Information Technology                 | 250,000.00           | -                         | 250,000.00           | Procurement of furniture and office equipment    |
| LANDFILL SITES                         | 1,500,000.00         | 1,322,729.20              | 177,270.80           | Fencing of Landfill Sites                        |
| Planning & Development                 | 300,000.00           | 218,197.00                | 81,803.00            | Procurement of furniture and office equipment    |
| Planning & Development                 | 550,000.00           | 376,450.00                | 173,550.00           | Transport assets                                 |
| Planning & Development                 | 700,000.00           |                           | 700,000.00           | Howick Falls upgrades                            |
| Public Conveniences                    | 631,170.00           |                           | 631,170.00           | Bus Shelters                                     |
| Refuse Removal & Landfill site         | 100,000.00           |                           | 100,000.00           | Waste Bins and Skip Holding Area                 |
| Roads                                  | 24,000,000.00        | 13,856,260.00             | 10,143,740.00        | Buchanan road extension                          |
| Roads                                  | 380,000.00           |                           | 380,000.00           | Procurement of Machinery and Equipment           |
| Roads                                  | 500,000.00           |                           | 500,000.00           | Howick CBD Revitalisation                        |
| Roads                                  | 3,000,000.00         | 247,924.56                | 2,752,075.44         | RE-GRAVELLING (Yarrow Farm, Colbourne Farm Road) |
| Roads                                  | 3,000,000.00         | 1,622,873.53              | 1,377,126.47         | Regravelling of Roads in Ward 5 - KwaDulela      |
| Roads                                  | 8,700,000.00         | 1,702,881.17              | 6,997,118.83         | HAZA SCHOOL ROAD                                 |
| Roads                                  | 3,700,000.00         | 827,351.13                | 2,872,648.87         | Upgrading of 27th Crescent Road                  |
| Roads                                  | 1,050,000.00         | 98,170.27                 | 951,829.73           | Construction of uMtholampilo Walkway             |
| Sport & Recreation                     | 250,000.00           | 76,950.40                 | 173,049.60           | Procurement of Machinery and Equipment           |
| Sport & Recreation                     | 650,000.00           | -                         | 650,000.00           | Transport assets                                 |
| Technical Services                     | 350,000.00           | 128,046.00                | 221,954.00           | Procurement of furniture and office equipment    |
| Technical Services                     | 1,450,000.00         | 645,986.34                | 804,013.66           | Transport assets                                 |
| Technical Services                     | 5,790,480.00         | 5,262,117.65              | 528,362.35           | Transport assets                                 |
| <b>TOTAL</b>                           | <b>83,817,650.00</b> | <b>31,223,384.57</b>      | <b>52,594,265.43</b> |  |
| <b>Percentage Spent in Quarter 2</b>   |                      | <b>37%</b>                |                      |  |

As per the above table, the municipality spent R 31m as at 31 December 2023. It should be at 50% of its Annual Capital Budget however the table above clearly indicates that the actual expenditure is not in line with the annual budget.

**AN ADJUSTMENTS BUDGET, IN TERMS OF SECTION 28(2) (D) OF THE MFMA, IS RECOMMENDED. COUNCIL AND MANAGEMENT IS URGED TO EXERCISE CAUTION AND PRUDENCE IN THE UTILISATION OF THE AVAILABLE GRANT FUNDS.**

#### **IMPACT OF UNDER-EXPENDITURE**

Low capital expenditure may affect the municipality's long-term strategy through revision of the IDP and this would contribute to increased backlogs.

Under-expenditure will affect the financial and non-financial performance of the municipality, which is aligned to the Performance Management System, and may result in community protests due to poor service delivery.

It will impose pressure on cash flows in the third and fourth quarters.

#### **CASH MANAGEMENT**

Cash flow predictions are as anticipated.

#### **OUTSTANDING DEBTORS**

The Municipality is implementing the Council approved strategies to reduce the amount recorded in the debtor's book.

#### **ADJUSTMENTS BUDGET**

Regulation 23 of the Municipal Budget and Reporting Regulations provides, inter alia for the following: -

'An adjustments budget may be tabled in the Municipal Council at any time after the Mid-Year Budget and Performance Assessment has been tabled in the Council, but no later than 28 February of each year. Furthermore, except under certain circumstances only one adjustments budget may be tabled in Council during a financial year.'

Accordingly, a report on adjustments budget will be submitted for consideration by Council on or before 28 February 2024.

  
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**MR M HLOBA**  
**MUNICIPAL MANAGER**