

NKANDLA MUNICIPALITY



SPECIAL ADJUSTMENTS BUDGET 2021/22 TO 2023/24

Tabled in Council on 30 March 2022

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Glossary

(Abbreviations and Acronyms)

CFO	Chief Financial Officer
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GDP	Gross domestic product
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
HR	Human Resources
IDP	Integrated Development Strategy
IT	Information Technology
kWh	kilowatt
LED	Local Economic Development
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
PPE	Property Plant and Equipment
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises
Adjustments Budget	Prescribed in section 28 of the Municipal Finance Management Act. It is the formal means by which a municipality may revise its budget during a financial year.
Allocations	Money received from Provincial and National Treasury.
Budget	The financial plan of a municipality.
Budget related policy	Policy of a municipality affecting or affected by the budget.
Capital Expenditure	Spending on municipal assets such as land, buildings and vehicles. Any capital expenditure must be reflected as an asset on a municipality's balance sheet.

Cash Flow Statement	A statement showing when actual cash will be received and spent by the Municipality, and the month end balances of cash and short term investments.
Equitable Share	A general grant paid to municipalities. It is predominantly targeted to assist with free basic services.
IDP	Integrated Development Plan. The main strategic planning document of a Municipality.
KPI	Key Performance Indicators. Measures of service output and/or outcome.
MTREF	Medium Term Revenue and Expenditure Framework as prescribed by the MFMA sets out indicative revenue and projected expenditure for the budget year plus two outer financial years to determine the affordability level.
Operating Expenditure	Spending on the day to day expenses of a municipality such as general expenses, salaries & wages and repairs & maintenance.
OPEX	Operating Expenditure
Rates property.	Local Government tax based on assessed valuation of a
SDBIP	Service Delivery Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.
Vote	One of the main segments into which a budget is divided, usually at department level.

PART 1 – ADJUSTMENTS BUDGET

1. MAYOR’S REPORT

SPEECH BY HIS WORSHIP THE MAYOR OF NKANDLA MUNICIPALITY CLLR MB BIYELA DURING THE OCCASION OF THE TABLING OF THE MUNICIPAL ADJUSTMENT BUDGET FOR 2021/22 FINANCIAL YEAR TO NKANDLA MUNICIPAL COUNCIL

30 March 2022

**Honourable Speaker Cllr SO Sibiya
Honourable Deputy Mayor Cllr NFJ NZUZA
Honourable Members of the Executive Committee
Honourable Members of the Municipal Council
Members of the Mayoral Committees for Finance
Traditional Leaders
Municipal Manager
All Heads of Departments and all managers
Chairpersons of Public Accounts committee**

Honourable Speaker, I would like to thank you for this opportunity to table the Adjustments budget for our Municipality to this august House.

Allow me to start of by saying “The most important thing is to solve the problems of the people”.

These are the words engraved at the main entrance of Angolan Capital City, Luanda. It is a famous statement made by Augustino Netto, leader of MPLA, during the days of the struggle of the Angolan people.

I feel it is befitting to use these words today on this occasion of presenting a budget to this august house, because as the Municipal Council and the administration we must ask ourselves, if the work we are doing is to solve the problems of the people or those of individuals at the expenses of the collective and the people.

Through this budget, as we continuing to provide sustainable service delivery ,we must be able to answer this question.

I therefore want to reiterate what I said during my first day in the Mayoral office that

“I am committed to providing accountable quality services at an affordable cost in a sustainable manner. I will serve the community of Nkandla without reservation and make sure that there is prudent administration”

That is why as the municipal council, we are working tirelessly together in partnership with all our stakeholders to make sure that we build this new kind of an institution that is geared towards bettering the lives of the people.

Honourable Speaker

Our Adjustments budget traces its origin from the approved 2021/2022 Annual budget where in an

operational R195.5 million
and capital budget of R42.1 million

which equates to R225.7 million which was approved by the council. Plus R6 million which is an additional funding from MIG.

I am pleased to inform the council that with this budget we have gone an extra mile in achieving Municipal priorities in the past six months the as follows:

- a) Social activities such as sports,cultural activities and educational activities
- b) Community agricultural programs
- c) Infrastructure development Implemented by MIG, INEP and internal funded projects.
- d) SMME's support

Economic landscape and recovery

Honourable Speaker, this budget is tabled in a fragile and challenging economic environment.

The Coronavirus (COVID-19) lockdown measures and looting of shops have adversely affected the world, National,Provincial as well as the local economies.

Finance Minister Enoch Godongwana said “the downward revision comes on the back of a changing global environment as well as the country’s own unique challenges, such as the events around the July unrest – which took place in parts of Gauteng and KwaZulu-Natal in 2021 – that saw over 300 people killed and resulted more than R50

Treasury forecasts consumer price index (CPI) inflation to increase to 4.8% for 2022, up from the 2021 estimate of 4.5%. Thereafter, inflation is expected to slightly decrease to 4.4% and then rise to 4.5% for the respective 2023 and 2024 financial years.

However, according to Treasury, the emergence of new Covid-19 variants in light of a low vaccination rate, rising global inflation and unreliable electricity supply, continue to pose significant risks to this growth.

Municipal revenue collection

Honourable Speaker

There is a close relationship between the economy and the budget. What is happening in the economic environment has an effect on the budget.

The negative impact of COVID-19 is reflected in budget challenges as pointed out by the Minister of Finance in the Budget Statement on 21 February 2022.

However Our Municipality has collected revenue amount to

R47.6 million on rates compare to R47.3 million which was projected at the beginning of the financial year

R6.4 million on electricity compare to R18.1 million which was projected at the beginning of the financial year

It is therefore important that budgets are reprioritized to ensure that service delivery to citizens is not influenced negatively in any way.

We must protect the most vulnerable at all times.

The revenue section required to maximize the revenue-generating potential of all sources and implement efficiency measures to guarantee the expansive provision of essential services to our people.

2020/2021 Adjusted priorities

Overview of 2020/2021 adjustments budget

Honourable Speaker

We, therefore, propose changes to the Adjusted Budget tabled in June 2021 this year to respond to constraints in the budget, reduction and spending pressures in critical service delivery areas.

The adjustments budget is informed by the following key areas:

- That it addresses priority needs as identified by the community of Nkandla during our IDP processes.

- That we ensure the municipality is not reliant on government subsidies, but we generate our own sustainable revenue.
- That we have realistic revenue projections.
- That we produce a balanced budget for the community of Nkandla.
- That we maintain our assets at a level adequate to protect the capital investments and minimize future maintenance and replacement costs, since for some time we have been behind with maintenance of our assets as a Municipality and therefore allowed them to depreciate before we can attend to them.

Accordingly, the main budget will be adjusted upwards by a net

R10.2 million, thereby increasing the Municipal Budget from R195.5 million to R205.8 million for the year ending 31 June 2022.

Our main focus is to improve

- a) Security adjusted by R3.2 million to R11.7 million
- b) Fuel and oil adjusted by R1.1 million to R2.8 million
- c) Bulk purchase adjusted by R1.1 million to R14.1 million and

With these as our basis for this budget, I can then say that this adjustment budget is meant to meet the basic needs of the people by restoring and enhancing infrastructure spending in the areas of Nkandla, something that we are consistent in doing in doing it. The restoration and enhancement of infrastructure spending in the underdeveloped areas will also go a long way in attracting investment in our Municipality as well, as compared to having investment at the same time. This will also contribute to the local economic development and quality job creation in our Municipality .

This is our commitment to quality service delivery to our people; and an insurance of a people centered and people driven governance in practice.

However, I must say that even though our budget is undoubtedly people centered and people driven.

This budget provides Council with a sustainable financial position over the next three years, with all financial performance indicators within their respective targets. Budget applied to IDP strategic priorities As mentioned above, Council

aims to ensure that the annual budget supports its strategic Plan, which in turn reflects the key areas of importance to the community.

Conclusion

As I conclude Many people have assisted in the formulation of this budget and I would particularly like to thank Finance portfolio, budget steering committee, Management and finance staff for the commendable work you have done.

Honourable speaker fellow Councillors

I therefore, recommend the adoption of this 2021/2022 budget adjustment under the respective recommendations as contained in the Budget Document.

I thank You!

BUDGET REPRIORITISATION AND FISCAL CONSOLIDATION

In our main budget we have developed a Recovery Action Plan to address the expenditure management and service delivery improvements which includes the following:

- Cost containment of administrative personnel expenditure while protecting without compromising service delivery.
- Improving revenue collection.
- Intensification of cost containment measures.

These were difficult but necessary decisions that were taken to help the municipality in particular to overcome the economic challenges.

CAPITAL PROJECTS

The Total Budget for Capital projects is R 19 947 000 for the following

MIG FUNDED PROJECTS

Construction of Sphande Access Road – phase 2	R2 700 000.00
Construction of Nqundu Community Hall	R 300 000.00
Construction of Lindela Taxi Rank Ward 14	R1 500 000.00
Construction of Mabengela Sports Complex	R3 500 000.00
Construction of Ngwegweni Access Road – phase 2	R2 000 000.00
Construction of Ezijibeni Community Hall	R3 000 000.00
Construction of Willem Access Road – Phase 2	R3 500 000.00
Construction of Makhendle Access Road – Phase 2	R3 000 000.00
MIG Additional Funding	R6 000 000.00
Nkungumathe Sports Centre	R2 200 000.00
Cholwane Sthintini Access Road	R3 800 000.00

TOTALS	R19 500 000.00
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INEP FUNDED PROJECTS

Cuphuchuku Electrification	R500 000.00
Maqhashiya Electrification	R2 527 000.00
Maphumulo Electrification	R1 000 000.00
Ezingwelevu Electrification	R2 00 000.00

TOTALS	R4 227 000.00
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REPAIRS AND MAINTANANCE

R 10 911 250

Other Internal funded programs

Youth budget	R 2 000 000.00
Mayoral Cup	R 9 000 000.00
Disability	R 1 000 000.00
LED	R 4 035 000.00
Senior Citizens	R 1900 000.00
OSS	R 7 500 000.00
Disaster	R 1 400 000.00
Public Participation & IDP	R 1 100 000.00

FINANCIAL GOVERNANCE

Irregular; fruitless and wasteful as well as unauthorised expenditure

Honourable Speaker,

Allocated budgets should be used prudently and accounted for in line with all legislative prescripts.

The root causes for audit findings need urgent attention by the Municipality and improvement by putting the key controls and addressing risk areas;
Consequences for poor performance and transgressions need to be taken.

Conclusion

Many thanks to all Honourable Members of different Portfolio Committees and EXCO members.

I Thank You

2. ADJUSTED BUDGET RESOLUTIONS

That Council approves the following:

(a) To approve the adjustments budget as tabled in terms of section 28 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

3. EXECUTIVE SUMMARY

An Adjustments Budget is the means in which a municipality may revise its annual budget during the course of a financial year as stipulated under "Legal Compliance" below.

This Adjustments Budget does not shift the priorities and overall direction of the Approved budget, it merely appropriates for additional funds that became available to the municipality after the additional allocation for Covid-19 intervention, authorizes unforeseen and unavoidable expenses and includes information on the multi-year projects.

The 2021/22 budget of Nkandla Municipality is adjusted upwards to accommodate expected increase in revenue collection from property rates and the sale of electricity. This expected increase is informed by mid-year assessment which indicated a slight increase in revenue collection from sale of electricity due to developments in town and supplementary valuation roll with higher values for properties mostly which are state owned.

The 2021/22 adjustments budget is compiled in accordance with Section 28 of the Municipal Finance Management Act and Regulation 23 of the Municipal Budget and Reporting Regulations.

B1 Consolidated Adjustments Budget Summary

B2 Consolidated Adjustments Budget Financial Performance by Standard Classification

B3 Consolidated Adjustments Budget Financial Performance by Municipal Vote

B4 Consolidated Adjustments Budget Financial Performance (Revenue and Expenditure)

B5 Consolidated Adjustments Budget Capital Expenditure Vote and Funding

B6 Consolidated Adjustments Budget Financial Position

B7 Consolidated Adjustments Budget Cash Flows

B8 Consolidated Cash Backed Reserves/Accumulated Surplus Reconciliation

B9 Consolidated Asset Management

B10 Consolidated Basic Service Delivery Measurement

4. LEGISLATION COMPLIANCE STATUS

Municipal adjustments budgets

28. (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.

(4) Only the mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of subsection (2)(b) to (g) may only be tabled within any prescribed limitations as to timing or frequency.

(5) When an adjustments budget is tabled, it must be accompanied by—

(a) an explanation how the adjustments budget affects the annual budget;

b) a motivation of any material changes to the annual budget;

(c) an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and

(d) any other supporting documentation that may be prescribed.

(6) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.

(7) Sections 22(b), 23(3) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustments budget.

PART 2 – ADJUSTMENTS BUDGET

Operating Revenue

The total original operating revenue budget is adjusted upwards by R18.1 million or 9.8 percent to accommodate expected increase in revenue for Transfers and Subsidies for equitable share as a result of additional allocation for Covid-19 intervention. This resulted in total operating revenue increasing from R185.8 to R203.9 million. The capital budget, transfers recognised has decreased with the amount of R2.8 million for the electrification grant (INEP).

Description	Ref	Budget Year 2021/22									Budget Year +1 2022/23	Budget Year +2 2023/24
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		3	4	5	6	7	8	9	10			
		A1	B	C	D	E	F	G	H			
R thousands	1	A	B	C	D	E	F	G	H			
Revenue By Source												
Property rates	2	55 000	-	-	-	-	-	-	55 000	56 000	57 422	
Service charges - electricity revenue	2	19 500	-	-	-	-	(3 000)	(3 000)	16 500	23 314	25 646	
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-	
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-	
Service charges - refuse revenue	2	1 500	-	-	-	-	-	-	1 500	1 600	1 700	
Rental of facilities and equipment		1 500	-	-	-	-	-	-	1 500	1 600	1 700	
Interest earned - external investments		1 800	-	-	-	-	-	-	1 800	2 035	2 239	
Interest earned - outstanding debtors		1 600	-	-	-	-	-	-	1 600	2 035	2 239	
Dividends received		-	-	-	-	-	-	-	-	-	-	
Fines, penalties and forfeits		30	-	-	-	-	-	-	30	32	34	
Licences and permits		170	-	-	-	-	-	-	170	292	321	
Agency services		-	-	-	-	-	-	-	-	-	-	
Transfers and subsidies		113 870	-	-	-	-	11	11	113 881	118 918	115 703	
Other revenue	2	800	-	-	-	-	-	-	800	853	938	
Gains		-	-	-	-	-	-	-	-	-	-	
Total Revenue (excluding capital transfers and contributions)		195 770	-	-	-	-	(2 989)	(2 989)	192 781	206 678	207 940	
Expenditure By Type												
Employee related costs		64 371	-	-	-	-	-	-	64 371	67 268	70 295	
Remuneration of councillors		10 169	-	-	-	-	-	-	10 169	10 609	11 080	
Debt impairment		2 000	-	-	-	-	2 700	2 700	4 700	2 090	2 184	
Depreciation & asset impairment		18 000	-	-	-	-	(500)	(500)	17 500	18 810	19 656	
Finance charges		-	-	-	-	-	-	-	-	-	-	
Bulk purchases - electricity		13 000	-	-	-	-	1 100	1 100	14 100	15 000	17 000	
Inventory consumed		8 895	-	-	-	-	-	-	8 895	9 296	9 714	
Contracted services		36 057	-	-	-	-	4 003	4 003	40 060	34 262	33 938	
Transfers and subsidies		3 100	-	-	-	-	-	-	3 100	3 240	3 385	
Other expenditure		39 910	-	-	-	-	3 180	3 180	43 090	39 705	39 582	
Losses		-	-	-	-	-	-	-	-	-	-	
Total Expenditure		195 502	-	-	-	-	10 483	10 483	205 985	200 279	206 835	
Surplus/(Deficit)		268	-	-	-	-	(13 472)	(13 472)	(13 204)	6 399	1 105	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		29 956	-	-	-	-	-	-	29 956	38 579	40 565	
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-	-	
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) before taxation		30 224	-	-	-	-	(13 472)	(13 472)	16 752	44 978	41 670	
Taxation		-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) after taxation		30 224	-	-	-	-	(13 472)	(13 472)	16 752	44 978	41 670	
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) attributable to municipality		30 224	-	-	-	-	(13 472)	(13 472)	16 752	44 978	41 670	
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	
Surplus/ (Deficit) for the year		30 224	-	-	-	-	(13 472)	(13 472)	16 752	44 978	41 670	
References												
1. Classifications are revenue sources and expenditure type												
2. Detail to be provided in Table SB1												
3. Only complete if a previous adjusted budget has been approved in the same financial year. Reflect most recent adjusted budget.												
4. Additional cash-backed accumulated funds/unspent funds (MFMA section 18(1)(b) and section 28(2)(e)) identified after the Original Budget approved and after annual financial statements audited (note: only where underspending could not reasonably have been foreseen)												
5. Increases of funds approved under MFMA section 31												
6. Adjustments approved in accordance with MFMA section 29												
7. Adjustments to transfers from National or Provincial Government												
8. Adjusts. = "Other Adjustments proposed to be approved, including revenue under-collection (MFMA section 28(2)(a)); additional revenue appropriation on existing programmes (section 28(2)(b)); projected savings (section 28(2)(d)); error correction (section 28(2)(f))												
9. G = B + C + D + E + F												
10. Adjusted Budget H = (A or A1/2 etc) + G												
Revenue total		225 726 000	-	-	-	-	-2 989 000	-2 989 000	222 737 000	245 257 163	248 505 320	

Property rates

Property rates budget has not been adjusted and has remained on the original budgeted amount of R55 million. The monthly billing for the first two months appears to be in-line with the amount estimated on the original budget and therefore there were no adjustments that had to be effected. The existing current controls will be monitored continuously to ensure the actual amounts does not deviate materially from the original projections.

Service Charges-electricity revenue

The budgeted *Service charges-electricity revenue* has not been adjusted and has remained on the original budgeted amount of R16.5 million. The monthly billing for the first two months appears to be in-line with the amount estimated on the original budget and therefore there were no adjustments that had to be effected. The existing current controls will be monitored continuously to ensure the actual amounts does not deviate materially from the original projections.

Service Charges- refuse revenue

The budgeted *Service charges - refuse revenue* has remained unchanged at R1.5 million. The actual revenue per the mid-year assessment appeared to be in-line with the original budgeted revenue.

Fines, penalties and forfeits

The budgeted *finer, penalties and forfeits* revenue has not been adjusted and has remained on the original budgeted amount of R30 000. The monthly billing for the first two months appears to be in-line with the amount estimated on the original budget and therefore there were no adjustments that had to be effected. The existing current controls will be monitored continuously to ensure the actual amounts does not deviate materially from the original projections.

Licences and permits

The budgeted revenue for *licences and permits* has not been adjusted and has remained on the original budgeted amount of R170 000. The monthly billing for the first two months appears to be in-line with the amount estimated on the original budget and therefore there were no adjustments that had to be effected. The existing current controls will be monitored

continuously to ensure the actual amounts does not deviate materially from the original projections.

Transfers and Subsidies

Transfers and subsidies remained at a net amount of R152.25 million, an increase of R18.05 million in operational transfers and subsidies and a decrease of R2.8 million in capital Transfers and Subsidies. The operation Transfers and Subsidies increased from R109.5 million to R127.5 million and the capital Transfers and Subsidies decreased from R33.5 million to R30.7 million. The increase in operational transfers and subsidies is due to Covid-19 pandemic and an additional allocation has been made by National Government to Municipalities to address challenges posed by the pandemic.

Other revenue

The budgeted amount for *Other Revenue* has remained unchanged at the original budgeted amount of R800 000 in 2021/22 Adjustments budget. Other revenue is made up of different smaller miscellaneous incomes, i.e. sale of tender documents, connection fees and metre upgrades. The Municipality has considered the events and circumstances that may have an impact on 'other revenue' and based on those facts took a decision to maintain the same originally budgeted amount.

Expenditure

Operating Expenditure

The operating expenditure has increased by R10.5 million from R195.5 million to R205.9 million in the 2021/22 Adjustments Budget. The increase in expenditure was mainly to cater for expenditure to be incurred in addressing challenges faced due to Covid-19 pandemic. There were other increases relating contracted services and other expenditures. The main increase in contracted services were professional fees for electricity licencing and also electricity vending system since the municipality has appointed a new service provider for the sale of electricity.

Employee Related Costs

Employee related costs have increased slightly by R3.1 million from R54.5 million to R55 million in the 2021/22 Adjustment Budget. The increase in employee related costs relates to review of organogram and therefore new position that has become a necessity in order to expediate service delivery.

Remuneration of Councillors

Remuneration of councillors has remained at R10.2 million original budgeted amount. The actual expenditure for the past two months appears to be in-line with the original budget.

Debt impairment

Debt impairment has increased by R2.7 million from R2 million to R4.7 million in the 2021/22 Adjustment Budget. The increase is to budget for a more reasonable and accurate amount which aligns the budgeted amount with the actual amount as per the unaudited annual financial statements.

Depreciation

Depreciation has decreased slightly from R18 million to R17.5 million in the 2021/2 Adjustments Budget. The actual expenditure to date was reviewed during the mid-year budget and appeared to be above initial budgeted amount, therefore it became necessary for the municipality to increase the expenditure to be in line with actual to date.

Bulk Purchases

Bulk Purchases represents bulk electricity purchases. The increase is to budget for a more reasonable and accurate amount which aligns the budgeted amount with the actual amount as per the audited annual financial statements.

Other Material

Other Material represents mostly repairs and maintenance. The repairs and maintenance budgeted amount remained unchanged.

Contracted Services

Contracted Services has increased by R5783000.00 from R36057000.00 to R41810000.00 for the 2021/22 Adjustments budget. Leasing of vehicles expenditure, security services, fuel & oil and communication and publications were initially under-budgeted for.

Other Expenditure

Other Expenditure has increased by R1 230 million from R39.9 million to R41 140 million for the 2021/22 Adjustments Budget. The increase in other expenditure was necessitated by re-classification of certain expenditure items were previously budgeted as contracted

expenditure and have now been reclassified from contracted services to other expenditure such as consultant services.

CAPITAL EXPENDITURE

Grant Funded Capital expenditure has remained unchanged in the 2021/22 Adjustments Budget.

Description	Ref	Budget Year 2021/22									Budget Year	Budget Year	
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	+1 2022/23	+2 2023/24
		A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H			
R thousands													
Capital expenditure - Vote													
Multi-year expenditure to be adjusted													
Vote 1 - Executive & Council	2	-	-	-	-	-	-	-	-	-	-	-	
Vote 2 - Finance & Administration		-	-	-	-	-	-	-	-	-	-	-	
Vote 3 - Finance & Administration		-	-	-	-	-	-	-	-	-	-	-	
Vote 4 - Planning & Development		-	-	-	-	-	-	-	-	-	-	-	
Vote 5 - Public Safety		-	-	-	-	-	-	-	-	-	-	-	
Vote 6 - Sports & Recreation		-	-	-	-	-	-	-	-	-	-	-	
Vote 7 - Road Transport		-	-	-	-	-	-	-	-	-	-	-	
Vote 8 - Waste Management		-	-	-	-	-	-	-	-	-	-	-	
Vote 9 - Community & Social Services		-	-	-	-	-	-	-	-	-	-	-	
Vote 10 - Community & Social Services		-	-	-	-	-	-	-	-	-	-	-	
Vote 11 - Community & Social Services		-	-	-	-	-	-	-	-	-	-	-	
Vote 12 - Energy Sources		-	-	-	-	-	-	-	-	-	-	-	
Vote 13 - Environmental Protection		-	-	-	-	-	-	-	-	-	-	-	
Vote 14 - 0		-	-	-	-	-	-	-	-	-	-	-	
Vote 15 - 0		-	-	-	-	-	-	-	-	-	-	-	
Capital multi-year expenditure sub-total	3	-	-	-	-	-	-	-	-	-	-	-	
Single-year expenditure to be adjusted													
Vote 1 - Executive & Council	2	2 200	-	-	-	-	-	-	-	2 200	2 299	2 402	
Vote 2 - Finance & Administration		-	-	-	-	-	-	-	-	-	-	-	
Vote 3 - Finance & Administration		8 400	-	-	-	-	-	-	-	8 400	8 778	9 173	
Vote 4 - Planning & Development		-	-	-	-	-	-	-	-	-	-	-	
Vote 5 - Public Safety		-	-	-	-	-	-	-	-	-	-	-	
Vote 6 - Sports & Recreation		-	-	-	-	-	-	-	-	-	-	-	
Vote 7 - Road Transport		100	-	-	-	-	-	-	-	100	105	109	
Vote 8 - Waste Management		4 000	-	-	-	-	-	-	-	4 000	4 180	4 368	
Vote 9 - Community & Social Services		13 806	-	-	-	-	-	-	-	13 806	14 427	15 076	
Vote 10 - Community & Social Services		3 000	-	-	-	-	-	-	-	3 000	3 135	3 276	
Vote 11 - Community & Social Services		4 700	-	-	-	-	-	-	-	4 700	4 912	5 133	
Vote 12 - Energy Sources		-	-	-	-	-	-	-	-	-	-	-	
Vote 13 - Environmental Protection		2 000	-	-	-	-	-	-	-	2 000	2 090	2 184	
Vote 14 - 0		-	-	-	-	-	-	-	-	-	-	-	
Vote 15 - 0		3 930	-	-	-	-	-	-	-	3 930	4 107	4 292	
Capital single-year expenditure sub-total		42 136	-	-	-	-	-	-	-	42 136	44 032	46 014	
Total Capital Expenditure - Vote		42 136	-	-	-	-	-	-	-	42 136	44 032	46 014	
Capital Expenditure - Functional													
Governance and administration													
Executive and council		6 130	-	-	-	-	-	-	-	6 130	6 406	6 694	
Finance and administration		6 130	-	-	-	-	-	-	-	6 130	6 406	6 694	
Internal audit		-	-	-	-	-	-	-	-	-	-	-	
Community and public safety													
Community and social services		13 400	-	-	-	-	-	-	-	13 400	14 003	14 633	
Sport and recreation		10 400	-	-	-	-	-	-	-	10 400	10 868	11 357	
Public safety		3 000	-	-	-	-	-	-	-	3 000	3 135	3 276	
Housing		-	-	-	-	-	-	-	-	-	-	-	
Health		-	-	-	-	-	-	-	-	-	-	-	
Economic and environmental services													
Planning and development		18 506	-	-	-	-	-	-	-	18 506	19 339	20 209	
Road transport		13 806	-	-	-	-	-	-	-	13 806	14 427	15 076	
Environmental protection		4 700	-	-	-	-	-	-	-	4 700	4 912	5 133	
Trading services													
Energy sources		4 100	-	-	-	-	-	-	-	4 100	4 285	4 477	
Water management		4 000	-	-	-	-	-	-	-	4 000	4 180	4 368	
Waste water management		-	-	-	-	-	-	-	-	-	-	-	
Waste management		100	-	-	-	-	-	-	-	100	105	109	
Other													
Total Capital Expenditure - Functional	3	42 136	-	-	-	-	-	-	-	42 136	44 032	46 014	
Funded by:													
National Government		29 956	-	-	-	-	-	-	-	29 956	31 304	32 713	
Provincial Government		-	-	-	-	-	-	-	-	-	-	-	
District Municipality		-	-	-	-	-	-	-	-	-	-	-	
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-	-	-	
Transfers recognised - capital	4	29 956	-	-	-	-	-	-	-	29 956	31 304	32 713	
Borrowing		-	-	-	-	-	-	-	-	-	-	-	
Internally generated funds		12 180	-	-	-	-	-	-	-	12 180	12 728	13 301	
Total Capital Funding		42 136	-	-	-	-	-	-	-	42 136	44 032	46 014	
References													
1. Municipalities may choose to appropriate for capital expenditure for three years or for one year (if one year appropriation projected expenditure required for yr2 and yr3).													
2. Include capital component of PPP unitary payment. Note that capital transfers are only appropriated to municipalities for the budget year													
3. Capital expenditure by standard classification must reconcile to the appropriations by vote													
4. Must reconcile to supporting table SB7 and to Adjustments Budget Financial Performance (revenue and expenditure)													
5. Only complete if a previous adjusted budget has been approved in the same financial year. Reflect most recent adjusted budget.													
6. Additional cash-backed accumulated funds/unspent funds (MFMA section 18(1)(b) and section 28(2)(e)) identified after the Original Budget approved and after annual financial statements audited (note: only where underspending could not reasonably													
7. Increases of funds approved under MFMA section 31													
8. Adjustments approved in accordance with MFMA section 29													
9. Adjustments to transfers from National or Provincial Government													
10. Adjusts. = "Other Adjustments proposed to be approved; including revenue under-collection (MFMA section 28(2)(a)); additional revenue appropriation on existing programmes (section 28(2)(b)); projected savings (section 28(2)(d)); error correction (section 28(2)(f))"													
11. G = B + C + D + E + F													
12. Adjusted Budget H = (A or A12 etc) + G													
check balance - - - - - #####													

Municipal Infrastructural Grant (MIG)

The Municipal Infrastructural Grant is a conditional grant which gives effect to national objectives to:

- Expand the delivery of basic services to all households, including the delivery of free basic services to poor households and other poverty alleviating objectives.
- Stimulate local economic development and job creation over the medium term.

The MIG funding will be utilised as follows: -

CAPITAL PROJECTS		
No.	Project Name	Amount (R)
1.	Willen Access Road – phase 2 – ward 10	R 3 500 000.00
2.	Makhendle Community Hall – ward 6	R 300 000.00
3.	Siphande access road – phase 2 – ward 9	R 2 700 000.00
4.	Lindela Taxi Rank Ward 14	R 1 500 000.00
5.	Nqundu Community Hall – ward 5	R 3 000 000.00
6.	Ezajibeni Community Hall -	R 3 000 000.00
7.	Mabengela Sports Complex – ward 6	R 3 500 000.00
8.	Ngwegweni Access Road – phase 2	R 2 000 000.00
		R19500000.00

Integrated National Electrification Programme (INEP)

The Integrated National Electrification Programme is a conditional grant which gives effect to national objectives to:

- Expand the delivery of basic services to all households, including the delivery of free basic services to poor households and other poverty alleviating objectives.
- Stimulate local economic development and job creation over the medium term.

The INEP funding will be utilised as follows:-

CAPITAL PROJECTS		
No.	Project Name	Amount (R)
1.	Cuphuchuku Electrification	500 000.00
2.	Ezingwelevu Electrification	200 000.00
3.	Maqhashiya Electrification	2 527 000.00
4.	Maphumulo Electrification	1 000 000.00
		R422 7000.00

MIG Additional Funding	R6 000 000
Nkungumathe Sport Centre	R2 200 000
Cholwane/Sthintini Access Road	R3 800 000

Description	Ref	Budget Year 2021/22									Budget Year +1 2022/23	Budget Year +2 2023/24
		Original Budget A	Prior Adjusted 3 A1	Accum. Funds 4 B	Multi-year capital 5 C	Unfore. Unavoid. 6 D	Nat. or Prov. Govt 7 E	Other Adjusts. 8 F	Total Adjusts. 9 G	Adjusted Budget 10 H	Adjusted Budget	Adjusted Budget
R thousands												
ASSETS												
Current assets												
Cash		24 197	-	-	-	-	(20 602)	(20 602)	3 595	8 814	(4 374)	
Call investment deposits	1	-	-	-	-	-	21 112	21 112	21 112	24 707	33 521	
Consumer debtors	1	24 732	-	-	-	-	19 259	19 259	43 990	42 449	49 609	
Other debtors		6 353	-	-	-	-	(1 095)	(1 095)	5 259	5 226	5 456	
Current portion of long-term receivables		-	-	-	-	-	-	-	-	-	-	
Inventory		-	-	-	-	-	-	-	-	-	-	
Total current assets		55 282	-	-	-	-	18 674	18 674	73 956	81 196	84 212	
Non current assets												
Long-term receivables		-	-	-	-	-	-	-	-	-	-	
Investments		-	-	-	-	-	-	-	-	-	-	
Investment property		4 275	-	-	-	-	(447)	(447)	3 828	3 843	4 012	
Investment in Associate		-	-	-	-	-	-	-	-	-	-	
Property, plant and equipment	1	345 104	-	-	-	-	(13 187)	(13 187)	331 917	334 808	349 579	
Biological		-	-	-	-	-	-	-	-	-	-	
Intangible		4 000	-	-	-	-	4 272	4 272	8 272	8 469	8 846	
Other non-current assets		-	-	-	-	-	-	-	-	-	-	
Total non current assets		353 378	-	-	-	-	(9 362)	(9 362)	344 016	347 120	362 437	
TOTAL ASSETS		408 660	-	-	-	-	9 312	9 312	417 973	428 316	446 649	
LIABILITIES												
Current liabilities												
Bank overdraft		-	-	-	-	-	-	-	-	-	-	
Borrowing		-	-	-	-	-	542	542	542	544	568	
Consumer deposits		-	-	-	-	-	-	-	-	-	-	
Trade and other payables		27 986	-	-	-	-	(12 966)	(12 966)	15 020	23 270	24 290	
Provisions		553	-	-	-	-	1 573	1 573	2 126	2 157	2 252	
Total current liabilities		28 539	-	-	-	-	(10 851)	(10 851)	17 688	25 970	27 110	
Non current liabilities												
Borrowing	1	-	-	-	-	-	-	-	-	-	-	
Provisions	1	8 309	-	-	-	-	1 971	1 971	10 280	10 322	10 776	
Total non current liabilities		8 309	-	-	-	-	1 971	1 971	10 280	10 322	10 776	
TOTAL LIABILITIES		36 848	-	-	-	-	(8 880)	(8 880)	27 968	36 292	37 886	
NET ASSETS	2	371 812	-	-	-	-	18 193	18 193	390 005	392 024	408 763	
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)		371 812	-	-	-	-	7 856	7 856	379 668	409 345	422 070	
Reserves		-	-	-	-	-	-	-	-	-	-	
TOTAL COMMUNITY WEALTH/EQUITY		371 812	-	-	-	-	7 856	7 856	379 668	409 345	422 070	
<i>References</i>												
1. Detail to be provided in Table SA3												
2. Net assets must balance with Total Community Wealth/Equity												
3. Only complete if a previous adjusted budget has been approved in the same financial year. Reflect most recent adjusted budget.												
4. Additional cash-backed accumulated funds/unspent funds (MFMA section 18(1)(b) and section 28(2)(e)) identified after the Original Budget approved and after annual financial statements audited (note: only where underspending could not reasonably have been foreseen)												
5. Increases of funds approved under MFMA section 31												
6. Adjustments approved in accordance with MFMA section 29												
7. Adjustments to transfers from National or Provincial Government												
8. Adjusts. = 'Other' Adjustments proposed to be approved; including revenue under-collection (MFMA section 28(2)(a)); additional revenue appropriation on existing programmes (section 28(2)(b)); projected savings (section 28(2)(d)); error correction (section 28(2)(f))												
9. G = B + C + D + E + F												
10. Adjusted Budget H = (A or A1/2 etc) + G												
check balance		-	-	-	-	-	10 336 814	10 336 814	10 336 814	-17 320 777	-13 306 415	

KZN286 Nkandla - Table B7 Adjustments Budget Cash Flows - 29/09/2020

Description	Ref	Budget Year 2020/21									Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unfore.	Nat. or	Other	Total	Adjusted	Adjusted	Adjusted
		Budget	Adjusted	Funds	capital	Unavoid.	Prov. Govt	Adjus.	Adjus.	Budget	Budget	Budget
R thousands	A	A1	B	C	D	E	F	G	H			
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates		40 075						0	0	40 075	41 918	43 846
Service charges		18 256						0	0	18 256	19 231	20 243
Other revenue		1 896								1 896	2 063	2 470
Transfers and Subsidies - Operational	1	109 463						18 054	18 054	127 517	113 171	121 964
Transfers and Subsidies - Capital	1	33 506						(2 800)	(2 800)	30 706	38 365	39 580
Interest		3 330								3 330	3 510	4 500
Dividends		-								-	-	-
Payments												
Suppliers and employees		(166 256)						(9 023)	(9 023)	(175 279)	(176 242)	(188 767)
Finance charges		-								-	-	-
Transfers and Grants	1	(2 500)						(600)	(600)	(3 100)	(2 500)	(2 500)
NET CASH FROM/(USED) OPERATING ACTIVITIES		37 770	-	-	-	-	-	5 631	5 631	43 401	39 517	41 336
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE										-	-	-
Decrease (increase) in non-current receivables		9 281								-	9 281	10 449
Decrease (increase) in non-current investments										-	-	-
Payments												
Capital assets		(46 080)						(2 100)	(2 100)	(48 180)	(48 384)	(50 803)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(36 799)	-	-	-	-	-	(2 100)	(2 100)	(38 899)	(37 935)	(39 649)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans										-	-	-
Borrowing long term/refinancing										-	-	-
Increase (decrease) in consumer deposits										-	-	-
Payments												
Repayment of borrowing										-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		971	-	-	-	-	-	3 531	3 531	4 502	1 582	1 687
Cash/cash equivalents at the year begin:	2	5 268						15 790	15 790	21 058	25 560	27 142
Cash/cash equivalents at the year end:	2	6 239						19 321	19 321	25 560	27 142	28 829

KZN286 Nkandla - Table B8 Cash backed reserves/accumulated surplus reconciliation -

Description	Ref	Budget Year 2021/22									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H	+1 2022/23	+2 2023/24
R thousands												
Cash and investments available												
Cash/cash equivalents at the year end	1	24 580	-	-	-	-	-	128	128	24 707	33 521	32 263
Other current investments > 90 days		(362)	-	-	-	-	-	362	362	-	-	(3 116)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		24 197	-	-	-	-	-	510	510	24 707	33 521	29 147
Applications of cash and investments												
Unspent conditional transfers		6 727	-	-	-	-	-	(6 396)	(6 396)	331	332	347
Unspent borrowing		-	-	-	-	-	-	-	-	-	-	-
Statutory requirements		-	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	2	(4 489)	-	-	-	-	-	(28 530)	(28 530)	(33 019)	(19 368)	(24 832)
Other provisions		-	-	-	-	-	-	-	-	-	-	-
Long term investments committed		-	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments		-	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		2 238	-	-	-	-	-	(24 927)	(24 927)	(32 689)	(19 036)	(24 485)
Surplus/(shortfall)		21 959	-	-	-	-	-	35 437	35 437	57 396	52 557	53 632
Reconciling												
1. Must reconcile with the Adjustments Budget Cash Flow and Adjustments Budget Financial Position												
2. Council approval for policy required - include sufficient working capital (e.g. allowing for a % of current debtors > 90 days as uncollectable)												
3. Only complete if a previous adjusted budget has been approved in the same financial year. Reflect most recent adjusted budget.												
4. Additional cash-backed accumulated funds/unspent funds (MFMA section 18(1)(b) and section 28(2)(e)) identified after the Original Budget approved and after annual financial statements audited (note: only where underspending could not reasonably have been foreseen)												
5. Increases of funds approved under MFMA section 31												
6. Adjustments approved in accordance with MFMA section 29												
7. Adjustments to transfers from National or Provincial Government												
8. Adjusts = "Other" Adjustments proposed to be approved; including revenue under-collection (MFMA section 28(2)(a)); additional revenue appropriation on existing programmes (section 28(2)(b)); projected savings (section 28(2)(d)); error correction (section 28(2)(f))												
9. G = B + C + D + E + F												
10. Adjusted Budget H = (A or A1) + G												
Other working capital requirements												
Debtors		28 848	-	-	-	-	-	-	-	48 761	43 489	50 014
Creditors due		24 359	-	-	-	-	-	-	-	15 742	24 121	25 183
Total		4 489	-	-	-	-	-	-	-	33 019	19 368	24 832
Debtors collection assumptions:												
Balance outstanding - debtors		31 065	-	-	-	-	-	-	-	49 249	47 675	55 065
Estimate of debtors collection rate		93%	0%	-	-	-	-	-	-	99%	91%	91%
Long term investments committed												
(Insert description; eg sinking fund)		-	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments												
Housing Development Fund		-	-	-	-	-	-	-	-	-	-	-
Capital replacement		-	-	-	-	-	-	-	-	-	-	-
Self-insurance		-	-	-	-	-	-	-	-	-	-	-
Other reserves		-	-	-	-	-	-	-	-	-	-	-

Certification that the Adjustments budget for 2021/22 is correctly captured and locked on the municipality's financial management system

(as requested by National Treasury in terms of section 74 of the MFMA, with reference to paragraph 6.3 of MFMA Budget Circular 59 dated 16 March 2012)

I, Nomfundo P. Dlamini in my capacity as accounting officer of the municipality, hereby certify that:

- The adopted annual budget has been captured on the municipality's financial system;
- There is 100 per cent reconciliation between the budget on the system and the budget adopted by council;
- The adopted annual budget on the municipality's financial system is locked and will not be changed as it serves as the baseline against which to monitor and measure performance; and
- The relevant budget return forms have been submitted to the local government database.

I, further certify that the municipality has in place controls to ensure that any changes to the adopted budget will be captured separately and only in accordance with:

- a virement authorised by the municipal manager, or duly delegate official, in terms of a council approved virements policy; and
- an adjustments budget approved by council.

Print Name Nomfundo P. Dlamini

Acting Municipal Manager of Nkandla Municipality – KZN 286

Signature _____

Date 30 March 2022

This certificate must be submitted to National Treasury by close of business 04 April 2022 at the following email address: lgdocuments@treasury.gov.za.

Also send copies to the *Auditor General* and the relevant provincial treasury

COUNCIL RESOLUTION