

**SPECIAL ADJUSTMENT BUDGET OF**  
**MKHAMBATHINI**  
**MUNICIPALITY**



**2021/22 TO 2023/24**  
**MEDIUM TERM REVENUE AND EXPENDITURE**  
**FORECASTS**

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## Table of Contents

### PART 1 - ADJUSTMENT BUDGET 2 - 37

- 1.1 MAYOR'S REPORT
- 1.2 COUNCIL RESOLUTIONS
- 1.3 EXECUTIVE SUMMARY
- 1.4 OPERATING REVENUE FRAMEWORK
- 1.5 OPERATING EXPENDITURE FRAMEWORK
- 1.6 CAPITAL EXPENDITURE
- 1.7 ANNUAL BUDGET TABLES

### PART 2 - SUPPORTING DOCUMENTATION 38- 74

- 2.1 OVERVIEW OF THE ADJUSTMENT BUDGET
- 2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP
- 2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS
- 2.4 OVERVIEW OF BUDGET RELATED-POLICIES
- 2.5 ANNUAL BUDGETS AND SDBIPS - INTERNAL DEPARTMENTS
- 2.6 CAPITAL EXPENDITURE DETAILS
- 2.7 LEGISLATION COMPLIANCE STATUS
- 2.8 OTHER SUPPORTING DOCUMENTS
- 2.9 MUNICIPAL MANAGER'S QUALITY CERTIFICATE

## Abbreviations and Acronyms

ASGISA	Accelerated and Shared Growth Initiative	MBRR	Municipal Budget & Reporting Regulations
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CFO	Chief Financial Officer	MFMA	Municipal Financial Management Act
CM	Municipality Manager	MIG	Municipal Infrastructure Grant
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental Organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
FBS	Free basic services	OHS	Occupational Health and Safety
GAMAP	Generally Accepted Municipal Accounting Practice	OP	Operational Plan
GDP	Gross Domestic Product	PBO	Public Benefit Organisations
GDS	Gauteng Growth and Development Strategy	PHC	Provincial Health Care
GFS	Government Financial Statistics	PMS	Performance Management System
GRAP	General Recognised Accounting Practice	PPE	Property Plant and Equipment
HR	Human Resources	PPP	Public Private Partnership
HSRC	Human Science Research Council	PTIS	Public Transport Infrastructure System
IDP	Integrated Development Plan	RG	Restructuring Grant
IT	Information Technology	RSC	Regional Services Council
kℓ	kilolitre	SALGA	South African Local Government Association
km	kilometre	SAPS	South African Police Service
KPA	Key Performance Area	SDBIP	Service Delivery Budget Implementation Plan
KPI	Key Performance Indicator	SMME	Small Micro and Medium Enterprises
kWh	kilowatt hour		
ℓ	litre		
LED	Local Economic Development		
M	Mayor		

## **Part 1 - Annual Budget**

### **1.1 Mayor's Report**

#### **SPEECH BY THE MAYOR OF MKHAMBATHINI MUNICIPALITY**

#### **CLLR. N.W. NTOMBELA PRESENTED TO THE MUNICIPAL COUNCIL ON THE OCCASION OF THE TABLING OF ADJUSTMENT BUDGET FOR 2021/2022 FINANCIAL YEAR AT MKHAMBATHINI MUNICIPALITY COUNCIL CHAMBER**

**ON THURSDAY, 28 April 2022**

Speaker of the Council,

Deputy Mayor,

Executive Committee Members,

Councillors,

Traditional leaders,

Municipal Manager,

All Senior Managers,

Chief Financial Officer,

All Staff members present,

Members of the media if any are present and Public,

Distinguish guest, Ladies and Gentlemen.

Greetings to all

Chairperson, Mr Speaker, I would like to greet you and all members of the council and officials, and I hereby present Special Adjustment Budget for 2020/2021 financial year as outlined in the Municipal Finance Management Act. (MFMA, Section 28 of MFMA in relation to the tabling of Special Adjustment Budget).

I would like to highlight the following items:

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KZN226 Mkhambathini - Table B1 Adjustments Budget Summary -											
Description	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 Adjuts.	Total Adjuts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	A1	B	C	D	E	F	G	H		
<b>Financial Performance</b>											
Property rates	20,553	21,544	-	-	-	-	-	-	21,544	21,375	22,230
Service charges	597	597	-	-	-	-	-	-	597	621	645
Investment revenue	4,000	2,600	-	-	-	-	-	-	2,600	4,160	4,327
Transfers recognised - operational	76,559	76,559	-	-	-	-	-	-	76,559	87,643	88,692
Other own revenue	8,979	7,891	-	-	-	-	-	-	7,891	11,024	11,465
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>110,688</b>	<b>109,191</b>	-	-	-	-	-	-	<b>109,191</b>	<b>124,823</b>	<b>127,359</b>
Employee costs	48,558	48,265	-	-	-	-	-	-	48,265	50,155	53,644
Remuneration of councillors	6,693	6,693	-	-	-	-	-	-	6,693	4,039	7,247
Depreciation & asset impairment	11,609	11,599	-	-	-	-	-	-	11,599	12,073	12,556
Finance charges	-	-	-	-	-	-	-	-	-	-	-
Inventory consumed and bulk purchases	6,051	4,605	-	-	-	-	(100)	(100)	4,505	6,308	6,582
Transfers and grants	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	69,991	77,732	-	-	-	-	100	100	77,832	63,112	66,592
<b>Total Expenditure</b>	<b>142,902</b>	<b>148,894</b>	-	-	-	-	-	-	<b>148,894</b>	<b>135,688</b>	<b>146,623</b>
<b>Surplus/(Deficit)</b>	<b>(32,214)</b>	<b>(39,703)</b>	-	-	-	-	-	-	<b>(39,703)</b>	<b>(10,865)</b>	<b>(19,263)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	24,755	39,175	-	-	-	-	7,000	7,000	46,175	17,781	18,394
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(7,459)</b>	<b>(528)</b>	-	-	-	-	<b>7,000</b>	<b>7,000</b>	<b>6,472</b>	<b>6,916</b>	<b>(869)</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>	<b>(7,459)</b>	<b>(528)</b>	-	-	-	-	<b>7,000</b>	<b>7,000</b>	<b>6,472</b>	<b>6,916</b>	<b>(869)</b>
<b>Capital expenditure &amp; funds sources</b>											
<b>Capital expenditure</b>	31,621	49,067	-	-	-	-	7,000	7,000	56,067	13,632	13,862
Transfers recognised - capital	24,755	39,175	-	-	-	-	7,000	7,000	46,175	3,000	3,200
Borrowing	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	6,866	9,892	-	-	-	-	-	-	9,892	10,632	10,662
<b>Total sources of capital funds</b>	<b>31,621</b>	<b>49,067</b>	-	-	-	-	<b>7,000</b>	<b>7,000</b>	<b>56,067</b>	<b>13,632</b>	<b>13,862</b>
<b>Financial position</b>											
Total current assets	57,497	76,291	-	-	-	-	-	-	76,291	46,147	40,381
Total non current assets	195,681	225,323	-	-	-	-	7,000	7,000	232,323	163,170	168,645
Total current liabilities	7,985	7,858	-	-	-	-	-	-	7,858	13,842	16,106
Total non current liabilities	4,158	5,144	-	-	-	-	-	-	5,144	4,158	4,158
Community wealth/Equity	241,035	288,612	-	-	-	-	7,000	7,000	295,612	191,269	188,713
<b>Cash flows</b>											

## **Explanatory notes to MBRR Table B1 - Adjustment Budget Summary**

1. Table B1 the special adjustment budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Special Adjustment Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

The Special adjustment on the operating and capital expenditure are as follow and also the municipality has manage to implement the Cost Containment measure.

- i. The capital budget has increased by R 7 million

Honourable Speaker and Councillors, this report reflects the wishes and aspirations of the people of Mkhambathini Municipality and it is aligned with the priorities set by Treasury and it is in line with the Mkhambathini Municipality SDBIP and IDP priorities which according to my administration's point of view should be implemented at a Local Level after considering the needs of the Community, therefore I recommend that the Municipal Council approves the special adjustment budget and the revised Service Delivery and Budget Implementation Plan.

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I would like to grant council members a chance to investigate the content and more details are contained in the attached reports.

As I conclude Speaker, as you are aware, the Country is experiencing harsh economic times and is experiencing a severe drought. As a result of this, food prices and other essential commodities are rising rapidly. This prompted National and Provincial Government to introduce cost cutting and saving measures to deliver services and sacrifice effectively including the. As the result of this funding to Local Government has been being reduced. Grant funding has been reduced and affects, Equitable Share and MIG. The effect of Governments austerity measures has placed the Municipal budget under pressure and the Municipality has also embarked on cost saving measures and introduced them in this budget. Prudent Financial Management and constant monitoring of the budget must take place during the year and throughout the year in monitoring.

The below factors must be noted

### **Governance**

The Internal Audit Activity stills operate as an outsourced Internal Audit Services which is an indication of a commitment in promoting good governance. Internal Audit Activity has formed a working relationship with the Provincial Internal Audit Unit and National Treasury Risk and Internal Audit Support Unit for skills and resources sharing and to strengthen the Internal Audit Activities operations. A risk-based audit plan has been developed and systems of internal control were tested to effectively monitor the vulnerability of operations within the municipality. Internal Audit also meets on a regular basis as well MPAC.

Mkhambathini Municipality Youth Advisory Centre continues to service the youth who are seeking advice on careers, receiving vouchers for small businesses, life skills, and basic computer skills. The centre of gender issues also resides in the youth development office. The municipality have also established the Youth Council which was elected in 2018 and it is currently functional when it comes to youth programs.

### **Housing**

Speaker, we have 4 housing projects within the Mkhambathini Municipality. To date, low-income houses have been constructed. These include areas such as Mbambangalo, Maqongqo, KwaNjobokazi, KwaMahleka and Ward 7 Rural Housing. Furthermore, there are projects that are in the planning and packaging stage, which include Stockdale and Poortjie Project. The ward 7 rural housing projects currently have challenges which is caused by access to some of the sites due to road infrastructure problems however the matter was referred to Council for assistance and we believe that this will be resolved and the project will continue.

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## **Property Rates**

The municipality appointed a service provider to prepare the New General Valuation Roll to be implemented as from 01 July 2019 with a validity period being 5 years. The process of inspection of the roll is currently under way.

I must mention Speaker, that after this meeting, the municipality will have public participation process to showcase the IDP and Budget and to share with our people different views on what I am about to table to this Council.

## **Back to basics**

Speaker, we all aware of the concept of Back to basics and the importance of implementing a back to basic plan. We are fortunate that through the COGTA assessment, Mkhambathini Municipality was found to be functional, but we must still make every effort to improve on upholding the 5 pillars of the Back to Basics concept and improve the lives of our citizens. We continue to align ourselves to the programmes rolled out by National and Provincial Government. We have provided an amount in our budget to deal with some priorities of Back to basics.

## **MSCOA**

Speaker, Local Government has seen many reforms since the Implementation of the Municipal Management Finance Act over the years. Recently National Treasury has commenced with the roll out of programmes to implement the Municipal standard chart of accounts – mSCOA. Funding for implementation mSCOA is from the Financial Management Grant and Municipal System Improvement Grant and own funding. Reports have been coming to Council during the last 3 years on the implementation and readiness towards mSCOA.

## **Current Economic Conditions and Funding**

Speaker, as you are aware, the Country is experiencing harsh economic times and is experiencing a severe drought. As a result of this, food prices and other essential commodities are rising rapidly. This prompted National and Provincial Government to introduce cost cutting and saving measures in order to deliver services and sacrifice effectively. As the result of this funding to Local Government has been being reduced. Grant funding has been reduced and affects, Equitable Share and MIG. The effect of Governments austerity measures has placed the Municipal budget under pressure and the Municipality has also embarked on cost saving measures and introduced them in this budget. Prudent Financial Management and constant

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monitoring of the budget must take place during the year and throughout the year in monitoring

And I would like the council members to have in mind the need to provide quality services to our community when considering Special Adjustment Budget, I thank you for this wonderful opportunity granted to me to present this report to the Council of Mkhambathini Municipality

I thank you.

## **RESOLUTION**

On the 28<sup>th</sup> April 2022, the Council of Mkhambathini Local Municipality met in the Council Chambers of Mkhambathini Local Municipality to adopt the 2021/22 Special Adjustment Budget. The council approved and adopted the following resolutions:

2.1. The Council of Mkhambathini Local Municipality, acting in terms of section 28 (1) of the Municipal Finance Management Act (Act 56 of 2003) approves and adopt:

- 2021/22 Special Adjustment Budget
  1. That the Special adjustment budget and Medium-Term Revenue and Expenditure Framework (MTEF) for the three-year period commencing in 2021/2022 financial year be adopted.
  2. Capital adjustment budget for 2021/22
  3. That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are adopted as set out in the following tables
    - 3.1 Adjusted Financial Position
    - 3.2 Adjusted Cash Flows
    - 3.3 Cash backed reserves and accumulated surplus reconciliation
    - 3.4 Asset Management
    - 3.5 Basic service delivery measurement

4. That the tabled Special Adjustment budget for the year 2021/2022 & indicative figures for the 2 projected outer years be adopted by Council as set out in the following schedules:

- Table B1 Summary
- Table B2 Financial Performance (By Standard Classification)
- Table B3 Financial Performance (By Municipal Vote)
- Table B4 Financial Performance (Revenue & Expenditure)
- Table B5 Capital Expenditure
- Table B6 Financial Position
- Table B7 Cash Flows
- Table B8 Cash Backed Reserves
- Table B9 Asset Management
- Table B10 Basic Service Delivery Measurement
- Supporting documents from SB1 – SB20

That once this Special Adjustment budget is tabled the information be uploaded to the Go Muni with the necessary MSCOA information

## **Executive Summary**

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainable, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core and 'nice to have' items. Key areas where savings were realized were on telephone and internet usage, printing, workshops, travel, accommodation, and catering.

The Municipality has embarked on implementing a revenue collection strategy to optimize the collection of debt owed by ratepayers. In addition to supplementing the declining revenue base, and reduction in grant funding the Municipality has introduced a refuse tariff to areas within the Municipality which refuse is being collected. The tariff which is being introduced will be reviewed during the course of the year to ensure that it is cost reflective and sustainable, however this is still a challenge as the service is only be carried out in the urban area of Camperdown.

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## Adjustment Budget Financial Performance (revenue and expenditure)

The summary for the adjustment budget has been summarised as bellow :

KZN226 Mkhambathini - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -												
Description	Ref	Budget Year 2021/22									Budget Year +1 2022/23	Budget Year +2 2023/24
		Original Budget	Prior Adjusted 3	Accum. Funds 4	Multi-year capital 5	Unfore. Unavoid. 6	Nat. or Prov. Govt 7	Other Adjusts. 8	Total Adjusts. 9	Adjusted Budget 10	Adjusted Budget	Adjusted Budget
R thousands	1	A	A1	B	C	D	E	F	G	H		
<b>Revenue By Source</b>												
Property rates	2	20,553	21,544	-	-	-	-	-	-	21,544	21,375	22,230
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	597	597	-	-	-	-	-	-	597	621	645
Rental of facilities and equipment		359	359	-	-	-	-	-	-	359	373	388
Interest earned - external investments		4,000	2,600	-	-	-	-	-	-	2,600	4,160	4,327
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		36	4	-	-	-	-	-	-	4	37	38
Licences and permits		7,400	6,400	-	-	-	-	-	-	6,400	7,696	8,004
Agency services		-	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		76,559	76,559	-	-	-	-	-	-	76,559	87,643	88,692
Other revenue	2	1,185	1,128	-	-	-	-	-	-	1,128	2,918	3,035
Gains		-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>110,688</b>	<b>109,191</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109,191</b>	<b>124,823</b>	<b>127,359</b>
<b>Expenditure By Type</b>												
Employee related costs		48,558	48,265	-	-	-	-	-	-	48,265	50,155	53,644
Remuneration of councillors		6,693	6,693	-	-	-	-	-	-	6,693	4,039	7,247
Debt impairment		3,140	3,140	-	-	-	-	-	-	3,140	3,580	4,081
Depreciation & asset impairment		11,609	11,599	-	-	-	-	-	-	11,599	12,073	12,556
Finance charges		-	-	-	-	-	-	-	-	-	-	-
Bulk purchases - electricity		-	-	-	-	-	-	-	-	-	-	-
Inventory consumed		6,051	4,605	-	-	-	-	(100)	(100)	4,505	6,308	6,582
Contracted services		43,396	51,099	-	-	-	-	-	-	51,099	37,165	39,271
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-	-
Other expenditure		23,455	23,493	-	-	-	-	100	100	23,593	22,367	23,240
Losses		-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>142,902</b>	<b>148,894</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>148,894</b>	<b>135,688</b>	<b>146,623</b>
<b>Surplus/(Deficit)</b>		<b>(32,214)</b>	<b>(39,703)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(39,703)</b>	<b>(10,865)</b>	<b>(19,263)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		24,755	39,175	-	-	-	-	7,000	7,000	46,175	17,781	18,394
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)		-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) before taxation</b>		<b>(7,459)</b>	<b>(528)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,000</b>	<b>7,000</b>	<b>6,472</b>	<b>6,916</b>	<b>(869)</b>
Taxation		-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>		<b>(7,459)</b>	<b>(528)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,000</b>	<b>7,000</b>	<b>6,472</b>	<b>6,916</b>	<b>(869)</b>
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(7,459)</b>	<b>(528)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,000</b>	<b>7,000</b>	<b>6,472</b>	<b>6,916</b>	<b>(869)</b>
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>		<b>(7,459)</b>	<b>(528)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,000</b>	<b>7,000</b>	<b>6,472</b>	<b>6,916</b>	<b>(869)</b>

## Adjustment Budget Assumption

In the compilation of the Adjustment Budget , the following influencing factors were considered:

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been considered in compiling Mkhambathini Local Municipality adjustment budget.

Mkhambathini Local Municipality expenditure framework for the 2021/22 Special Adjustment Budget is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan.
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA.
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan.
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made

## **Income and expenditure**

### **Revenue by Source**

Property rates cover the cost of the provision of general services. The increase of R991 000 on the property rates is made by the charges on the supplemental valuation roll.

Interest earned on the external investment has decreased by R 1.4 million, we did compare with the actual interest that we have received for the past 6 months is very little. The rate that we get from the Nedbank was very low due to the changes on the interest rate.

Fines and penalties have by R 32 000 from R36 000 to R 4 000

Licence and permits have decrease by R 1 000 000 from R 7 400 000 to R6 400 000 due to low collection for the first 6 months.

Other revenue has decrease by R 57 000 from R 1 185 000 to R 1 128 000 due to low collection for the first 6 months

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## **Expenditure by Source**

Employee related costs decrease by R 294 000 from R 48 558 000 to R 48 265 000 due to the savings for over time vote for the past 6 months, the municipality is also planning to reduce over time from January till June 2022

Depreciation & asset impairment decrease by R 10 000 from R 11 609 000 to R 11 599 000 ,  
The municipality ran depreciation report for 2021/22 financial year with assets already in the FAR

Contracted services increase by R 7 703 000 from R 43 396 000 TO R 51 099 000

Other expenditure increase by R 38 000 from R 23 455 000 to R 23 493 000

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**KZN226 Mkhambathini - Table B5 Adjustments Capital Expenditure Budget by vote and funding -**

Description	Ref	Budget Year 2021/22									Budget Year +1 2022/23	Budget Year +2 2023/24
		Original Budget	Prior Adjusted 5	Accum. Funds 6	Multi-year capital 7	Unfore. Unavoid. 8	Nat. or Prov. Govt 9	Other Adjusts. 10	Total Adjusts. 11	Adjusted Budget 12	Adjusted Budget	Adjusted Budget
R thousands		A	A1	B	C	D	E	F	G	H		
<b>Capital expenditure - Vote</b>												
<b>Multi-year expenditure to be adjusted</b>	2											
Vote 1 - Finance and Administration		-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Finance and Administration		-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Executive and Council		-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Community and Social Services		-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Community and Social Services2		-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Energy Sources		-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Road Transport		-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Planning and Development		-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Sport and Recreation		-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Public Safety		-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Other		-	-	-	-	-	-	-	-	-	-	-
Vote 12 - Waste Management		-	-	-	-	-	-	-	-	-	-	-
Vote 13 - Housing		-	-	-	-	-	-	-	-	-	-	-
Vote 14 - Waste Water Management		-	-	-	-	-	-	-	-	-	-	-
Vote 15 - Health		-	-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	3	-	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be adjusted</b>	2											
Vote 1 - Finance and Administration		905	905	-	-	-	-	-	-	905	10,632	10,662
Vote 2 - Finance and Administration		-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Executive and Council		-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Community and Social Services		-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Community and Social Services2		2,965	-	-	-	-	-	2,248	2,248	5,212	3,000	3,200
Vote 6 - Energy Sources		-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Road Transport		14,590	46,935	-	-	-	-	5,979	5,979	52,914	-	-
Vote 8 - Planning and Development		-	1,227	-	-	-	-	(1,227)	(1,227)	-	-	-
Vote 9 - Sport and Recreation		13,161	-	-	-	-	-	-	-	13,161	-	-
Vote 10 - Public Safety		-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Other		-	-	-	-	-	-	-	-	-	-	-
Vote 12 - Waste Management		-	-	-	-	-	-	-	-	-	-	-
Vote 13 - Housing		-	-	-	-	-	-	-	-	-	-	-
Vote 14 - Waste Water Management		-	-	-	-	-	-	-	-	-	-	-
Vote 15 - Health		-	-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		31,621	49,067	-	-	-	-	7,000	7,000	72,193	13,632	13,862
<b>Total Capital Expenditure - Vote</b>		31,621	49,067	-	-	-	-	7,000	7,000	72,193	13,632	13,862
<b>Capital Expenditure - Functional</b>												
<b>Governance and administration</b>		905	905	-	-	-	-	-	-	905	10,632	10,662
Executive and council		-	-	-	-	-	-	-	-	-	-	-
Finance and administration		905	905	-	-	-	-	-	-	905	10,632	10,662
Internal audit		-	-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		16,126	-	-	-	-	-	2,248	2,248	18,373	3,000	3,200
Community and social services		2,965	-	-	-	-	-	2,248	2,248	5,212	3,000	3,200
Sport and recreation		13,161	-	-	-	-	-	-	-	13,161	-	-
Public safety		-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		14,590	48,162	-	-	-	-	4,752	4,752	52,914	-	-
Planning and development		-	1,227	-	-	-	-	(1,227)	(1,227)	-	-	-
Road transport		14,590	46,935	-	-	-	-	5,979	5,979	52,914	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	-	-	-	-	-	-	-	-	-	-
Energy sources		-	-	-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-	-
<b>Other</b>		-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	31,621	49,067	-	-	-	-	7,000	7,000	72,193	13,632	13,862
<b>Funded by:</b>												
National Government		24,755	39,175	-	-	-	-	7,000	7,000	46,175	3,000	3,200
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)		-	-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	4	24,755	39,175	-	-	-	-	7,000	7,000	46,175	3,000	3,200
<b>Borrowing</b>		-	-	-	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>		6,866	9,892	-	-	-	-	-	-	9,892	10,632	10,662
<b>Total Capital Funding</b>		31,621	49,067	-	-	-	-	7,000	7,000	56,067	13,632	13,862

## Capital

### Capital Funding

National grants increase by R 7 000 000 from R 39 175 000 to R 46 175 000 due to fund we receive from Municipal Infrastructure Grant. This grant has assisted the municipal to implement more project.

### Capital Expenditure

The total budget increase by R 7000 000 from R 49 067 321 to R 56 067 321, the below table is for the changes on the capital expenditure

#### CAPITAL PROJECTS

#### INCOME

Details	Actuals	Budget 2021/22	Adjustment	Special Adjustment	Adjusted Budget 2021/22	Budget 2022/23	Budget 2023/24
<b>GRANTS &amp; SUBSIDIES</b>	-				-		
	-				-		
<b>National Government</b>	-				-		
Municipal Infrastructure Grant	24,710,000.00	24,755,000.00		7,000,000.00	31,755,000.00	17,781,000	18,394,000
Own funding	6,866,000.00	6,866,000.00	3,026,321.00		9,892,321.00		
Small Town Development	-		14,420,000.00		14,420,000.00		
	<b>31,576,000</b>	<b>31,621,000</b>	<b>17,446,321</b>	<b>7,000,000</b>	<b>56,067,321.00</b>	<b>17,781,000</b>	<b>18,394,000</b>

#### EXPENDITURE

<b>Internal funding</b>					-		
Server Room Renovations	-				-		
Municipal Building Renovations	-				-		
New Computers and Printers	10,925	215,000			215,000.00	-	400,000
Councillors Laptops	146,541	340,000			340,000.00		
Camperdown Hall (Phase 2)	-	-			-		
New Municipal Offices	-				-	14,000,000	5,000,000
Municipal Vehicles	-	800,000	100,000		900,000.00	1,200,000	-
Ophokweni Road	-		4,854,680		4,854,680.00		
Oehly	-		3,232,641		3,232,641.00		
Victory Road	-		-		-		
Upgrade Maqonggo Sportfield		5,161,000	5,161,000				
Furniture	75,199	350,000	-		350,000.00	-	1,200,000
	<b>232,665</b>	<b>6,866,000</b>	<b>3,026,321</b>		<b>9,892,321.00</b>	<b>15,200,000</b>	<b>6,600,000</b>
					-		
					-		
<b>Small Town Development Grant</b>					-		
Thomas Jee			5,778,124		5,778,124.00		
Shepstone Road			8,641,876		8,641,876.00		
	-	-	<b>14,420,000</b>		<b>14,420,000.00</b>		
					-		
					-		
<b>MIG Funding</b>					-		
kwenzokuhle hall	4,482,368	2,964,575	716,658		2,247,917.00		
Mgwaphuna	3,277,118			7,000,000	7,000,000.00		
Nhweka	-	-			-	17,027,000	17,781,000
Nonzila	-	-			-		
Makhokhoba Access Road	-	5,790,425	4,275,006		1,515,418.55		
Bangqobile Sport Field		8,000,000	147,662		8,147,662.07		
Jilafohlo Access Road		8,000,000	938,102		8,938,102.38		
Mahlabathini Access Road			3,905,900		3,905,900.00		
	-		-		-		
	<b>7,759,486</b>	<b>24,755,000</b>			<b>31,755,000.00</b>	<b>17,027,000</b>	<b>17,781,000</b>
	-				-		
	<b>7,992,151</b>	<b>31,621,000</b>	<b>17,446,321</b>	<b>7,000,000</b>	<b>56,067,321.00</b>	<b>32,227,000</b>	<b>24,381,000</b>

## **2 Part 2 - Supporting Documentation**

### **2.1 Overview of the Adjustment budget process**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act. EXCO acts as the Budget Steering Committee.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### **2.1.1 Process Overview**

The municipality has table section 72 report and also have engage with provincial treasury about the assessment.

The treasury mid-year assessment has guided the municipality on the adjustment budget assessment and all department has an input on the adjustment budget preparation

#### **2.1.2 IDP and Service Delivery and Budget Implementation Plan**

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
-



- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

### **2.1.3 Financial Modelling and Key Planning Drivers**

As part of the compilation of the adjustment , extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the adjustment budget :

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- Cash Flow Management Strategy
- Debtor payment levels

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 108 have been taken into consideration in the planning and prioritisation process.

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## **2.2 Overview of alignment of Adjustment Budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims

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and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (PGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with

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its IDP. The following table highlights the IDP's five strategic objectives for the 2021/2022 MTREF and further planning refinements that have directly informed the compilation of the budget:

**Table 1 IDP Strategic Objectives**

2021/2022 Financial Year	2021/2022 Adjustment
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to MKHAMBATHINI principles through a caring, accessible and accountable service	4. Foster participatory democracy and Mk principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide waste removal;
  - Provide housing;
  - Provide roads and storm water;
  - Provide Municipality planning services; and
  - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the Municipality;
  - Ensuring planning processes function in accordance with set timeframes;

- Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
- Effective implementation of the Indigent Policy;
  - Working with the provincial department of health to provide primary health care services;
  - Extending waste removal services and ensuring effective Municipality cleansing;
  - Ensuring all waste water treatment works are operating optimally;
  - Working with strategic partners such as SAPS to address crime;
  - Ensuring safe working environments by effective enforcement of building and health regulations;
  - Promote viable, sustainable communities through proper zoning; and
  - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Mkhambathini principles through a caring, accessible and accountable service by:
- Optimising effective community participation in the ward committee system; and
  - Implementing Mkhambathini in the revenue management strategy.
- 5.1 Promote sound governance through:
- Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
- Reviewing the use of contracted services
  - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced

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by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the 2022/23 revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

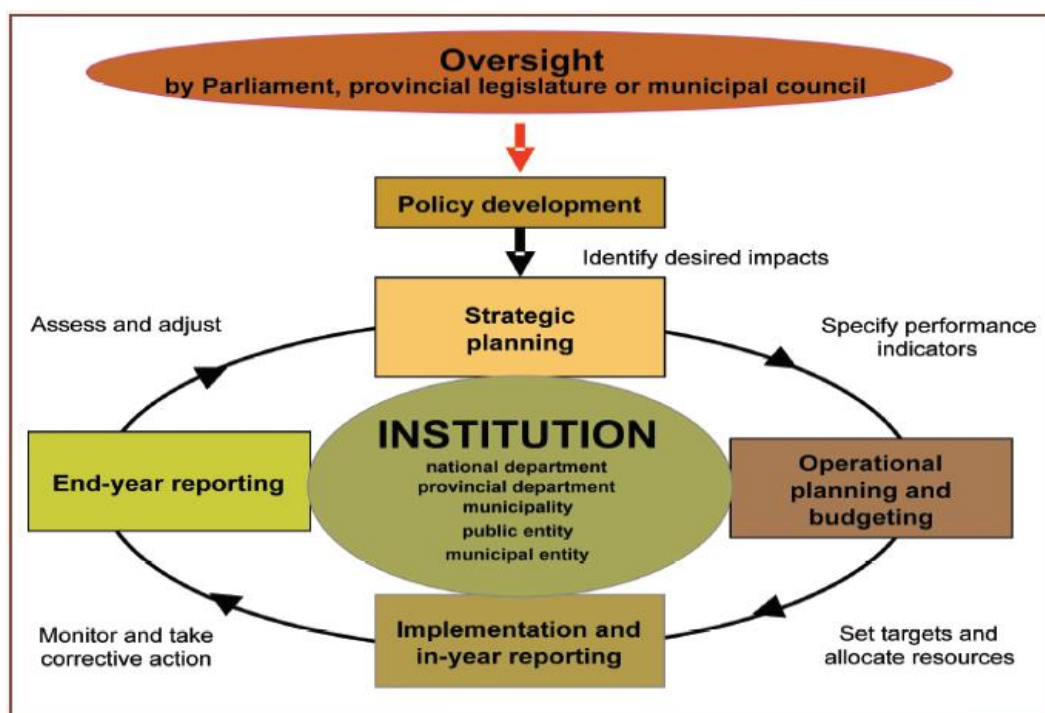
The 2021/22 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

### **2.3 Measurable performance objectives and indicators**

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Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



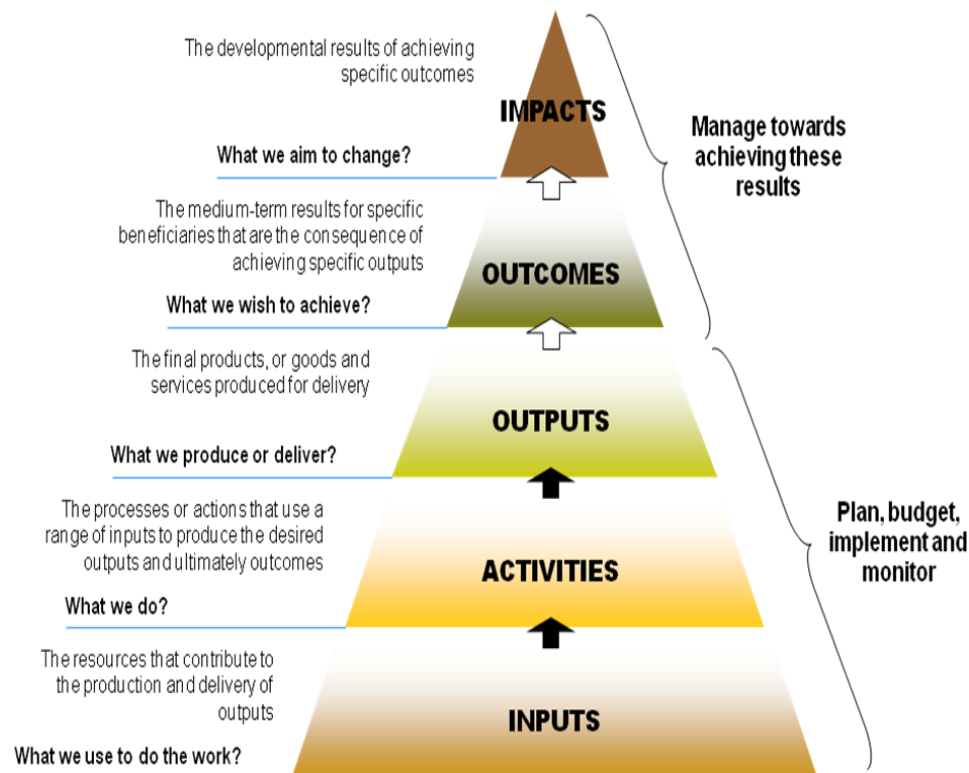
**Figure 1 Planning, budgeting and reporting cycle**

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);

- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:



**KZN226 Mkhambathini - Supporting Table SB1 Supporting detail to 'Budgeted Financial Performance' -**

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	A1	B	C	D	E	F	G	H			
<b>R thousands</b>													
<b>REVENUE ITEMS</b>													
<b>Property rates</b>													
Total Property Rates		22,119	23,111					—	—	23,111		23,004	23,924
Less Revenue Foregone (exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)		1,566	1,566					—	—	1,566		1,629	1,694
Net Property Rates		20,553	21,544	—	—	—	—	—	—	21,544		21,375	22,230
<b>Service charges - electricity revenue</b>													
Total Service charges - electricity revenue		—	—					—	—	—		—	—
Less Revenue Foregone (in excess of 50 kwh per indigent household per month)		—	—					—	—	—		—	—
Less Cost of Free Basis Services (50 kwh per indigent household per month)		—	—	—	—	—	—	—	—	—		—	—
Net Service charges - electricity revenue		—	—	—	—	—	—	—	—	—		—	—
<b>Service charges - water revenue</b>													
Total Service charges - water revenue		—	—					—	—	—		—	—
Less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)		—	—					—	—	—		—	—
Less Cost of Free Basis Services (6 kilolitres per indigent household per month)		—	—	—	—	—	—	—	—	—		—	—
Net Service charges - water revenue		—	—	—	—	—	—	—	—	—		—	—
<b>Service charges - sanitation revenue</b>													
Total Service charges - sanitation revenue		—	—					—	—	—		—	—
Less Revenue Foregone (in excess of free sanitation service to indigent households)		—	—					—	—	—		—	—
Less Cost of Free Basis Services (free sanitation service to indigent households)		—	—	—	—	—	—	—	—	—		—	—
Net Service charges - sanitation revenue		—	—	—	—	—	—	—	—	—		—	—
<b>Service charges - refuse revenue</b>													
Total refuse removal revenue		597	597					—	—	597		621	645
Total landfill revenue		—	—					—	—	—		—	—
Less Revenue Foregone (in excess of one removal a week to indigent households)		—	—					—	—	—		—	—
Less Cost of Free Basis Services (removed once a week to indigent households)		—	—	—	—	—	—	—	—	—		—	—
Net Service charges - refuse revenue		597	597	—	—	—	—	—	—	597		621	645
<b>Other Revenue By Source</b>													
Administrative Handling Fees		—	—					—	—	—		—	—
Bad Debts Recovered		—	—					—	—	—		—	—
Breakages and Losses Recovered		—	—					—	—	—		—	—
Collection Charges		—	—					—	—	—		—	—
Commission		9	74					—	—	74		9	10
Discounts and Early Settlements		—	—					—	—	—		—	—
Incidental Cash Surpluses		—	—					—	—	—		—	—
Inspection Fees		—	—					—	—	—		—	—
Registration Fees		—	—					—	—	—		—	—
Staff Recoveries		—	—					—	—	—		—	—
Request for Information		—	—					—	—	—		—	—
Insurance Refund		—	—					—	—	—		—	—
Sale of Property		—	—					—	—	—		—	—
Merchandising, Jobbing and Contracts		—	—					—	—	—		—	—
Bursary Repayment		—	—					—	—	—		—	—
Recovery Infrastructure Maintenance		—	—					—	—	—		—	—
Skills Development Levy Refund		64	64					—	—	64		67	70
Arbor City Awards Competition		—	—					—	—	—		—	—
Other Revenue		1,112	990					—	—	990		2,842	2,955
<b>Total 'Other' Revenue</b>	1	1,185	1,128	—	—	—	—	—	—	1,128		2,918	3,035
<b>EXPENDITURE ITEMS</b>													
<b>Employee related costs</b>													
Basic Salaries and Wages		34,314	34,562					—	—	34,562		35,416	37,893
Pension and UIF Contributions		4,771	4,771					—	—	4,771		5,044	5,397
Medical Aid Contributions		2,069	2,069					—	—	2,069		2,184	2,337
Overtime		1,325	778					—	—	778		1,333	1,423
Performance Bonus		2,450	2,450					—	—	2,450		2,591	2,772
Motor Vehicle Allowance		241	241					—	—	241		130	136
Cellphone Allowance		144	144					—	—	144		153	164
Housing Allowances		372	372					—	—	372		395	423
Other benefits and allowances		11	16					—	—	16		12	12
Payments in lieu of leave		1,929	1,929					—	—	1,929		2,041	2,184
Long service awards		856	856					—	—	856		851	895
Post-retirement benefit obligations		77	77					—	—	77		6	7
<b>sub-total</b>	4	48,558	48,265	—	—	—	—	—	—	48,265		50,155	53,644
Less: Employees costs capitalised to PPE		—	—					—	—	—		—	—
<b>Total Employee related costs</b>	1	48,558	48,265	—	—	—	—	—	—	48,265		50,155	53,644
<b>Depreciation &amp; asset impairment</b>													
Depreciation of Property, Plant & Equipment		11,365	11,355					—	—	11,355		11,820	12,293
Lease amortisation		244	244					—	—	244		254	264
Capital asset impairment		—	—					—	—	—		—	—
<b>Total Depreciation &amp; asset impairment</b>	1	11,609	11,599	—	—	—	—	—	—	11,599		12,073	12,556
<b>Bulk purchases</b>													
Electricity Bulk Purchases		—	—					—	—	—		—	—
<b>Total bulk purchases</b>	1	—	—	—	—	—	—	—	—	—		—	—
<b>Transfers and grants</b>													
Cash transfers and grants		—	—					—	—	—		—	—
Non-cash transfers and grants		—	—					—	—	—		—	—
<b>Total transfers and grants</b>		—	—	—	—	—	—	—	—	—		—	—
<b>Contracted services</b>													
Outsourced Services		10,385	11,389					—	—	11,389		10,379	11,231
Consultants and Professional Services		3,662	4,723					—	—	4,723		3,808	3,960
Contractors		29,350	34,987					—	—	34,987		22,978	24,080
<b>Total contracted services</b>		43,396	51,099	—	—	—	—	—	—	51,099		37,165	39,271
<b>Other Expenditure By Type</b>													
Collection costs		—	—					—	—	—		—	—
Contributions to 'other' provisions		—	—					—	—	—		—	—
Audit fees		21,999	21,787					100	100	21,887		20,853	21,666
Other Expenditure		1,456	1,706					—	—	1,706		1,514	1,574
<b>Total Other Expenditure</b>	1	23,455	23,493	—	—	—	—	100	100	23,593		22,367	23,240
<b>Repairs and Maintenance by Expenditure Item</b>													
Employee related costs		—	—					—	—	—		—	—
Inventory Consumed (Project Maintenance)		—	—					—	—	—		—	—
Contracted Services		—	—	—	—	—	—	—	—	—		21,801	22,856
Other Expenditure		—	—	—	—	—	—	—	—	—		—	—
<b>Total Repairs and Maintenance Expenditure</b>	15	—	—	—	—	—	—	—	—	—		21,801	22,856
<b>Inventory Consumed</b>													
Inventory Consumed - Water		—	—	—	—	—	—	—	—	—		—	—
Inventory Consumed - Other		6,051	4,605	—	—	—	—	(100)	(100)	4,505		6,308	6,582
<b>Total Inventory Consumed &amp; Other Material</b>		6,051	4,605	—	—	—	—	(100)	(100)	4,505		6,308	6,582



#### 2.3.1.1 *Borrowing Management*

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. The following financial performance indicators have formed part of the compilation of the Adjustment Budget :

- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The average over MTREF is nil per cent.

#### 2.3.1.2 *Safety of Capital*

#### 2.3.1.3 *Liquidity*

2.3.1.4 *Current ratio is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1.*

2.3.1.5 *The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations.*

#### 2.3.1.6 *Revenue Management*

- As part of the financial sustainability strategy, an aggressive revenue management framework is going to be implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection. For this purpose and exercise with Trans Union has commenced.

#### 2.3.1.7 *Creditors Management*

- The Municipality managed to ensure that creditors are settled within the legislated 30 days of invoice.

### **2.4 Overview of budget related-policies**

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The following budget-related policies have been approved by Council, or have been reviewed or amended and/or are currently being reviewed/amended in line with National Guidelines and other legislation. The policies are

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opened for inspection and comment and the final copies will be tabled when the budget is adopted in May 2021.

- 2.4.1 Budget Policy
- 2.4.2 Supply Chain Management Policy
- 2.4.3. Property Rates Policy
- 2.4.4 Tariff Policy
- 2.4.5 Credit Control & Debt Collection Policy
- 2.4.6 Subsistence & Travel Policy
- 2.4.7 Leave Policy
- 2.4.8 Virement Policy
- 2.4.9 Cash Management and Investment Policy
- 2.4.10 Overtime Policy
- 2.4.11 Budget policy
- 2.4.12 Banking Policy
- 2.4.12 Indigent Policy

**Adjustment supporting tables are as follow**

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## KZN226 Mkhambathini - Table B1 Adjustments Budget Summary -

KZN220 Inkamabathini - Table D1 Adjustments Budget Summary -											
Description	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
R thousands	A	1	2	3	4	5	6	7	8		
<b>Financial Performance</b>											
Property rates	20,553	21,544	-	-	-	-	-	-	21,544	21,375	22,230
Service charges	597	597	-	-	-	-	-	-	597	621	645
Investment revenue	4,000	2,600	-	-	-	-	-	-	2,600	4,160	4,327
Transfers recognised - operational	76,559	76,559	-	-	-	-	-	-	76,559	87,643	88,692
Other own revenue	8,979	7,891	-	-	-	-	-	-	7,891	11,024	11,465
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>110,688</b>	<b>109,191</b>	-	-	-	-	-	-	<b>109,191</b>	<b>124,823</b>	<b>127,359</b>
Employee costs	48,558	48,265	-	-	-	-	-	-	48,265	50,155	53,644
Remuneration of councillors	6,693	6,693	-	-	-	-	-	-	6,693	4,039	7,247
Depreciation & asset impairment	11,609	11,599	-	-	-	-	-	-	11,599	12,073	12,556
Finance charges	-	-	-	-	-	-	-	-	-	-	-
Inventory consumed and bulk purchases	6,051	4,605	-	-	-	-	(100)	(100)	4,505	6,308	6,582
Transfers and grants	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	69,991	77,732	-	-	-	-	100	100	77,832	63,112	66,592
<b>Total Expenditure</b>	<b>142,902</b>	<b>148,894</b>	-	-	-	-	-	-	<b>148,894</b>	<b>135,688</b>	<b>146,623</b>
<b>Surplus/(Deficit)</b>	<b>(32,214)</b>	<b>(39,703)</b>	-	-	-	-	-	-	<b>(39,703)</b>	<b>(10,865)</b>	<b>(19,263)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)											
	24,755	39,175	-	-	-	-	7,000	7,000	46,175	17,781	18,394
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)											
	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(7,459)</b>	<b>(528)</b>	-	-	-	-	<b>7,000</b>	<b>7,000</b>	<b>6,472</b>	<b>6,916</b>	<b>(869)</b>
Share of surplus/ (deficit) of associate											
	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>	<b>(7,459)</b>	<b>(528)</b>	-	-	-	-	<b>7,000</b>	<b>7,000</b>	<b>6,472</b>	<b>6,916</b>	<b>(869)</b>
<b>Capital expenditure &amp; funds sources</b>											
<b>Capital expenditure</b>	31,621	49,067	-	-	-	-	7,000	7,000	56,067	13,632	13,862
Transfers recognised - capital	24,755	39,175	-	-	-	-	7,000	7,000	46,175	3,000	3,200
Borrowing	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	6,866	9,892	-	-	-	-	-	-	9,892	10,632	10,662
<b>Total sources of capital funds</b>	<b>31,621</b>	<b>49,067</b>	-	-	-	-	<b>7,000</b>	<b>7,000</b>	<b>56,067</b>	<b>13,632</b>	<b>13,862</b>
<b>Financial position</b>											
Total current assets	57,497	76,291	-	-	-	-	-	-	76,291	46,147	40,381
Total non current assets	195,681	225,323	-	-	-	-	7,000	7,000	232,323	163,170	168,645
Total current liabilities	7,985	7,858	-	-	-	-	-	-	7,858	13,842	16,106
Total non current liabilities	4,158	5,144	-	-	-	-	-	-	5,144	4,158	4,158
Community wealth/Equity	<b>241,035</b>	<b>288,612</b>	-	-	-	-	<b>7,000</b>	<b>7,000</b>	<b>295,612</b>	<b>191,269</b>	<b>188,713</b>
<b>Cash flows</b>											
Net cash from (used) operating	12,168	10,935	-	-	-	-	7,000	7,000	17,935	2,622	1,186
Net cash from (used) investing	(31,621)	(36,326)	-	-	-	-	(7,000)	(7,000)	(43,326)	(17,871)	(18,394)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-	-
<b>Cash/cash equivalents at the year end</b>	<b>36,863</b>	<b>25,014</b>	-	-	-	-	-	-	<b>25,014</b>	<b>9,765</b>	<b>2,433</b>
<b>Cash backing/surplus reconciliation</b>											
Cash and investments available	30,812	25,014	-	-	-	-	-	-	25,014	19,641	12,308
Application of cash and investments	(19,298)	(40,610)	-	-	-	-	-	-	(40,610)	(12,802)	(12,212)
<b>Balance - surplus (shortfall)</b>	<b>50,110</b>	<b>65,625</b>	-	-	-	-	-	-	<b>65,625</b>	<b>32,443</b>	<b>24,521</b>
<b>Asset Management</b>											
Asset register summary (WDV)	273,602	313,948	-	-	-	-	7,000	7,000	320,948	247,369	256,211
Depreciation	11,609	11,599	-	-	-	-	-	-	11,599	12,073	12,556
Renewal and Upgrading of Existing Assets	5,161	8,995	-	-	-	-	(8,995)	(8,995)	-	-	-
Repairs and Maintenance	28,218	34,018	-	-	-	-	-	-	34,018	21,801	22,856
<b>Free services</b>											
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	1,566	1,566	-	-	-	-	-	-	1,566	1,629	1,694
<b>Households below minimum service level</b>											
Water:	-	-	-	-	-	-	-	-	-	-	-
Sanitation/sew erage:	-	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-	-

KZN226 Mkhambathini - Table B2 Adjustments Budget Financial Performance (functional classification) -

Standard Description	Ref	Budget Year 2021/22									Budget Year +1 2022/23	Budget Year +2 2023/24
		Original Budget	Prior Adjusted 5	Accum. Funds 6	Multi-year capital 7	Unfore. Unavoid. 8	Nat. or Prov. Govt 9	Other Adjusts. 10	Total Adjusts. 11	Adjusted Budget 12	Adjusted Budget	Adjusted Budget
R thousands	1, 4	A	A1	B	C	D	E	F	G	H		
<b>Revenue - Functional</b>												
<i>Governance and administration</i>		124,541	124,076	-	-	-	-	7,000	7,000	131,076	129,656	132,365
Executive and council		-	-	-	-	-	-	-	-	-	-	-
Finance and administration		124,541	124,076	-	-	-	-	7,000	7,000	131,076	129,656	132,365
Internal audit		-	-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		1,933	1,933	-	-	-	-	-	-	1,933	1,934	1,935
Community and social services		1,933	1,933	-	-	-	-	-	-	1,933	1,934	1,935
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		972	15,360	-	-	-	-	-	-	15,360	2,696	2,804
Planning and development		940	940	-	-	-	-	-	-	940	2,664	2,770
Road transport		31	14,420	-	-	-	-	-	-	14,420	32	34
Environmental protection		-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		597	597	-	-	-	-	-	-	597	621	645
Energy sources		-	-	-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-	-
Waste management		597	597	-	-	-	-	-	-	597	621	645
<i>Other</i>		7,400	6,400	-	-	-	-	-	-	6,400	7,696	8,004
<b>Total Revenue - Functional</b>	2	135,443	148,366	-	-	-	-	7,000	7,000	155,366	142,604	145,753
<b>Expenditure - Functional</b>												
<i>Governance and administration</i>		85,014	85,066	-	-	-	-	-	-	85,066	74,755	82,478
Executive and council		22,481	21,504	-	-	-	-	-	-	21,504	19,014	23,014
Finance and administration		62,533	63,562	-	-	-	-	-	-	63,562	55,741	59,464
Internal audit		-	-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		30,947	31,157	-	-	-	-	-	-	31,157	29,142	30,846
Community and social services		27,137	28,907	-	-	-	-	-	-	28,907	25,550	27,061
Sport and recreation		3,470	1,910	-	-	-	-	-	-	1,910	3,283	3,463
Public safety		-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-
Health		340	340	-	-	-	-	-	-	340	309	321
<i>Economic and environmental services</i>		17,332	23,261	-	-	-	-	-	-	23,261	22,464	23,390
Planning and development		572	285	-	-	-	-	-	-	285	595	611
Road transport		16,760	22,976	-	-	-	-	-	-	22,976	21,869	22,779
Environmental protection		-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		2,685	8,725	-	-	-	-	-	-	8,725	1,961	2,074
Energy sources		-	4,700	-	-	-	-	-	-	4,700	-	-
Water management		-	-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-	-
Waste management		2,685	4,025	-	-	-	-	-	-	4,025	1,961	2,074
<i>Other</i>		6,925	685	-	-	-	-	-	-	685	7,365	7,835
<b>Total Expenditure - Functional</b>	3	142,902	148,894	-	-	-	-	-	-	148,894	135,688	146,623
<b>Surplus/ (Deficit) for the year</b>		(7,459)	(528)	-	-	-	-	7,000	7,000	6,472	6,916	(869)

KZN226 Mkhambathini - Table B3 Adjustments Budget Financial Performance (revenue and expenditure by municipal vote) -

Vote Description  <i>[Insert departmental structure etc]</i>	Ref	Budget Year 2021/22									Budget Year +1 2022/23	Budget Year +2 2023/24
		Original Budget	Prior Adjusted 3	Accum. Funds 4	Multi-year capital 5	Unfore. Unavoid. 6	Nat. or Prov. Govt 7	Other Adjusts. 8	Total Adjusts. 9	Adjusted Budget 10	Adjusted Budget	Adjusted Budget
R thousands		A	A1	B	C	D	E	F	G	H		
<b>Revenue by Vote</b>	1											
Vote 1 - Finance and Administration		124,541	124,076	-	-	-	-	7,000	7,000	131,076	129,656	132,365
Vote 2 - Finance and Administration		-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Executive and Council		-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Community and Social Services		1,933	1,933	-	-	-	-	-	-	1,933	1,934	1,935
Vote 5 - Community and Social Services2		-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Energy Sources		-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Road Transport		31	14,420	-	-	-	-	-	-	14,420	32	34
Vote 8 - Planning and Development		940	940	-	-	-	-	-	-	940	2,664	2,770
Vote 9 - Sport and Recreation		-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Public Safety		-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Other		7,400	6,400	-	-	-	-	-	-	6,400	7,696	8,004
Vote 12 - Waste Management		597	597	-	-	-	-	-	-	597	621	645
Vote 13 - Housing		-	-	-	-	-	-	-	-	-	-	-
Vote 14 - Waste Water Management		-	-	-	-	-	-	-	-	-	-	-
Vote 15 - Health		-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	<b>135,443</b>	<b>148,366</b>	-	-	-	-	<b>7,000</b>	<b>7,000</b>	<b>155,366</b>	<b>142,604</b>	<b>145,753</b>
<b>Expenditure by Vote</b>	1											
Vote 1 - Finance and Administration		62,283	63,312	-	-	-	-	-	-	63,312	55,466	59,162
Vote 2 - Finance and Administration		250	250	-	-	-	-	-	-	250	275	303
Vote 3 - Executive and Council		22,481	21,504	-	-	-	-	-	-	21,504	19,014	23,014
Vote 4 - Community and Social Services		10,995	10,414	-	-	-	-	-	-	10,414	11,516	12,069
Vote 5 - Community and Social Services2		16,142	18,493	-	-	-	-	-	-	18,493	14,035	14,993
Vote 6 - Energy Sources		-	4,700	-	-	-	-	-	-	4,700	-	-
Vote 7 - Road Transport		16,760	22,976	-	-	-	-	-	-	22,976	21,869	22,779
Vote 8 - Planning and Development		572	285	-	-	-	-	-	-	285	595	611
Vote 9 - Sport and Recreation		3,470	1,910	-	-	-	-	-	-	1,910	3,283	3,463
Vote 10 - Public Safety		-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Other		6,925	685	-	-	-	-	-	-	685	7,365	7,835
Vote 12 - Waste Management		2,685	4,025	-	-	-	-	-	-	4,025	1,961	2,074
Vote 13 - Housing		-	-	-	-	-	-	-	-	-	-	-
Vote 14 - Waste Water Management		-	-	-	-	-	-	-	-	-	-	-
Vote 15 - Health		340	340	-	-	-	-	-	-	340	309	321
<b>Total Expenditure by Vote</b>	2	<b>142,902</b>	<b>148,894</b>	-	-	-	-	-	-	<b>148,894</b>	<b>135,688</b>	<b>146,623</b>
<b>Surplus/ (Deficit) for the year</b>	2	<b>(7,459)</b>	<b>(528)</b>	-	-	-	-	<b>7,000</b>	<b>7,000</b>	<b>6,472</b>	<b>6,916</b>	<b>(869)</b>

KZN226 Mkhambathini - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -

Description	Ref	Budget Year 2021/22									Budget Year +1 2022/23	Budget Year +2 2023/24
		Original Budget	Prior Adjusted 3	Accum. Funds 4	Multi-year capital 5	Unfore. Unavoid. 6	Nat. or Prov. Govt 7	Other Adjusts. 8	Total Adjusts. 9	Adjusted Budget 10	Adjusted Budget	Adjusted Budget
R thousands	1	A	A1	B	C	D	E	F	G	H		
<b>Revenue By Source</b>												
Property rates	2	20,553	21,544	-	-	-	-	-	-	21,544	21,375	22,230
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	597	597	-	-	-	-	-	-	597	621	645
Rental of facilities and equipment		359	359	-	-	-	-	-	-	359	373	388
Interest earned - external investments		4,000	2,600	-	-	-	-	-	-	2,600	4,160	4,327
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		36	4	-	-	-	-	-	-	4	37	38
Licences and permits		7,400	6,400	-	-	-	-	-	-	6,400	7,696	8,004
Agency services		-	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		76,559	76,559	-	-	-	-	-	-	76,559	87,643	88,692
Other revenue	2	1,185	1,128	-	-	-	-	-	-	1,128	2,918	3,035
Gains		-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>110,688</b>	<b>109,191</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109,191</b>	<b>124,823</b>	<b>127,359</b>
<b>Expenditure By Type</b>												
Employee related costs		48,558	48,265	-	-	-	-	-	-	48,265	50,155	53,644
Remuneration of councillors		6,693	6,693	-	-	-	-	-	-	6,693	4,039	7,247
Debt impairment		3,140	3,140	-	-	-	-	-	-	3,140	3,580	4,081
Depreciation & asset impairment		11,609	11,599	-	-	-	-	-	-	11,599	12,073	12,556
Finance charges		-	-	-	-	-	-	-	-	-	-	-
Bulk purchases - electricity		-	-	-	-	-	-	-	-	-	-	-
Inventory consumed		6,051	4,605	-	-	-	-	(100)	(100)	4,505	6,308	6,582
Contracted services		43,396	51,099	-	-	-	-	-	-	51,099	37,165	39,271
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-	-
Other expenditure		23,455	23,493	-	-	-	-	100	100	23,593	22,367	23,240
Losses		-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>142,902</b>	<b>148,894</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>148,894</b>	<b>135,688</b>	<b>146,623</b>
<b>Surplus/(Deficit)</b>		<b>(32,214)</b>	<b>(39,703)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(39,703)</b>	<b>(10,865)</b>	<b>(19,263)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		24,755	39,175	-	-	-	-	7,000	7,000	46,175	17,781	18,394
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)		-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) before taxation</b>		<b>(7,459)</b>	<b>(528)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,000</b>	<b>7,000</b>	<b>6,472</b>	<b>6,916</b>	<b>(869)</b>
Taxation		-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>		<b>(7,459)</b>	<b>(528)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,000</b>	<b>7,000</b>	<b>6,472</b>	<b>6,916</b>	<b>(869)</b>
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(7,459)</b>	<b>(528)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,000</b>	<b>7,000</b>	<b>6,472</b>	<b>6,916</b>	<b>(869)</b>
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>		<b>(7,459)</b>	<b>(528)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,000</b>	<b>7,000</b>	<b>6,472</b>	<b>6,916</b>	<b>(869)</b>

**KZN226 Mkhambathini - Table B5 Adjustments Capital Expenditure Budget by vote and funding -**

Description	Ref	Budget Year 2021/22									Budget Year +1 2022/23	Budget Year +2 2023/24
		Original Budget	Prior Adjusted 5	Accum. Funds 6	Multi-year capital 7	Unfore. Unavoid. 8	Nat. or Prov. Govt 9	Other Adjusts. 10	Total Adjusts. 11	Adjusted Budget 12	Adjusted Budget	Adjusted Budget
R thousands		A	A1	B	C	D	E	F	G	H		
<b>Capital expenditure - Vote</b>												
<b>Multi-year expenditure to be adjusted</b>	2											
Vote 1 - Finance and Administration		-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Finance and Administration		-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Executive and Council		-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Community and Social Services		-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Community and Social Services2		-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Energy Sources		-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Road Transport		-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Planning and Development		-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Sport and Recreation		-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Public Safety		-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Other		-	-	-	-	-	-	-	-	-	-	-
Vote 12 - Waste Management		-	-	-	-	-	-	-	-	-	-	-
Vote 13 - Housing		-	-	-	-	-	-	-	-	-	-	-
Vote 14 - Waste Water Management		-	-	-	-	-	-	-	-	-	-	-
Vote 15 - Health		-	-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	3	-	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be adjusted</b>	2											
Vote 1 - Finance and Administration		905	905	-	-	-	-	-	-	905	10,632	10,662
Vote 2 - Finance and Administration		-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Executive and Council		-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Community and Social Services		-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Community and Social Services2		2,965	-	-	-	-	-	2,248	2,248	5,212	3,000	3,200
Vote 6 - Energy Sources		-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Road Transport		14,590	46,935	-	-	-	-	5,979	5,979	52,914	-	-
Vote 8 - Planning and Development		-	1,227	-	-	-	-	(1,227)	(1,227)	-	-	-
Vote 9 - Sport and Recreation		13,161	-	-	-	-	-	-	-	13,161	-	-
Vote 10 - Public Safety		-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Other		-	-	-	-	-	-	-	-	-	-	-
Vote 12 - Waste Management		-	-	-	-	-	-	-	-	-	-	-
Vote 13 - Housing		-	-	-	-	-	-	-	-	-	-	-
Vote 14 - Waste Water Management		-	-	-	-	-	-	-	-	-	-	-
Vote 15 - Health		-	-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		31,621	49,067	-	-	-	-	7,000	7,000	72,193	13,632	13,862
<b>Total Capital Expenditure - Vote</b>		31,621	49,067	-	-	-	-	7,000	7,000	72,193	13,632	13,862
<b>Capital Expenditure - Functional</b>												
<b>Governance and administration</b>		905	905	-	-	-	-	-	-	905	10,632	10,662
Executive and council		-	-	-	-	-	-	-	-	-	-	-
Finance and administration		905	905	-	-	-	-	-	-	905	10,632	10,662
Internal audit		-	-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		16,126	-	-	-	-	-	2,248	2,248	18,373	3,000	3,200
Community and social services		2,965	-	-	-	-	-	2,248	2,248	5,212	3,000	3,200
Sport and recreation		13,161	-	-	-	-	-	-	-	13,161	-	-
Public safety		-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		14,590	48,162	-	-	-	-	4,752	4,752	52,914	-	-
Planning and development		-	1,227	-	-	-	-	(1,227)	(1,227)	-	-	-
Road transport		14,590	46,935	-	-	-	-	5,979	5,979	52,914	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	-	-	-	-	-	-	-	-	-	-
Energy sources		-	-	-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-	-
<b>Other</b>		-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	31,621	49,067	-	-	-	-	7,000	7,000	72,193	13,632	13,862
<b>Funded by:</b>												
National Government		24,755	39,175	-	-	-	-	7,000	7,000	46,175	3,000	3,200
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)		-	-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	4	24,755	39,175	-	-	-	-	7,000	7,000	46,175	3,000	3,200
<b>Borrowing</b>		-	-	-	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>		6,866	9,892	-	-	-	-	-	-	9,892	10,632	10,662
<b>Total Capital Funding</b>		31,621	49,067	-	-	-	-	7,000	7,000	56,067	13,632	13,862

KZN226 Mkhambathini - Table B6 Adjustments Budget Financial Position -

Table B0 - Adjustments Budget - Financial Section												
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
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
R thousands												
ASSETS												
Current assets												
Cash		30,812	25,014					-	-	25,014	19,641	12,308
Call investment deposits	1	-	-					-	-	-	-	-
Consumer debtors	1	25,380	33,873	-	-	-	-	-	-	33,873	25,872	27,414
Other debtors		1,084	17,355					-	-	17,355	587	610
Current portion of long-term receivables		-	-					-	-	-	-	-
Inventory		221	48	-	-	-	-	-	-	48	48	48
Total current assets		57,497	76,291	-	-	-	-	-	-	76,291	46,147	40,381
Non current assets												
Long-term receivables		-	-					-	-	-	-	-
Investments		-	-					-	-	-	-	-
Investment property		10,405	10,965					-	-	10,965	11,243	11,693
Investment in Associate		-	-					-	-	-	-	-
Property, plant and equipment	1	184,787	214,065	-	-	-	-	7,000	7,000	221,065	141,524	146,527
Biological		-	-					-	-	-	-	-
Intangible		488	294					-	-	294	528	549
Other non-current assets		-	-					-	-	-	9,876	9,876
Total non current assets		195,681	225,323	-	-	-	-	7,000	7,000	232,323	163,170	168,645
TOTAL ASSETS		253,178	301,614	-	-	-	-	7,000	7,000	308,614	209,318	209,025
LIABILITIES												
Current liabilities												
Bank overdraft		-	-					-	-	-	-	-
Borrowing		-	-	-	-	-	-	-	-	-	-	-
Consumer deposits		-	-					-	-	-	-	-
Trade and other payables		5,409	4,953	-	-	-	-	-	-	4,953	11,266	13,530
Provisions		2,576	2,905					-	-	2,905	2,576	2,576
Total current liabilities		7,985	7,858	-	-	-	-	-	-	7,858	13,842	16,106
Non current liabilities												
Borrowing	1	-	-	-	-	-	-	-	-	-	-	-
Provisions	1	4,158	5,144	-	-	-	-	-	-	5,144	4,158	4,158
Total non current liabilities		4,158	5,144	-	-	-	-	-	-	5,144	4,158	4,158
TOTAL LIABILITIES		12,143	13,002	-	-	-	-	-	-	13,002	18,000	20,264
NET ASSETS	2	241,035	288,612	-	-	-	-	7,000	7,000	295,612	191,318	188,761
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)		241,035	287,359	-	-	-	-	7,000	7,000	294,359	191,269	188,713
Reserves		-	1,253	-	-	-	-	-	-	1,253	-	-
TOTAL COMMUNITY WEALTH/EQUITY		241,035	288,612	-	-	-	-	7,000	7,000	295,612	191,269	188,713



KZN226 Mkhambathini - Table B7 Adjustments Budget Cash Flows -

Description	Ref	Budget Year 2021/22									Budget Year +1 2022/23	Budget Year +2 2023/24
		Original Budget	Prior Adjusted 3	Accum. Funds 4	Multi-year capital 5	Unfore. Unavoid. 6	Nat. or Prov. Govt 7	Other Adjusts. 8	Total Adjusts. 9	Adjusted Budget 10	Adjusted Budget	Adjusted Budget
R thousands		A	A1	B	C	D	E	F	G	H		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>												
<b>Receipts</b>												
Property rates		17,470	18,313					–	–	18,313	18,886	20,022
Service charges		507	507					–	–	507	527	549
Other revenue		8,979	7,891					–	–	7,891	9,338	9,712
Transfers and Subsidies - Operational	1	94,669	94,669					–	–	94,669	97,397	96,521
Transfers and Subsidies - Capital	1	24,755	39,175					7,000	7,000	46,175	17,027	17,781
Interest		4,000	2,600					–	–	2,600	4,160	4,326
Dividends		–	–					–	–	–	–	–
<b>Payments</b>												
Suppliers and employees		(138,212)	(152,221)					–	–	(152,221)	(144,714)	(147,725)
Finance charges		–	–					–	–	–	–	–
Transfers and Grants	1	–	–					–	–	–	–	–
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>12,168</b>	<b>10,935</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>7,000</b>	<b>7,000</b>	<b>17,935</b>	<b>2,622</b>	<b>1,186</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>												
<b>Receipts</b>												
Proceeds on disposal of PPE		–	–					–	–	–	–	–
Decrease (increase) in non-current receivables		–	12,741					–	–	12,741	–	–
Decrease (increase) in non-current investments		–	–					–	–	–	–	–
<b>Payments</b>												
Capital assets		(31,621)	(49,067)					(7,000)	(7,000)	(56,067)	(17,871)	(18,394)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(31,621)</b>	<b>(36,326)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(7,000)</b>	<b>(7,000)</b>	<b>(43,326)</b>	<b>(17,871)</b>	<b>(18,394)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>												
<b>Receipts</b>												
Short term loans		–	–					–	–	–	–	–
Borrowing long term/refinancing		–	–					–	–	–	–	–
Increase (decrease) in consumer deposits		–	–					–	–	–	–	–
<b>Payments</b>												
Repayment of borrowing		–	–					–	–	–	–	–
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(19,453)</b>	<b>(25,392)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(25,392)</b>	<b>(15,249)</b>	<b>(17,208)</b>
Cash/cash equivalents at the year begin:	2	56,316	50,406					–	–	50,406	25,014	19,641
Cash/cash equivalents at the year end:	2	36,863	25,014	–	–	–	–	–	–	25,014	9,765	2,433

KZN226 Mkhambathini - Table B8 Cash backed reserves/accumulated surplus reconciliation -

Description	Ref	Budget Year 2021/22									Budget Year +1 2022/23	Budget Year +2 2023/24
		Original Budget	Prior Adjusted 3	Accum. Funds 4	Multi-year capital 5	Unfore. Unavoid. 6	Nat. or Prov. Govt 7	Other Adjusts. 8	Total Adjusts. 9	Adjusted Budget 10	Adjusted Budget	Adjusted Budget
R thousands		A	A1	B	C	D	E	F	G	H		
<b>Cash and investments available</b>												
Cash/cash equivalents at the year end	1	36,863	25,014	–	–	–	–	–	–	25,014	9,765	2,433
Other current investments > 90 days		(6,051)	–	–	–	–	–	–	–	(6,051)	9,876	9,876
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–	–
<b>Cash and investments available:</b>		<b>30,812</b>	<b>25,014</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>18,963</b>	<b>19,641</b>	<b>12,308</b>
<b>Applications of cash and investments</b>												
Unspent conditional transfers		444	444	–	–	–	–	–	–	444	444	444
Unspent borrowing		–	–	–	–	–	–	–	–	–	–	–
Statutory requirements		–	–	–	–	–	–	–	–	–	–	–
Other working capital requirements	2	(19,742)	(41,054)	–	–	–	–	–	–	(41,054)	(13,247)	(12,656)
Other provisions		–	–	–	–	–	–	–	–	–	–	–
Long term investments committed		–	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments		–	–	–	–	–	–	–	–	–	–	–
<b>Total Application of cash and investments:</b>		<b>(19,298)</b>	<b>(40,610)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(40,610)</b>	<b>(12,802)</b>	<b>(12,212)</b>
<b>Surplus(shortfall)</b>		<b>50,110</b>	<b>65,625</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>59,574</b>	<b>32,443</b>	<b>24,521</b>

## **2.5 Adjustment budgets and SDBIPs - internal departments**

In terms of section 53(1)(ii) the Mayor must take all reasonable steps to ensure that the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget.

## **2.6 Legislation compliance status**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting  
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Internship programme  
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. Since the introduction of the Internship programme the Municipality has successfully employed and trained 5 interns through this programme and a majority of them were appointed either in Mkhambathini Municipality or other municipalities.
3. Budget and Treasury Office  
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee  
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan  
The detail SDBIP document is in line with the Adjusted budget
6. Annual Report  
Annual report is compiled in terms of the MFMA and National Treasury requirements.

## **2.7 Other supporting documents**

The below listed annexures for another supporting document

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- i. Annexure A: Data strings
- ii. Annexure B: Grant registrar
- iii. Annexure D: B Schedule



## **Municipal Manager's Quality Certificate**

OFFICE OF THE MUNICIPAL MANAGER

### **QUALITY CERTIFICATE**

I, Mr. S Mngwengwe, Municipal Manager of Mkhambathini Local Municipality, hereby certify that the Special Adjustment Budget with the supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and the budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

**Print Name: Mr. S Mngwengwe**

**Municipal Manager of Mkhambathini Local Municipality KZ226**

Signature: \_\_\_\_\_

Date: 28 April 2022

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