

DANNHAUSER LOCAL MUNICIPALITY (KZN 254)



2024-2025 ADJUSTMENT BUDGET REPORT

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PART 1

ADJUSTMENT'S BUDGET

Mayor's Report

In terms of Section 28 of the Local Government Municipal Finance Management Act No. 56 of 2003 (MFMA): A municipality may revise an approved annual budget through an adjustment budget.

In terms of the Section 28(4) of the MFMA: Only the mayor may table an adjustment budget in the municipal council but an adjustment in terms of subsection (2) (b) to (g) may only be tabled within any prescribed limitation as to timing or frequency.

Regulation 21 of the Municipal Budget and Reporting Regulations (MBRR) further prescribes that an adjustment budget and supporting documentation of a municipality must be in the format specified in Schedule B and include all the required tables, charts and explanatory information, considering any guidelines issued by the Minister in terms of Section 168 (1) of the act.

The Mid-Year Budget and Performance Assessment for the six months ending December 2024 was tabled in Council on the 24th of January 2025. The adjustments budget is detailed in this report and takes into consideration all the matters raised in the Mid-Year Budget and Performance Assessment.

HIS WORSHIP, THE MAYOR

COUNCILLOR BA RADEBE

Resolutions

It is recommended:

1. That the 2024/25 Adjustment budget be Approved. Attached Adjustment resolution extract

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EXTRACT OF MINUTES OF AN ORDINARY COUNCIL MEETING HELD ON WEDNESDAY, 26 FEBRUARY 2025 AS IT COMMENCED AT 10H11 IN THE COUNCIL CHAMBER, 8 CHURCH STREET, DANNHAUSER.

PRESENT:

Cllr SW Ndlela	-	Speaker
Cllr BA Radebe	-	Mayor
Cllr BTD Langa	-	Deputy Mayor
Cllr SEC Kunene	-	Member of Exco
Cllr RN Made	-	Member of Exco
Cllr S Nzuzo	-	Member of Exco
Cllr MS Mkhumane	-	Whip of council
Cllr GV Ngcane		
Cllr M Kunene		
Cllr MJ Nkabinde		
Cllr N Mthembu		
Cllr TS Msibi		
Cllr NP Kumalo		
Cllr MP Mathebula		
Cllr MT Mabaso		
Cllr KB Khanye		
Cllr CMF Maphisa		
Cllr MS Mthembu		
Cllr D Makhaza		

Cllr FR Simelane
Cllr EN Buthelezi
Cllr RS Langa (*Arrived at 10:58*)
Cllr BS Sikhakhane
Cllr SE Myaka

Cllr XM Nkosi (*Arrived at 12:29*) **TRADITIONAL LEADERS:**

Inkosi Zwane - Traditional Leader
Inkosi Nkosi - Traditional Leader

OFFICIALS:

Mr. MS Sithole - Municipal Manager
Mr. NS Majola - Acting Chief Financial Officer
Mr. SS Nkabinde - Director: Planning and Local Economic
Development Services
Mrs. L Gcabashe - Director: Technical Services
Mr. S Nkosi - Manager: Legal Service
Mr. S Cele - Chief Internal Auditor
Mr. MN Vilakazi - PMS Officer

C/2025-02-26/11.2.1

ADJUSTMENT BUDGET 2024/2025 FINANCIAL YEAR

His worship the mayor tabled the 2024/2025 adjustment budget.

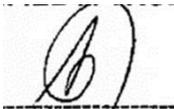
RESOLVED THAT

- (a) The council approved the Adjustment budget 2024/2025 financial year submitted by the honourable Mayor.
- (b) The council requested that R1 million be reallocated from the Testing Ground budget to the Disaster Relief Grant.
- (c) An additional R1 million be reallocated from the Lowbed budget to the Disaster Relief Grant.

Cllr BA Radebe moved and seconded by Cllr BTD Langa

NOTE:

CERTIFIED A TRUE EXTRACT OF THE ORIGINAL MINUTES.



CLLR SW NDLELA

THE SPEAKER

EXECUTIVE SUMMARY

A Mid-Year Budget Performance Report was tabled in Council on the 24th of January 2025. This report highlighted the financial and non-financial performance of the Municipality for the first half of the financial year. In this report certain recommendations had been made based on the financial performance of the Municipality. These recommendations and additional trends that had been analysed and have been considered when drafting this adjustments budget. In addition to this, the economic climate, both internal and external, was considered.

BACKGROUND

An adjustments budget is usually tabled before Council on the prescribed time, namely, 60 days after the adjustments to the Division of Revenue Act (DORA) have been gazetted. The Adjusted DORA was gazetted in December 2023 which effectively means that the adjustments budget should be tabled before the 28th of February 2025.

The Mid-Year Budget Performance Report highlighted variances in terms of year-to-date income and expenditures versus year-to-date budgets. These variances were considered, and adjustments made, where necessary, in this adjustments budget.

When drafting the adjustments budget, consideration was always given to Section 18 of the MFMA which states that:

“An annual budget may only be funded from

- a) realistically anticipated revenues to be collected.
 - b) cash-backed accumulated funds from previous years’ surpluses not committed for other purposes; and
 - c) borrowed funds, but only for the capital budget referred to in section 17(2)
- (2) Revenue projections in the budget must be realistic, taking into account-
- a) projected revenue for the current year based on collection levels to date; and
 - b) actual revenue collected in previous financial years.”
- Great emphasis was placed in ensuring that the budget is realistically funded. A complete analysis of the various financial scenarios and outcomes was done, and the best viable solution sought. The supporting document on budget funding highlights the various funding sources identified to ensure that cash reserves are always available to fund expenditure. The eventual outcome was to ensure that the adjustments budget was credible.

A credible budget is described as one that:

- Funds only activities consistent with the revised IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the municipality
- Is achievable in terms of agreed service delivery and performance targets

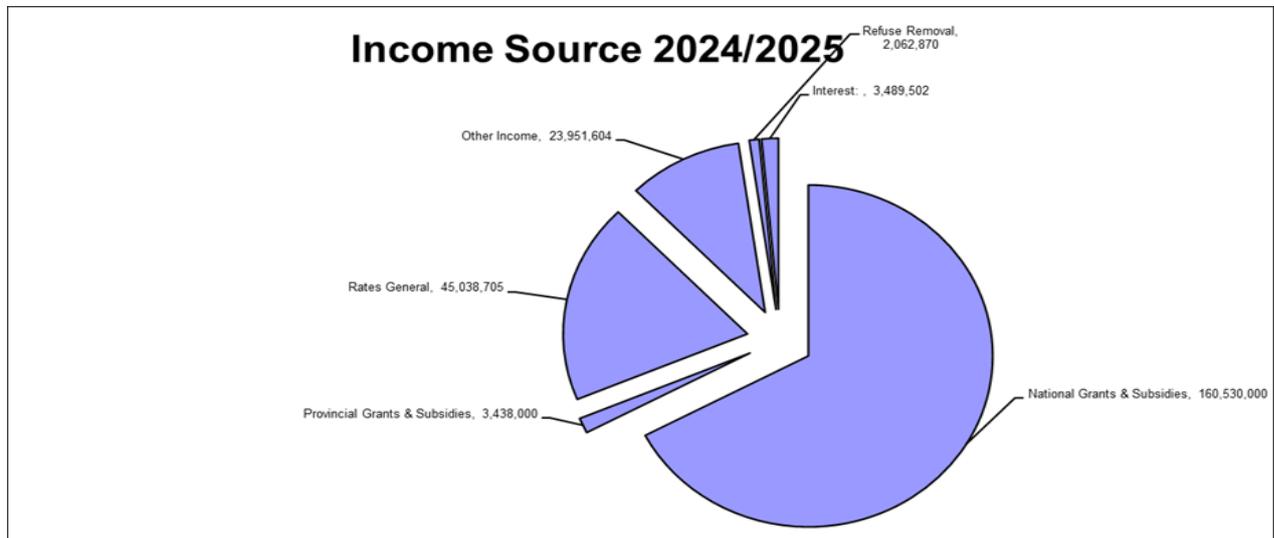
- Contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions
- Does not jeopardize the financial viability of the municipality (ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term) and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

Detailed operating revenue and expenditure budget adjustments proposal

The detailed operating revenue budget is further outlined below

KZN254 Dannhauser - Table B2 Adjustments Budget Financial Performance (functional classification) - 2025/02/28

Standard Description	Ref	2024/25									Budget Year 2025/26	Budget Year 2026/27
		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, 4	A	A1	B	C	D	E	F	G	H		
Revenue - Functional												
<i>Governance and administration</i>		194,103	-	-	-	-	-	173,813	173,813	367,916	203,032	212,777
Executive and council		-	-	-	-	-	-	32	32	32	-	-
Finance and administration		194,103	-	-	-	-	-	173,781	173,781	367,884	203,032	212,777
Internal audit		-	-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	-	-	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		26,075	-	-	-	-	-	25,272	25,272	51,347	27,274	28,583
Planning and development		26,075	-	-	-	-	-	25,272	25,272	51,347	27,274	28,583
Road transport		-	-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		7,910	-	-	-	-	-	21,741	21,741	29,651	8,274	8,671
Energy sources		-	-	-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-	-
Waste management		7,910	-	-	-	-	-	21,741	21,741	29,651	8,274	8,671
Other		-	-	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	228,088	-	-	-	-	-	220,826	220,826	448,914	238,580	250,032



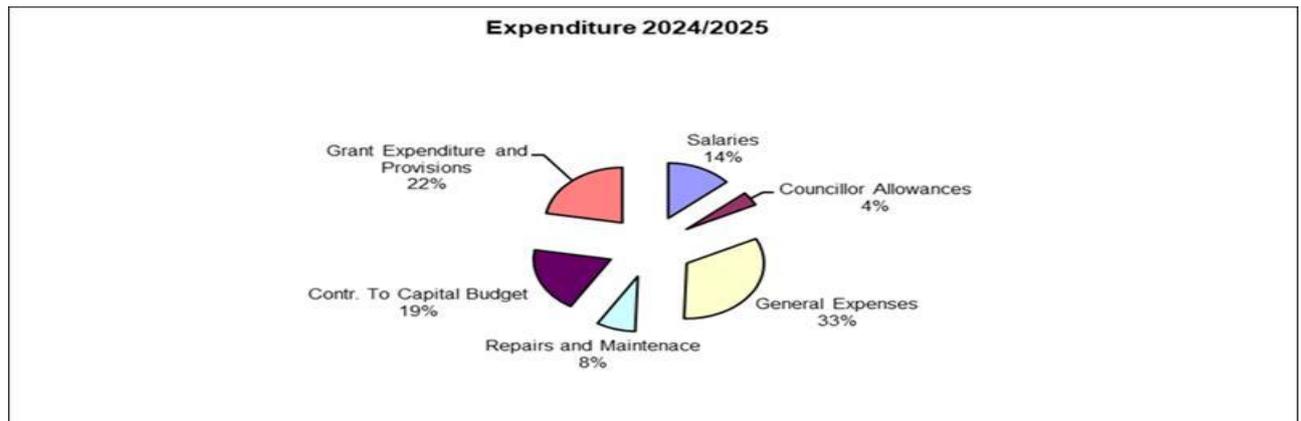
The following revenue items have been adjusted:

1. Municipal revenue has been adjusted downwards based on income trend for the first six months.
2. Provincial grants have been adjusted upwards based on Provincial Gazette.
3. National Grants has been adjusted upwards due to Disaster Grant on R 11 250 000 million.

Expenditure Budget Adjustment Proposal

KZN254 Dannhauser - Table B1 Adjustments Budget Summary - 2025/02/28

Description	2024/25									Budget Year 2025/26	Budget Year 2026/27
	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		
contributions)											
Employee costs	31,034	-	-	-	-	-	32,834	32,834	63,869	61,891	64,862
Remuneration of councillors	12,707	-	-	-	-	-	11,000	11,000	23,707	13,292	13,930
Depreciation & asset impairment	41,020	-	-	-	-	-	57,796	57,796	57,796	42,907	44,967
Finance charges	7,386	-	-	-	-	-	5,964	5,964	5,964	7,725	8,096
Inventory consumed and bulk purchases	-	-	-	-	-	-	164	164	164	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	80,338	-	-	-	-	-	97,366	97,366	53,624	85,985	90,112
Total Expenditure	172,486	-	-	-	-	-	205,123	205,123	205,123	211,801	221,967



The following expenditure items have been adjusted

1. Employee Related Cost increased by R 1 799 627.44 based on the expenditure for previous six months
2. Councillors Allowances has been adjusted downwards by R 1 707 039.00
3. Cost of free basic electricity adjusted by R 800 000

Projects which impact on the service delivery under General Expense are as follows:

General Expense	Original Budget	Adjustment	2024/2025 FY
Electrification ward 5 and 10	4,200,000.00	-	4,200,000.00
Electrification ward 3, 4, 8 and 12	9,400,000.00	-	9,400,000.00
Retention (Liability)	2,000,000.00	-	2,000,000.00
Old capital projects payments	1,000,000.00	-	1,000,000.00
Disaster Houses (Planning)	4,000,000.00	-	4,000,000.00
Ward based	3,769,500.00	-	3,769,500.00
Total	24,369,500.00		24,369,500.00

1. Electrification projects are recognised as an expenditure in terms of Grap 11 hence it has been budgeted under general expenditure.
2. Ward based amounted to R 3 769 500
3. Disaster houses of R 4 000 000 under general expenditure.

Repairs and Maintenance

KZN254 Dannhauser - Table B1 Adjustments Budget Summary - 2025/02/28

Description	2024/25									Budget Year 2025/26	Budget Year 2026/27
	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	A1	B	C	D	E	F	G	H		
Asset Management											
Asset register summary (WDV)	384,597	-	-	-	-	-	376,730	376,730	761,327	45,376	47,555
Depreciation	41,020	-	-	-	-	-	31,020	31,020	72,041	42,907	44,967
Renewal and Upgrading of Existing Assets	4,430	-	-	-	-	-	6,549	6,549	10,979	4,634	4,866
Repairs and Maintenance	18,914	-	-	-	-	-	23,474	23,474	42,388	20,830	21,830

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.

DETAILED CAPITAL EXPENDITURE INFORMATION

DANNHAUSER MUNICIPALITY (KZ254)							
ADJUSTMENT BUDGET & MTREF FOR 2025- 2028							
CAPITAL BUDGET 2024/2025- 2026/2027							
DEPART	DESCRIPTION	ORIGINAL BUDGET 2023/24	ADJUSTMENT	ACTUAL	ADJUSTMENT BUDGET 2024/25	PROJECTED BUDGET 2025/26	PROJECTED BUDGET 2026/27
	FURNITURE & EQUIPMENT(TOOLS OF TRADE)	500,000	-	11,950	500,000	523,000	548,104
	TELEPHONE LINE NEW OFFICES	200,000	-	188,878	200,000	209,200	219,242
	IMPROVEMENTS- REGISTRY	150,000	-	79,448	150,000	156,900	164,431
	NEW OFFICES - (FURNITURE & EQUIPMENT)	1,000,000	-	926,150	1,000,000	1,046,000	1,096,208
	TOTAL	1,850,000		1,206,425	1,850,000	1,412,100	1,479,881
	TECHNICAL SERVICES						
	TLB	1,200,000	-		1,200,000	1,255,200	1,315,450
	LOWBED	2,000,000	-1,000,000		1,000,000	1,046,000	1,096,208
	Community Hall(ward 4)	5,000,000	-1,316,038		3,683,962	3,853,425	4,038,389
	DISASTER GRANT CAPITAL		11,250,000		11,250,000		
	Mast Lights	2,000,000	-	916,912	2,000,000	2,092,000	2,192,416
	Urban Roads-MIG (ward 2 and upgrade of emafusini	10,322,850	-	10,028,428	10,322,850	10,797,701	11,315,991
	Community Halls - MIG	14,598,148	-9,498,148	336,277	5,100,000	5,334,600	5,590,661
	COMMUNITY HALL- MIG			335,711.89	5,084,852		
	MUNICIPAL INFRASTRUCTURE GRANT				4,413,296		
	NEW OFFICES	3,000,000	2,118,638	3,118,638	5,118,638	5,354,096	5,611,092
	TESTING GROUND		2,000,000		2,000,000	2,092,000	2,192,416
	TOTAL	38,120,998	13,052,601	14,400,255	51,173,599	31,825,021	33,352,622
	CommunWaste Services						
	UPGRADE LANDFILL SITE	230,000	-		230,000	240,580	252,128
	SKIP BINS	200,000	-		200,000	209,200	219,242
	SLASHERS	150,000	-		150,000	156,900	164,431
	BRUSH CUTTERS	250,000	-	1,500	250,000	261,500	274,052
	CHAINSAW	50,000	-		50,000	52,300	54,810
	TOTAL	880,000	-	1,500	880,000	920,480	964,663
	Protection Services						
	MUNICIPAL VEHICLE	450,000.00	-		450,000	470,700	493,294
	LANDFILL SITE FENCING	2,000,000.00	-		2,000,000	2,092,000	2,192,416
	RIDE ON MOWER	80,000.00	-		80,000	83,680	87,697
	TOTAL	2,530,000	-	-	2,530,000	2,646,380	2,773,406
	TOTAL CAPITAL BUDGET	43,380,998	13,052,601	15,608,180	56,433,599	36,803,981	38,570,572

The original capital was R 43 380 998 million and adjusted upwards by R 13 052 601 to R 56 433 599 to the following factors:

- Disaster grant of R11 250 000 was added on capital projects.
- New offices were adjusted upwards by R 2 118 638.
- Testing ground of R 2 000 000 has been added as per council resolution.
- Community hall ward 4 is under scm processes the projected completion value of the project is R 3 683 962.27
- Lowbed was reduced by R 1 000 000 as per council resolution.

