

Adjustment Budget 2023/24

Executive Summary

The municipality is facing numerous cash flow challenges because of limited revenue sources. The municipality need reduce spending on consumable items to spending on infrastructure improvements as it also creates employment and possibly attracts investments. The midyear feedback report from treasury highlighted several challenges that the municipality still need to address in terms of system correction and spending. As the municipality table the adjustment budget it needs to consider input from Provincial Treasury and gaps identified on in year reports. There's still gap on project costing, this affects the cash flow of the municipality greatly as the municipality must accommodate increasing cost of the projects. The municipality as has tried to implement cost containment measures on certain items on general expenses however this is not enough, therefore more measures to be put in place to adequately address that. The municipality need to consider reducing expenditure on consultants particularly on Machinery Hire and in General use of consultants. And look at the possibility of acquiring Equipment for maintenance infrastructure internally rather than hiring it outside(outsourced). Reducing expenditure on consultants and employing capable individuals, would not only reduce cost but it will bring necessary stability in the institution. The outcome of the midyear assessment report and feedback indicated the need to adjust the original budget tabled last year towards the end of June 2023.

MID YEAR OUTCOME

The outcome of mid-year assessment report was as follows:

- a. The revenue billing reflected 19% overperformance, as a result the Property Rates are adjusted.
- b. Operating expenditure reflected only 25%, significantly reduced, savings taken either infrastructure improvements or capital projects,
- c. Capital expenditure was only 21%, because of the delay in implementation of projects.

The municipality has the following challenges at mid-year.

- a. Outstanding creditors- proper plan must be in place to deal with this issue, as the municipality must comply with regulations of ensuring that creditors are paid within 30 days and mindful of cash flow.
- b. Revenue collection challenges- The large portion of the community falls under indigent category because of unemployment and high standard of living in the country. This makes it very difficult to collect from this category. But also, the municipality has engaged debt collector to assist with collection.
- c. Cash Flow Constraints – This remains the biggest challenge for the municipality, therefore the proper plan shall be in place to improve the municipality viability.
- d. Funding and Sourcing – It is evident that the municipality require more sourced funding for projects, therefore a lot need to be done on this part for sustainability of the

municipality and improving service delivery, since it seems as the only hoping for acceleration of the service delivery.

Proposed Adjustment Budget 2023/24

It is against this background that the following proposal is made for the 2021/2022 adjustment budget for the municipality to continue providing basic services to the people in a sustainable manner as required by the Constitution of the country.

2023/24 ADJUSTMENT BUDGET FOR DANNHAUSER MUNICIPALITY				
DESCRIPTION	ORIGINAL BUDGET	ACTUALS	ADJUSTMENT	2023/24 ADJUSTED B
OPERATING REVENUE	198,697,036.00	126,698,669.00	- 5,558,037.00	193,138,999.00
CAPITAL GRANTS REVENUE	27,617,000.00	14,271,000.00	- 4,036,000.00	23,581,000.00
TOTAL REVENUE	226,314,036.00	140,969,669.00	- 9,594,037.00	216,719,999.00
OPERATING EXPENDITURE	174,424,628.00	88,788,155.00	- 9,040,772.00	183,465,400.00
TOTAL SURPLUS	51,889,408.00	52,181,514.00	553,265.00	33,254,599.00
GRANTS AND SUBSIDIES	27,617,000.00	13,960,490.00	- 4,036,000.00	23,581,000.00
INTERNAL FUNDING	47,039,000.00	2,741,511.00	- 17,669,586.00	29,469,414.00
CAPITAL EXPENDITURE	74,656,000.00	16,702,001.00	- 21,705,586.00	53,050,414.00

- The 2023/2024 amended budget was adjusted downwards by R 9.5 million to R 216 million from R 226 billion, operating expenditure budget was adjusted upwards by R 9.04 million to R 183 million from R 174 million
- Capital expenditure was adjusted downwards by R21 million to R 52 million from R 74 million
- The strategy for 2023/24 adjustment budget is to reduce Unauthorized, Irregular, Fruitless and wasteful expenditure.

Detailed operating revenue and expenditure budget adjustments proposal.

The detailed operating revenue budget is further outlined below.

KZN254 Dannhauser - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 2023/07/27

Description	Ref	2023/24									Budget Year 2024/25	Budget Year 2025/26
		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	1	A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
Revenue By Source												
Exchange Revenue												
Service charges - Electricity	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - Water	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - Waste Water Management	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - Waste Management	2	1,967	-	-	-	-	-	-	-	1,967	2,063	2,160
Sale of Goods and Rendering of Services		3,510	-	-	-	-	-	-	-	3,510	3,682	3,855
Agency services		-	-	-	-	-	-	-	-	-	-	-
Interest		-	-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		-	-	-	-	-	-	-	-	-	-	-
Interest earned from Current and Non Current Assets		1,848	-	-	-	-	-	-	-	1,848	1,939	2,030
Dividends		-	-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		12	-	-	-	-	-	-	-	12	12	13
Licence and permits		-	-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-	-
Non-Exchange Revenue												
Property rates	2	42,228	-	-	-	-	-	2,288	2,288	44,516	44,297	46,379
Surcharges and Taxes		20,643	-	-	-	-	-	-	-	20,643	21,655	22,673
Fines, penalties and forfeits		425	-	-	-	-	-	-	-	425	446	467
Licences or permits		2,402	-	-	-	-	-	-	-	2,402	2,520	2,638
Transfer and subsidies - Operational		126,835	-	-	-	-	-	(5,700)	(5,700)	121,135	133,050	139,304
Interest		-	-	-	-	-	-	-	-	-	-	-
Fuel Levy		-	-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		-	-	-	-	-	-	-	-	-	-	-
Other Gains		-	-	-	-	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		179,226	-	-	-	-	-	(3,412)	(3,412)	175,814	188,008	196,844

The table above reflects operating revenue sources for the Municipality for the 2023/2024 financial year. After careful consideration of the 2023/2024 mid-year budget performance the following adjustments are proposed in line with section 28 of the Municipal Finance Management Act no. 56 of 2003.

The overall operating revenue budget will decrease from R 179 million to R 175 million and that is due to the following adjustments.

- Property rates revenue will be adjusted upwards by R2.2 million from R 42 million to R 44 million. This due to the rezoning of categories (AGA to MIN)
- Mining funding of R 5.7 million which has not materialised.
- And other immaterial small items that has been decreased because of slow performance.

KZN254 Dannhauser - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 2023/07/27

Description	Ref	2023/24									Budget Year 2024/25	Budget Year 2025/26
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjus.	Total Adjus.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	1	A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
<u>Expenditure By Type</u>												
Employee related costs		49,638	-	-	-	-	-	3,658	3,658	53,296	206,773	216,492
Remuneration of councillors		11,360	-	-	-	-	-	1,929	1,929	13,289	11,916	12,477
Bulk purchases - electricity		-	-	-	-	-	-	-	-	-	-	-
Inventory consumed		500	-	-	-	-	-	(300)	(300)	200	525	549
Debt impairment		3,500	-	-	-	-	-	-	-	3,500	3,671	3,844
Depreciation and amortisation		37,760	-	-	-	-	-	-	-	37,760	38,610	41,472
Interest		3,500	-	-	-	-	-	(0)	(0)	3,500	3,672	3,844
Contracted services		44,342	-	-	-	-	-	688	688	45,030	46,515	48,701
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-	-
Irrecoverable debts written off		-	-	-	-	-	-	-	-	-	-	-
Operational costs		28,473	-	-	-	-	-	751	751	29,224	27,074	29,656
Losses on disposal of Assets		-	-	-	-	-	-	-	-	-	-	-
Other Losses		-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		179,073	-	-	-	-	-	6,726	6,726	185,799	339,757	357,034

The extensive engagement between the Municipality and Provincial Treasury on the midyear budget assessment concluded by making proposals for the adjustment in terms of section 28 of the Municipal Finance Management Act No 56 of 2003.

The proposed adjustments on operating budget are as follows:

- Employee related costs will be adjusted upwards by R 3.6 million. This is informed by the performance of the mid-year assessment, but also to cover for unauthorized expenditure at the end of the year.
- Remuneration of councillors will be adjusted upwards by R 1,9 million, this is informed by the performance of the mid-year assessment which shows an over-spending with same amount which could lead to over-spending or unauthorized expenditure at year end.

Repairs and maintenance

Repairs or Maintenance of acquired assets are amongst the operating budget. However, they amount for a huge amount of budget and contribute significantly to the service delivery, it is important to depict it separately.

The municipality has been spending a lot of money on Machinery Hire which is part of Repairs and Maintenance budget. These machineries are hired from consultants which is discouraged by the municipality's Cost Containment Policy and Treasury. To mitigate that, on adjustment R 1.4 million adjusted from Machinery Hire to maintenance of broken Graders and other heavy-duty machinery.

DESCRIPTION	ORIGINAL BUDGET	ADJUSTMENT	ADJUSTED BUDGET
HEAVY DUTY EQUIPMENT	761,258.88	-	761,259.00
POTHoles	500,000.00	-	500,000.00
OFFICE FURNITURE & EQUIPMENT	29,881.95	-	29,882.00
PLANT & EQUIPMENT	40,560.24	-	40,560.00
ROAD SIGNS	45,977.59	-	45,977.59
STREETS & DRAINAGE	67,869.17	- 200,003.83	267,873.00
TOOLS & EQUIPMENT	117,318.97	-	117,319.00
STREET LIGHTS/GARDENS & OPEN SPACE	500,000.00	-	500,000.00
STREETS & DRAINAGE - LOCAL CON	200,000.00	200,000.00	-
HIRE OF MACHINERY: ROADS(1,2,4,7,9,11,12 & 13)	12,000,000.00	1,500,000.00	10,500,000.00
TOTAL BUDGET	14,262,866.80	1,499,996.17	12,762,870.59

Detailed Capital expenditure information

The Original Capital Budget was R 74 million and adjusted downwards by R 21.5 million to R 53 million mainly due to the following factors.

- a) Money expended from Department of trade and Industry has not been received, R 3 million
- b) Electrification grant has been adjusted by R 2.3 million
- c) Municipal Infrastructure Grant reduced on the adjusted DORA by R 1.6 million
- d) Delay on project implementation for some of internally funded Projects.
- e) Zinoju Mine Contribution for Sport Combo(ward 7), reduced by R 5.7 million
- f) Urban Roads litigation (Ward 2), reduced by R 1.8 million
- g) Testing ground reduced by R 3 million
- h) Sport Combo (ward 7) Internal funding of R 1.3 million reduced.
- i) Telephone lines for New Offices, reduced by R 550 000.00
- j) Clocking machine & Audio for New Offices, reduced by R 798 500.00
- k) Tools of trade (furniture & Equipment) , reduced by R 481 086.00
- l) Landfill Cell Construction reduced by R 500 000.00
- m) GIS PLOTA has been purchased, therefore reduced R 289 000.00.
- n) Improvement of Registry office reduced R 150 000.00, the project has not started yet.

KZN254 Dannhauser - Table B5 Adjustments Capital Expenditure Budget by vote and funding - 2023/07/27

Description	Ref	2023/24									Budget Year 2024/25	Budget Year 2025/26
		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	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H		
Capital Expenditure - Functional												
Governance and administration		10,596	-	-	-	-	-	(5,977)	(5,977)	4,619	11,115	11,638
Executive and council		-	-	-	-	-	-	0	0	0	-	-
Finance and administration		10,596	-	-	-	-	-	(5,977)	(5,977)	4,619	11,115	11,638
Internal audit		-	-	-	-	-	-	-	-	-	-	-
Community and public safety		-	-	-	-	-	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-
Economic and environmental services		59,200	-	-	-	-	-	(15,129)	(15,129)	44,072	61,880	64,576
Planning and development		59,200	-	-	-	-	-	(15,129)	(15,129)	44,072	61,880	64,576
Road transport		-	-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-	-
Trading services		4,860	-	-	-	-	-	(500)	(500)	4,360	5,098	5,338
Energy sources		-	-	-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-	-
Waste management		4,860	-	-	-	-	-	(500)	(500)	4,360	5,098	5,338
Other		-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	74,656	-	-	-	-	-	(21,605)	(21,605)	53,051	78,094	81,552

Detailed capital expenditure budget adjustments proposal

Grants and Subsidies Amendments

The grants and subsidies allocated in terms of the Division of Revenue was adjusted as per table below.

2023/24 AMENDED GRANT AND SUBSIDIES FOR DANNHAUSER MUNICIPALITY			
OPERATING GRANT			
DESCRIPTION	ORIGINAL BUDGET	AMENDMENT	ADJUSTED BUDGET
EQUITABLE SHARE	114,793,000.00		114,793,000.00
EXPANDED PUBLIC WORKS PROGRAM	950,000.00		950,000.00
FINANCE MANAGEMENT GRANT	1,950,000.00		1,950,000.00
LIBRARY GRANT	2,353,000.00		2,353,000.00
TOTAL OPERATING GRANT	120,046,000.00	-	120,046,000.00
CAPITAL GRANT			
MUNICIPAL INFRASTRUCTURE GRANT	25,271,000.00	- 1,690,000.00	23,581,000.00
ELECTRIFICATION GRANT(INEP)	2,346,000.00	- 2,346,000.00	
TOTAL CAPITAL GRANT	27,617,000.00	- 4,036,000.00	23,581,000.00