



UMDONI MUNICIPALITY

The **J.E.W.E.L** of the South Coast

ADJUSTMENT BUDGET 2024/2025 FINANCIAL YEAR 26th FEBRUARY 2025



[TABLE OF CONTENTS](#)



**UMDONI MUNICIPALITY****ADJUSTMENT BUDGET DOCUMENTATION FOR THE 2024/2025 BUDGET YEAR**

No.	DESCRIPTION	PAGE	ANNEXURE
1.	Draft Resolutions	3	
2.	Adjusted Budget Executive Summary		
2.1	Vision, Mission and Objectives of Umdoni Municipality	5	
2.2	Mayors Report	6	
2.3	Executive Summary	8	
2.4	Overview of the 2023/2024 Adjusted Capital Budget	10	
2.5	Overview of the 2023/2024 Adjusted Operational Budget	12	
2.8	Adjustments to Budget Assumptions	19	
2.9	Overview to Budget Funding	23	
2.10	Adjustments to Budget Funding	24	
2.11	Adjustments to Expenditure on Grants Allocations	26	
2.12	Adjustment to Allocations and Grants Made	28	
2.13	Adjustments to Councilor Allowances and Employee Costs	29	
2.14	Adjustments to SDBIP	31	
3.	Quality Certification	32	
	B SCHEDULE (ATTACHED)		



1. DRAFT RESOLUTIONS

Section 28 of the Municipal Finance Management Act, No.56 of 2003 states inter alia as follows:

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

(2) An adjustments budget—

- (a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;*
- (b) may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;*
- (c) may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;*
- (d) may authorise the utilisation of projected savings in one vote towards spending under another vote;*
- (e) may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;*
- (f) may correct any errors in the annual budget; and*
- (g) May provide for any other expenditure within a prescribed framework.*



(3) An adjustments budget must be in a prescribed form.

Council with regard to the 2024/2025 Adjusted Budget table the following resolutions for adoption:

- (a) In terms of Sec 28(2) of the MFMA, the proposed 2024/2025 Adjustment Budget (Capital & Operating) be approved as set out in the report
- (b) The 2024/25 Adjusted Medium Term Revenue and Expenditure Framework (MTREF) be approved as set out in Budget Tables
- (c) The report on the 2024/25 Adjustments Budget, in electronic formats be submitted to both Provincial and National Treasuries within 10 working days as required by the Regulation 24 of the Municipal Budget and Reporting Regulations(MBRR).
- (d) It be noted that any adjustments made to the 2024/25 Operating Budget do not result in any changes to the municipal taxes and tariffs.



2.1 VISION, MISSION AND OBJECTIVES OF THE UMDONI MUNICIPALITY

VISION **MISSION STATEMENT**

PRINCIPLES OF UMDONI MUNICIPALITY

“BY 2030 UMDONI WILL BE THE **JEWEL OF THE SOUTH COAST”**

***“WORKING TOGETHER IN CONTRIBUTING TO **J**OB CREATION, **E**CONOMIC VIABILITY THROUGH
SUSTAINED **L**OCAL ECONOMIC DEVELOPMENT TO ENSURE THE **W**ELLBEING OF OUR COMMUNITY IN
ECO FRIENDLY ENVIRONMENT.”***

- **J**OB CREATION
- **E**CONOMIC VIABILITY
- **W**ELLBEING OF THE COMMUNITY
- **E**NVIRONMENTALLY FRIENDLY ENVIRONMENT
- **L**OCAL ECONOMIC DEVELOPMENT



2.2 MAYORS REPORT

A very good morning to you all, Sanibonani, Goeie More...

Mr Speaker, I take this platform this morning to deliver the municipality's mid-year adjustment budget for the 2024/25 financial year adjustments in line with section 28 of the Municipal Finance Management Act and Municipal Budget and Reporting Regulations to ensure the continuation of key service delivery projects. According to section 23(1) of the Municipal Budget and Reporting Regulations, adjustments may only be made after the mid-year budget and performance assessment has been presented to the Council, but this must occur no later than February 28. The purpose of this process is to adjust revenue and expenditure, appropriate available revenues and authorise other adjustments.

Mr Speaker, this budget focuses on ensuring the financial sustainability of Umdoni municipality, leveraging the strength of our community while aiming to restore our public finances and uphold the dignity of our people. The adjustment budget sets a course that reflects our unwavering dedication to, fiscal sustainability, promoting long-term development by reducing the budget deficit.

Given our constrained revenue stream and the challenging economic environment, effective revenue and expenditure management is essential for the financial stability of our municipality. We are currently confronted with developmental delays and poverty that we need to tackle using our limited resources.

The primary objective of this adjustment budget is to align the figures that were either over or under budgeted, as well as to incorporate any additional revenue received or reductions in government grants. The Municipal Manager and the Chief Financial Officer, as per their responsibilities, have refined the preparation of the adjustment budget in collaboration with the Mayor and the Budget Steering Committee.

Our economy as it stands today is struggling to keep up with the country's population. The exchange rate of the rand has weakened due to the declining terms of trade for South Africa's main exports. Furthermore, the country's economic freedom score is lower than the world average and higher than the regional average. We are facing challenges such as load shedding, inflation and a weak labour market.

While we note these challenges with grave concern, we cannot be discouraged to carry out the service delivery mandate of ensuring the people of Umdoni have access to basic services. We therefore have a responsibility as the political and administrative leadership of this institution to ensure that we do everything in our power, within the financial resources available to us to ensure that core mandated services are efficiently and effectively delivered.

Members of Council, last week, the office of the Auditor General of South Africa presented the municipality's audit outcome for the 2023/24 financial year, pronouncing a regression status of a ***qualified audit opinion*** with material findings in the municipal financial statements, consequence



management and human resources management and a stagnant status in expenditure, procurement and contract management.

Much emphasis was placed on irregular expenditure. However, I must firmly mention that the sighted irregular expenditure by the Auditor General does not translate to funds being stolen or unaccounted for but only means that there has been a lack of adherence to Supply Chain Management regulations and the current predicament of having a high debtors rate.

Mr Speaker, this audit opinion comes when we have just been able to find our feet towards stabilising this institution. We have been strongly implementing our turnaround strategy and recovery plan which are proving successful because operations are moving forward. The positive out of this opinion is that the municipality is doing well in Revenue and Assent Management and in its Conditional Grants.

Mr Speaker, this outcome will not cause us to despair but serve as motivation to accelerate our efforts towards ensuring Umdoni performs well once again. We will rise above the noise of the distractors and ensure that political leaders, the administrative leadership and all staff members work cohesively towards improving this municipality's bill of health.

I would like to state that from here onwards, it will be business unusual for Umdoni, we will ensure the development and enhancement of internal controls which include implementation of strict consequence management for improved service delivery and financial management outcomes.

Whilst on this subject, it would be unjust of me if I do not publicly convey my gratitude on behalf of Council to the administrative component of this institution from Senior Management, Managers and all staff members for working in unison to bring back stability in Umdoni after facing various challenges. I once again declare that issues raised that still remain outstanding will be resolved to the benefit of both staff and the institution. We thank all staff for their dedication going forward and may we not revert but work hand in glove to rebuild our beloved Umdoni. Members of Council, the President of the Republic, President Cyril Ramaphosa in his State of the Nation address announced the development of a Medium-Term Development Plan for the next five years, incepted to advance three strategic priorities which are: to drive inclusive growth and job creation, to reduce poverty and tackle the high cost of living, to build a capable, ethical and developmental state. The success of the outlined priorities requires a government that works for the people. I believe that as Umdoni, we have already started working on these priorities as they are also extremely relevant to our local sphere.

Mr. Speaker, our budget is always people-centered and prioritizes the needs of all residents and business communities both in the urban and rural domains of Umdoni that consists of a population of 156 443 which is the 2nd largest population in Ugu District after Ray Nkonyeni Municipality. Our budget has always



strived to breach the lingering development gap that exists in our economy, service delivery, job opportunities, infrastructure development, education and also business relations with the private sector and investors.

The bulk of Umdoni's budget aids infrastructure development. And one must mention that Umdoni is glistening with various development projects of infrastructure development that speaks to community facilities - urban and rural road developments, streetlights maintenance, verge maintenance, local economic development, the youth and improvement of resources to adequately implement the core mandated services.

In an effort to grow the local economy and respond to the Medium Term Development Plan, we plan to host an Investment Seminar where prospective investors can bring domestic and international investments in our municipality. We are a municipality with great investment potential and working together to create a conducive environment for businesses to thrive, will ensure that we become the jewel of the South Coast.

The mid-year budget adjustment is presented for the adoption of Council as follows:

Adjusted Capital Budget for 2024/2025: During the mid-year budget and performance assessment process, it was identified that the approved capital budget had to be adjusted to make necessary amendments. Subsequent to taking all necessary adjustments in consideration, the capital budget has been increased by (Fourteen Million and Eighty-Eight Thousand Rand) R14 088 478, which results to an adjusted budget of (Sixty-Four Million, One Hundred and Twenty-Nine Thousand Rand) R64 129 460 compared to the approved annual budget of (Fifty Million and Forty Thousand Rand) R50 040 982.

Speaker, this adjusted capital budget reflects our commitment to investing in our communities across the municipality to enhance service delivery and foster job creation through economic development.

Highlights of the Capital Budget; Malangen Bridge R12 915 652, Air conditioner (office) R 434 782, Air conditioner (Halls) R 434 782, Skip Loader, R 1 956 521. Renewal of Umzinto Informal Trading R1 819 07, Computers R 434 782, Steel Cabinets R 223 734

Adjusted Operational Budget for 2024/2025

The adjusted operational revenue amounts to (Four Hundred and Three Million and Thirteen Thousand Rand) R 403 013 971 and the adjusted Operational expenditure is (Four Hundred and Forty-Nine Million, Nine Hundred and Ninety Thousand Rand) R449 990 288 which resulted to (Forty-Six Million Rand) R46 976 317 deficit from (Forty-Nine Million Rand) R49 377 067 deficit with a reduction of just below (Two and a half Million Rand) R2 400 749.

Revenue Budget: With the process followed during the mid-year budget and performance assessment, taking into consideration projected billed revenue, interest and penalties from outstanding debtors, agency fees, License and permits versus what was actually processed, reclassification of INEP Grant to sale of goods and rendering of services, it was identified that the operational Revenue budget should be adjusted accordingly.



UMDONI MUNICIPALITY

ADJUSTMENT BUDGET DOCUMENTATION FOR THE 2024/2025 BUDGET YEAR

Highlights of Revenue adjusted: License and permits has been decreased by R3 772 440, Agency Services has been decreased by R1 008 0973, Grants and Subsidies INEP and Energy Efficiency grant was reclassified, Property Rates were increased due to property valuation roll increased during interim valuation period R1 121 186, Interest and Penalties from outstanding debtors has been increased by R2 365 041

Expenditure Budget: With the process followed during the mid-year budget and performance assessment, taking into consideration projected expenditure such as employee related costs, contracted services, finance costs, other materials and other expenditure needed to be adjusted accordingly.

Highlights of Expenditure: Employee related costs were decreased by R16 116 330, Contracted Services were increased by R9 169 054. Amongst other expenditure adjusted under contracted services are: Maintenance of roads in urban areas increased by R5 000 000, Maintenance of roads in rural areas increased by R5 250 000, Building maintenance increased by R1 000 000, ICT Computer software increased by R3 500 000, ICT related costs R3 214 000, Financial Management System increased by R1 200 000, Audit fees increased by R2 105 258, Municipal services (Eskom and UGU) increased by R2 625 643, Maintenance of Skip Bins increased by R500 000, Maintenance of riverside Park increased by R450 000, Other expenditure was increased by R5 806 052

Mr Speaker, Members of Council this is the picture of Umdoni municipality's budget adjustment present to this Council for adoption. I trust that all members of this council will acknowledge the good work that has gone towards this adjustment budget which was motivated by our deep desire to continue servicing the people of Umdoni and ensure its development.

I thank you,

Cllr MJ Cele-Luthuli

The Mayor



2.3 EXECUTIVE SUMMARY

The Municipality had a challenge of achieving a target of 50% performance in the first six months of the 2024/2025 financial year because of the disturbances that occurred in July and August which affected a municipality very badly. This can be seen from the revenue and expenditure results from the mid-year report presented in Council on 29 January 2025. In an effort to achieve service delivery with the limited resource envelop available, the municipality's service delivery priorities were reviewed as part of this year's planning and budget preparation process. In addressing the state of infrastructure and amenities, Council re-prioritized from low- to high-priority programmes so as to maintain sound financial discipline. A review was undertaken of expenditures on non-core items. Budget has been reduced in some of the administrative programmes in lieu of the service delivery programmes. Cost containment measures will continue to be implemented to a greater extent to contain the spending. The focus will be to aggressively chase up arrear debtors and reduce the debtors in arrear and improve the cash flow and liquidity of the municipality. The challenge is to remain financially viable and remain a going concern going forward in order to continue service delivery. In terms of the capital budget, it envisaged that grant funds will be spent during the 2024-2025 financial year, which will improve service delivery, where projects will be completed. In instances where transferring departments adjusted their allocations, the adjustment budget reflects these changes.

In view of the aforementioned, the following table is a consolidated overview of the 2024/2025 Adjusted Medium-term Revenue and Expenditure Framework:



UMDONI MUNICIPALITY

ADJUSTMENT BUDGET DOCUMENTATION FOR THE 2024/2025 BUDGET YEAR

KZN212 Umdoni - Table B1 Adjustments Budget Summary - 01/08/2022

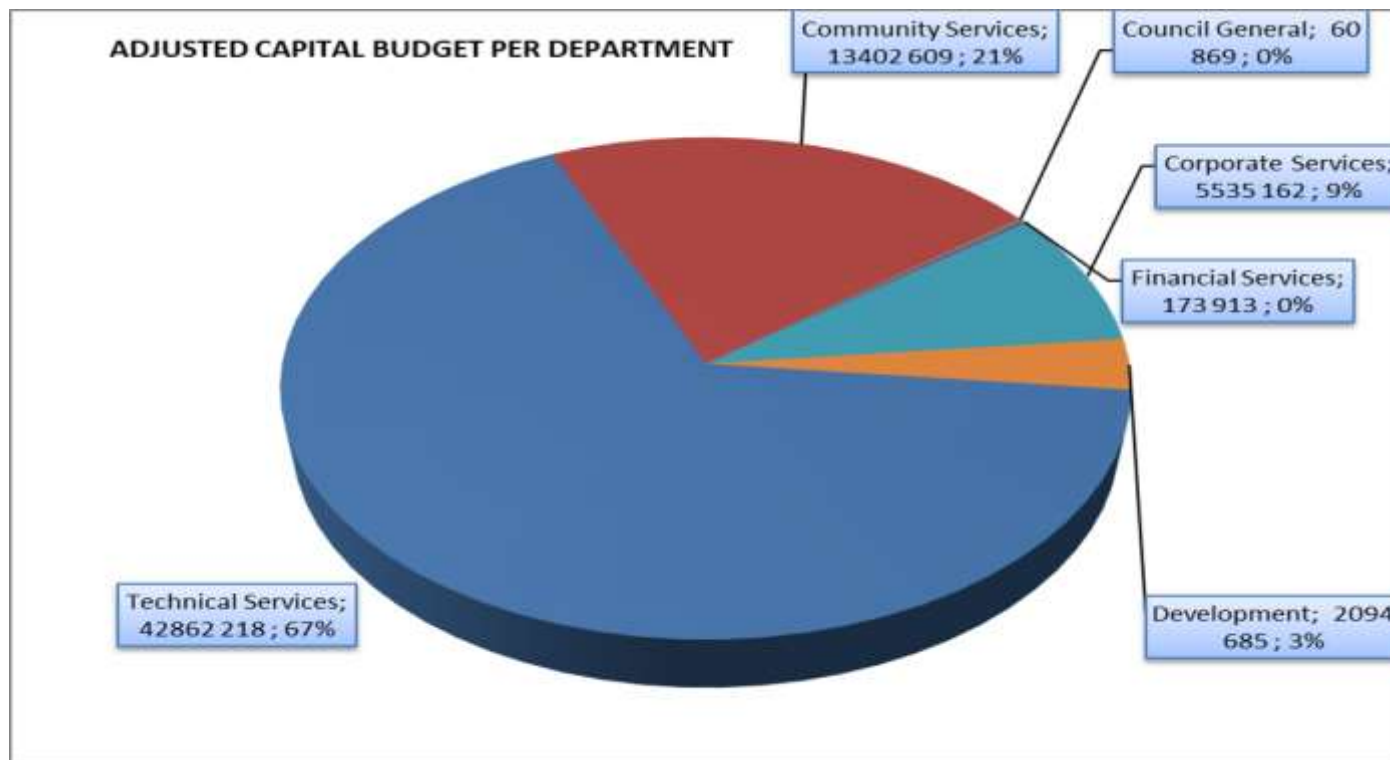
Description	Budget Year 2024/25									Budget Year +1 2025/26	Budget Year +2 2026/27
	Original Budget	Prior Adjusted 1	Accum. Funds 2	Multi-year capital 3	Unfore. Unavoid. 4	Nat. or Prov. Govt 5	Other Adjusts. 6	Total Adjusts. 7	Adjusted Budget 8	Adjusted Budget	Adjusted Budget
R thousands	A	A1	B	C	D	E	F	G	H		
Financial Performance											
Property rates	130 005	130 005	—	—	—	—	1 121	1 121	131 127	135 648	141 888
Service charges	13 833	13 833	—	—	—	—	(411)	(411)	13 422	14 469	15 120
Investment revenue	12 500	12 500	—	—	—	—	—	—	12 500	13 075	13 663
Transfers recognised - operational	203 785	203 785	—	—	—	—	1 866	1 866	205 651	197 509	192 590
Other own revenue	43 049	43 049	—	—	—	—	(2 734)	(2 734)	40 315	41 537	42 224
Total Revenue (excluding capital transfers and	403 171	403 171	—	—	—	—	(157)	(157)	403 014	402 238	405 485
Employee costs	180 736	180 736	—	—	—	—	(16 116)	(16 116)	164 620	189 234	197 939
Remuneration of councillors	17 631	17 631	—	—	—	—	—	—	17 631	18 442	19 272
Depreciation & asset impairment	40 873	40 873	—	—	—	—	—	—	40 873	43 873	43 873
Interest	2	2	—	—	—	—	2 274	2 274	2 276	2	2
Inventory consumed and bulk purchases	12 076	12 076	—	—	—	—	(4 533)	(4 533)	7 543	12 489	13 093
Transfers and subsidies	3 505	3 505	—	—	—	—	749	749	4 255	3 666	3 831
Other expenditure	197 891	197 891	—	—	—	—	14 901	14 901	212 792	198 107	200 185
Total Expenditure	452 715	452 715	—	—	—	—	(2 725)	(2 725)	449 990	465 814	478 197
Surplus/(Deficit)	(49 544)	(49 544)	—	—	—	—	2 568	2 568	(46 976)	(63 576)	(72 712)
Transfers and subsidies - capital (monetary allocations)	40 603	40 603	—	—	—	—	13 195	13 195	53 797	35 170	42 093
Transfers and subsidies - capital (in-kind - all)	—	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after capital transfers &	(8 941)	(8 941)	—	—	—	—	15 763	15 763	6 821	(28 406)	(30 619)
Share of surplus/ (deficit) of associate	—	—	—	—	—	—	—	—	—	—	—
Surplus/ (Deficit) for the year	(8 941)	(8 941)	—	—	—	—	15 763	15 763	6 821	(28 406)	(30 619)
Capital expenditure & funds sources											
Capital expenditure	50 041	50 041	—	—	—	—	14 088	14 088	64 129	34 061	34 868
Transfers recognised - capital	35 307	35 307	—	—	—	—	11 474	11 474	46 780	34 061	34 868
Borrowing	—	—	—	—	—	—	—	—	—	—	—
Internally generated funds	14 734	14 734	—	—	—	—	2 615	2 615	17 349	—	—
Total sources of capital funds	50 041	50 041	—	—	—	—	14 088	14 088	64 129	34 061	34 868
Financial position											
Total current assets	290 619	290 619	—	—	—	—	66 409	66 409	357 028	397 144	353 621
Total non current assets	676 939	676 939	—	—	—	—	10 544	10 544	687 483	667 126	658 121
Total current liabilities	170 961	170 961	—	—	—	—	15 784	15 784	186 745	288 359	257 329
Total non current liabilities	92 880	92 880	—	—	—	—	(13 568)	(13 568)	79 312	104 075	117 874
Community wealth/Equity	732 008	732 008	—	—	—	—	73 376	73 376	805 384	703 602	672 983
Cash flows											
Net cash from (used) operating	51 227	51 227	—	—	—	—	94 272	94 272	145 498	110 410	33 704
Net cash from (used) investing	(54 067)	(54 067)	—	—	—	—	(19 720)	(19 720)	(73 787)	(37 714)	(36 078)
Net cash from (used) financing	50	50	(50)	(50)	(50)	(50)	(50)	(250)	(200)	50	—
Cash/cash equivalents at the year end	128 604	128 604	(50)	(50)	(50)	(50)	89 506	89 306	217 910	201 351	123 869
Cash backing/surplus reconciliation											
Cash and investments available	128 604	128 604	—	—	—	—	89 506	89 506	218 110	201 351	123 869
Application of cash and investments	(6 712)	(6 712)	—	—	—	—	54 842	54 842	48 130	76 891	9 482
Balance - surplus (shortfall)	135 316	135 316	—	—	—	—	34 664	34 664	169 980	124 460	114 387
Asset Management											
Asset register summary (WDV)	676 939	676 939	—	—	—	—	43 158	43 158	720 097	667 126	658 121
Depreciation	40 873	40 873	—	—	—	—	—	—	40 873	43 873	43 873
Renewal and Upgrading of Existing Assets	17 426	17 426	—	—	—	—	15 082	15 082	32 508	7 510	—
Repairs and Maintenance	52 513	52 513	—	—	—	—	(7 285)	(7 285)	45 229	49 522	51 793
Free services											
Cost of Free Basic Services provided	735	735	—	—	—	—	—	—	735	769	803
Revenue cost of free services provided	14 046	14 046	—	—	—	—	698	698	14 744	14 584	15 255
Households below minimum service level											
Water:	—	—	—	—	—	—	—	—	—	—	—
Sanitation/sewerage:	—	—	—	—	—	—	—	—	—	—	—
Energy:	—	—	—	—	—	—	—	—	—	—	—
Refuse:	5	5	—	—	—	—	—	—	5	5	5



2024/2025 ADJUSTMENT BUDGET EXECUTIVE SUMMARY

2.4 OVERVIEW OF THE 2024/2025 ADJUSTMENT CAPITAL BUDGET

The Capital Expenditure has increased from R50 040 982 excluding vat amounts to R 64 129 460 which was originally approved at R 50 040 982 It has increased approximately by R 14 088 478 (28%).





ADJUSTMENTS PER VOTE/DEPT CLASSIFICATION

Council – an adjustment amounting to R 60 869,00 has been effected. This adjustment is made in order to procure a camera for communications manager and a sound system.

Finance –No Adjustment was made.

Corporate Services – Adjustments is a top up R869 566 being allocated for laptops, computers and printers and also air conditioners.

Community Services – An upward adjustment of R52 173 to purchase and install water tanks, R434 783 for purchasing and installation of airconditioners and R12 915 652 million allocated for Malangeni bridge funded funded by Disaster grant.

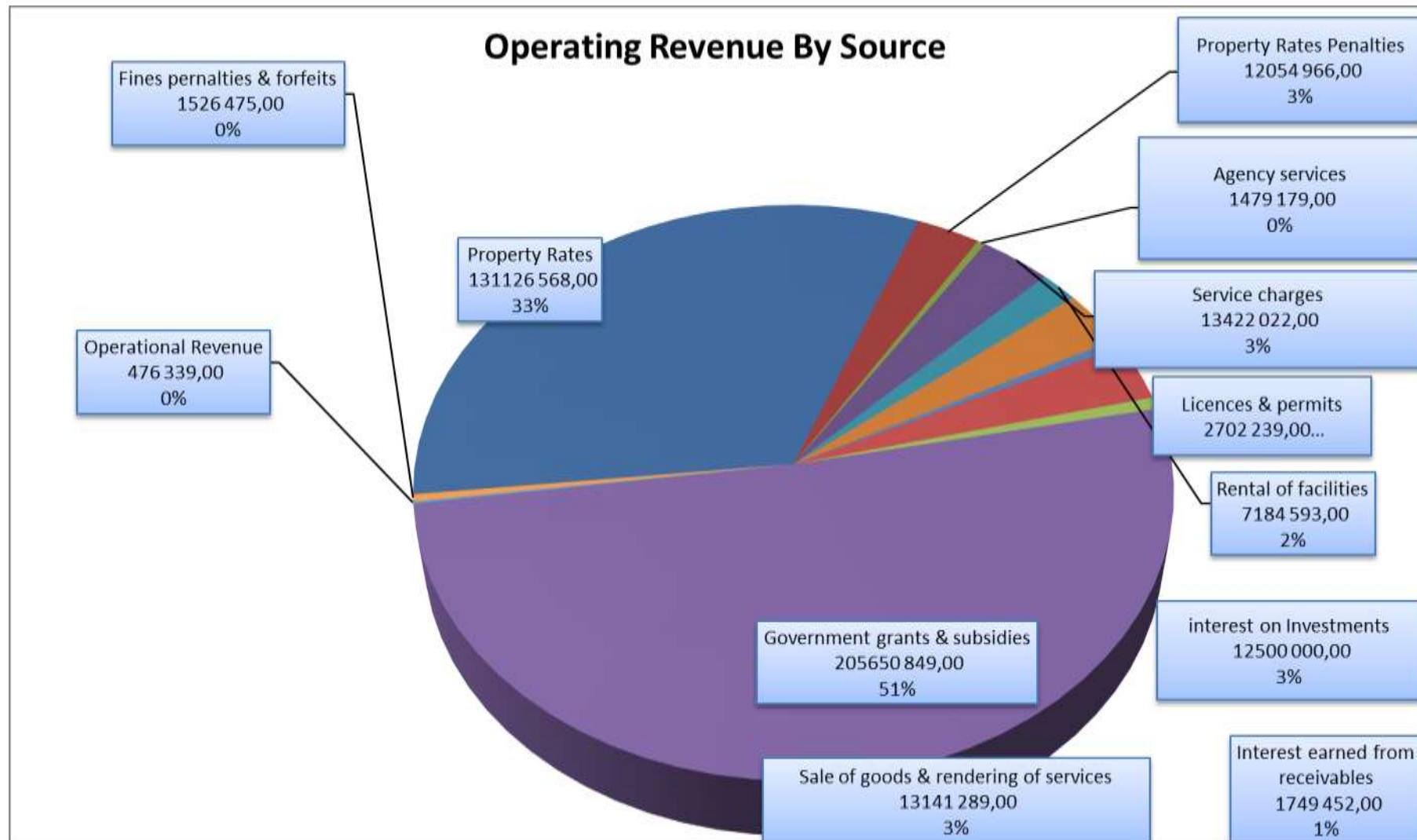
Technical Services –Adjustments were made in MIG projects and purchase of radios, high pressure cleaners and generators all these adjustments will be funded by adjustment made from operational budget.

Planning and Development – An amount of R1 819 077 has been approved as rollover for the Informal Economy Infrastructure Grant, the project being Umzinto Bus Rank as funded by KZNEDTEA. Futhermore, R275 609 thousands has been re-allocated to the purchase of office furniture and computers.

2.5 OVERVIEW OF THE 2023/2024 ADJUSTMENT OPERATING BUDGET

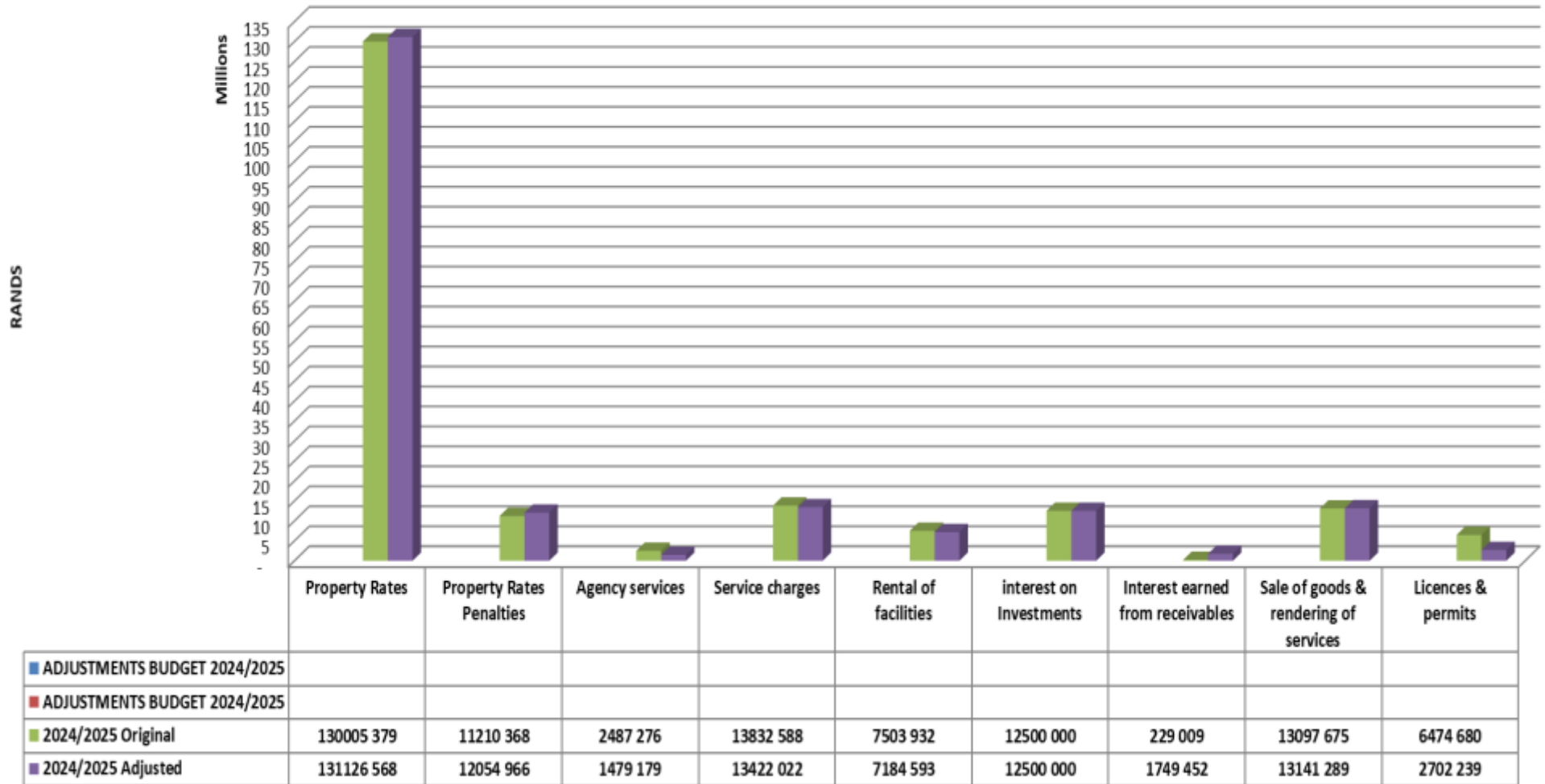
2.5.1. OPERATING INCOME

The operating income has decreased from R 403 171 162 to R 403 013 971,00 This is a decrease of R 157 171 (0%), a graphical presentation of the adjusted composition of income is shown below, together with comparatives per source of revenue:





ANALYSIS OF REVISED PERFORMANCE OF INCOME BY SOURCE





Property Rates Income an adjustment has been made in this category. Adjusted upward by R1.1 million. The adjustment emanates from the new properties as a result of property developments within the municipal boundary (Renishaw Hills Development and Umdoni South Point Development).

Service Charges Income adjusted downward by R411 thousands due to poor performance in this category in the first six month of the financial year.

Rental from Fixed Assets revenue budgeted under this source comprises of the rental from businesses, staff members and Community Halls. Adjustment made amounts to R319 thousands. The adjustment comes after the poor performance at mid-year level due to the activities that were less than anticipated.

Interest earned from Current and Non-Current Assets No adjustment

Interest an adjustment of R845 thousand has been made. The ever increasing debtors book has been noted which is the cause of the increase.

Fines and penalty income There was a downward adjustment of R137 thousand in this category due to poor performance in this first six months of the financial year.

Licenses and permits an amount of R3.7 million has been adjusted downwards in this category. The revenue source consists of the monies collected from issuing the drivers and learner's licenses. The performance at mid-year was below 50% due to system challenges and other issues experienced. The municipality is currently engaging with the DOT to resolve issues.

Sale of Goods and Rendering of Services Adjustments have been effected on this revenue item. The revenue source has been increased by R 43 614,00 taking into account the performance at mid-year. This revenue source consists of general revenue sources like building plan fees, subdivisions revenue, camp site fees and scholar patrol revenue.

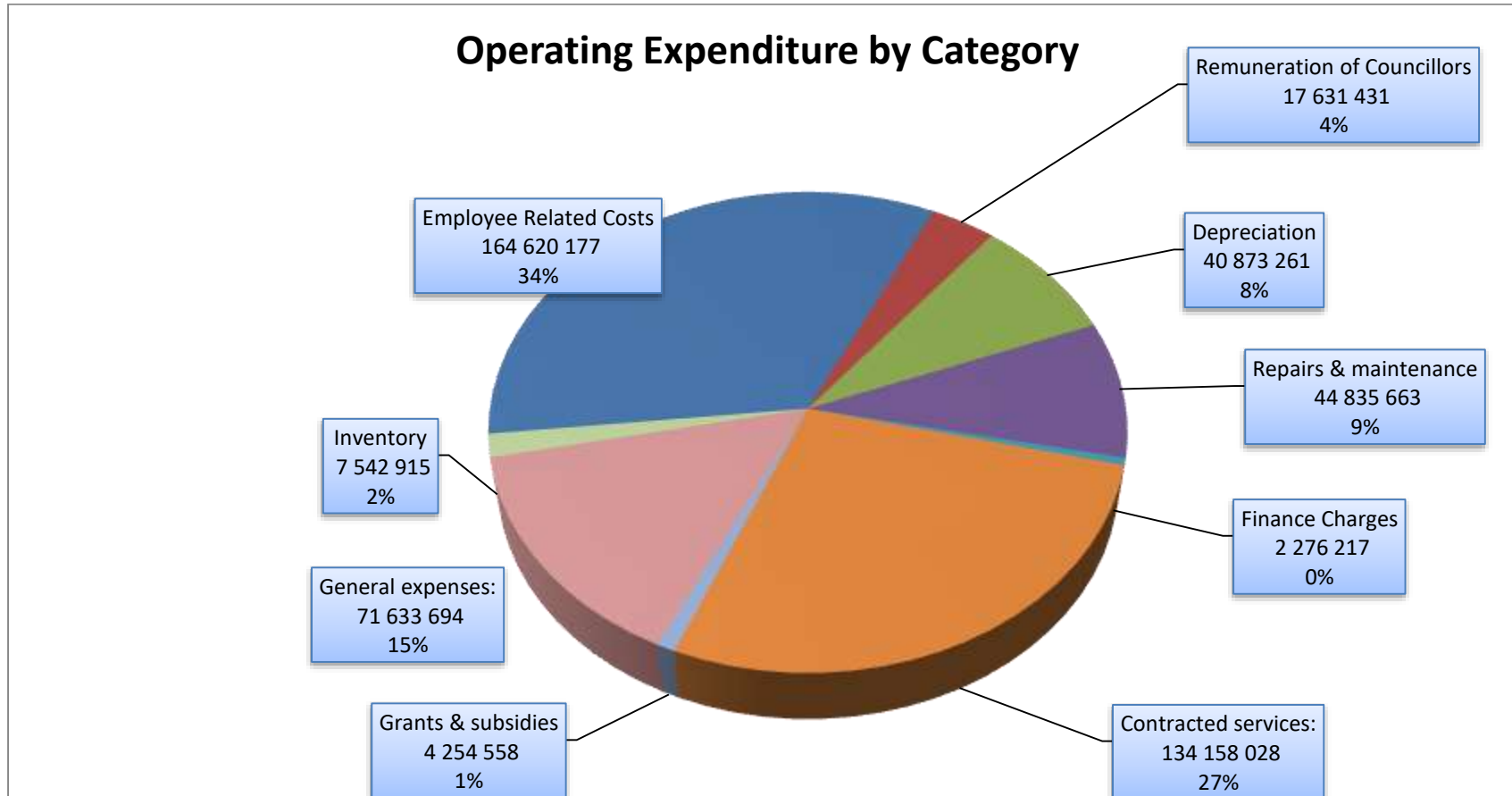
Government Grants have increased by R1.8 million. The increase emanates from the reclassification of Energy efficiency and demand side management grant from capital to operational and correction of budget in the Municipal disaster response grant.

Agency Services In this category there was a downward adjustment of R1 008 million due to poor performance in the first six months of the financial year.



2.5.2. OPERATING EXPENDITURE

Operating expenditure decreased from R 452 715 210,00 to R 449 990 281,00, resulting in R 2 724 929,00 (1%) decrease in expenditure. A graphical overview of the composition of operational expenditure as well as comparisons by category to the approved budget follows:





Employee related costs have been decrease to R 164.6 million. Employee costs were previously budgeted at R180,7 million. The adjustments amounts to R16.1 million which is a downward adjustment.

Remuneration of Councilors No adjustment.

Depreciation No adjustment

Contracted services R9,8 million being the upward adjustment. This adjustment is a result of re-classification of Energy efficiency and demand side management grant, top up in the maintenance of rural roads and addition in Corporate services vote maintenance of buildings.

The budget for Other Expenditure R5 099 million being the upward adjustment this adjustment was made to cover for municipal services (water & electricity) and to pay for audit fees.

Other Materials R4.5 million a downward adjustment made here and reallocated to maintenance of urban roads.

Transfers and Subsidies R749 456,00 being the top adjustment on this expenditure category allocated for indigent families.

Debt Impairment No adjustment made under this category. Debtors are assessed as an on-going exercise and the impact of the proposed incentive cannot be quantified currently. The prescribed debt write off will also affect the impairment.



2.8 ADJUSTMENTS TO BUDGET ASSUMPTIONS

Budget assumptions have changed due to several issues.

Revenue

- All revenue levels were based on current and past year actual trends, and therefore resulted in a realistic revenue base and kept in line with inflation as far as possible;
- Tariffs, rates and service charges: there was an increase in rates and decrease in service charges.
- Mostly other income was increased taking into account the prevailing current trends.

Expenditure

- Expenditure levels were kept as low as possible whilst prioritizing service delivery
- The following areas were targeted in terms of expenditure:
 - General expenses
- Employee costs budgeted was decrease.
- Administrative costs budgeted have been decreased.

Financing the capital budget (borrowing, own revenue, surpluses not committed)

Capital Budget has been funded by Grants (MIG), Informal Trader Stalls Grant, Finance Management Grant and internal funding. The majority of the capital budget has been allocated to Roads, Community halls and Sports fields. No borrowing to be utilised as funding.

Service Delivery Backlogs

Service delivery backlogs have been addressed extensively as a results a substantial amount of the capital budget has been set aside for upgrading of assets in an effort to eradicate backlog.



Main revenue streams

The municipality's main revenue streams comprise of property rates, service charges: refuse and own revenue. Revenue projections have been made based on the current trends.

Operating expenditure appropriations and major expenditure items

Expenditure has been estimated taking into account cost containment measures. Major expenses are employee related costs (37%), Contracted services (30%) and other expenditure (16%).

Asset management / repairs and maintenance appropriations aligned to infrastructure plans

Repairs and maintenance budget is below the norm of 8% (sitting at 7%). This difference is slightly below the norm.

Conditional grants and planned applications and outcomes

Grants support plans are being implemented. The aim is 100% spending.

External factors

The National Treasury forecasts real GDP growth of 0.6 per cent in 2024, compared with 0.9 per cent which was projected 2023 Budget Review. Growth is projected to average 1.4 per cent from 2024 to 2026. Relative to the 2023 Budget, the weaker projection for 2024 mainly reflects lower household consumption expenditure due to higher inflation and interest rates, and lower net exports.

General inflation outlook and its impact on the municipal activities

These are key factors that have been taken into consideration in the compilation of the 2024/25 Adjustment Budget:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers;



Growth or decline in tax base of the municipality

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition, the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of approximately to 100 per cent is achieved on operating and capital expenditure for the 2024V2025 Adjustment Budget of which performance has been factored into the cash flow budget at 90% to accommodate the accruals at year end for operating expenditure and 100% capital budget except retentions withheld.



2.9 OVERVIEW OF BUDGET FUNDING

Challenges and risks facing the municipality with the implementation of the 2024/2025 Budget;

- The ongoing difficulties in the national and local economy;
- Aging infrastructure;
- The major challenge facing the municipality is low revenue collections as they are below the norm,
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities
- The need to fill critical vacancies;
- Aged fleet

Utilisation of Reserves and the Funding of the Outer years of the MTREF:

- The reserves can only be used when the municipality faces financial difficulties.



2.10 ADJUSTMENTS TO EXPENDITURE ON GRANT ALLOCATIONS

No further adjustments were made except for the one mentioned above in the expenditure analysis.

Government Grants And Subsidies	Original Budget	Adjusted Budget	Variance
Title Deed Restoration Grant(Balance Sheet Only)	0	587 558.00	587 558.00
Municipal Disaster Recovery Grant (Capex)	0	14 853 000.00	14 853 000.00
(EDTEA) Informal Economy Infrastructure-Umzinto Bus Rank Grant	750 000.00	2 091 939.00	1 341 939.00



2.11 ADJUSTMENTS TO ALLOCATIONS AND GRANTS MADE

No further adjustments were made except for the one mentioned above in the grant funding.

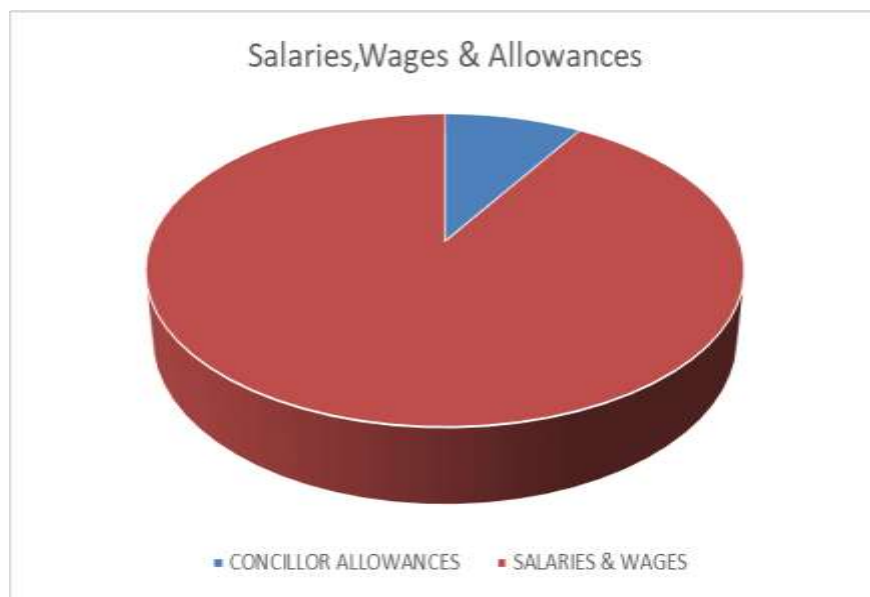
FUNDING SOURCE: CAPITAL	
National Grants	44 961 352,87
Provincial Grants	1 819 077,39
Internal Revenue	17 349 030,25
TOTAL: FUNDING SOURCE	64 129 460,52



2.13 ADJUSTMENTS TO COUNCILLOR ALLOWANCES AND EMPLOYEE COSTS

No adjustment on Councilor Allowances and significant adjustment was made one employee costs.

Salaries, Wages and Allowances





UMDONI MUNICIPALITY

ADJUSTMENT BUDGET DOCUMENTATION FOR THE 2024/2025 BUDGET YEAR

DISCRIPTION	ADJUSTED BUDGET	PERCENTAGE
SALARIES & WAGES	164 620 177,00	90%
REMUNERATION OF COUNCILLORS	17 631 431,00	10%
TOTAL	182 251 608,00	100%

The total annual budget for salaries and allowances (including councillor allowances) was R198,3 million. It has been adjusted to R 182,2 million. Explanations have been provided under operating expenditure. The remuneration ratio is currently sitting at 37%(Over the threshold of 25% - 40%).



3. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

I, MR N.G. KUMALO, Acting Municipal Manager of UMDONI MUNICIPALITY, hereby certify that the adjustment budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act, No.56 of 2003 and, to the extent as indicated in the budget documents, the regulations made under this Act, and that the annual budget and supporting documentation are consistent with the revised Integrated Development Plan of the Municipality.

PRINT NAME: _____

MUNICIPAL MANAGER OF: _____

SIGNATURE: _____

DATE: _____