

DANNHAUSER LOCAL MUNICIPALITY KZN 254



DRAFT BUDGET 2024-2025

ANNUAL BUDGET

1. RECOMMENDATIONS

That the following draft resolutions in terms of sections 16(2) and 17(3) of the Municipal Finance Management Act, (Act 56 of 2003) noted for final approval in May 2024.

a) The following draft policies will be tabled for public comment:

- i) Tariff Policy and By-laws;
- ii) Customer Care, Credit Control and Debt Collection Policy and By-laws;
- iii) Property Rates Policy and By-laws;
- iv) Indigent Policy; v) Virement Policy;
- v) Budget Implementation and Monitoring Policy;
- vi) Cash Management and Investment Policy;
- vii) Unauthorized Irregular and Fruitless and Wasteful Expenditure Policy;
- viii) Unauthorized Irregular and Fruitless and Wasteful Expenditure Policy (UIF & W) Reduction;
- ix) Asset Management Policy; xi) Funding Borrowing & Reserve Policy;
- x) Liquidity Policy;
- xi) Cost Containment Policy;
- xii) Travel & Subsistence Policy;
- xiii) Cell Phone Allowance Policy.
- xiv) Supply Chain Management Policy;
- xv) George Municipality's SCM Policy Framework for Infrastructure Delivery and Procurement Management FIDPM
- xvi) PPPFA Policy;
- xvii) Long Term Financial Plan;
- xviii) Information and Communications Technology ICT Policy

1.1 Municipal Budget and Reporting Regulations

The Local Government: Municipal Finance Management Act (Act No. 56 of 2003): Municipal Budget and Reporting Regulations regulate the format of the budget documentation as set out in Schedule A (version 6.8) of the Municipal Budget and Reporting Regulations.

2. Operating Budget

The municipality is facing numerous challenges arising from the cash flow and limited revenue sources. One of the main challenges is the withholding of Electrification grant by the national government, which has resulted in the municipality planning continue with the project by funding it internal. There was project that were projected to be funded by Department of Trade and Industries in 2023/24 financial year, which have also not materialized. All these challenges are greatly affecting the service delivery, now the municipality has graduality fund these projects in the future.

3. Funding of Projects

For the municipality to accelerate the service delivery for ever growing need of the communities, the municipality should consider engaging departments (provincial and national) to assist funding other infrastructure projects and source funding from outside. Mining industries around Dannhauser should also contribute on infrastructure development as part of social contributions, over years this has not yield any tangible benefits for communities.

4. Provincial Grant

The municipality received in-year funding of R 2,3 million during the 2023/24 financial year. In terms of the national gazette the municipality will receive 2, 4 million library grants for 2024-2025 financial year.

5. Conditional Grant

In 2024- 2025 financial year the municipality will only receive Municipal Infrastructure Grant in term of Division of Revenue Act, this will be a challenge to the municipality since it will have to fund all other capital projects through internal funding.

Description	Adjusted budget 2023	Draft budget 2024	Draft 2025/26	Draft 2026/27
Capital Grants				
Municipal Infrastructure Grant	23,581,000.00	24,921,000.00	25,963,000.00	27,903,000.00
Electrification Grant	2,346,000.00			
Disaster Relief Grant		6,500,000.00		
Total	25,927,000.00	31,421,000.00	25,963,000.00	27,903,000.00

6. Other Operational Grant

Operating grant increased from R 117,6 million to R 124,3 million, the significant increase was on Equitable share. There was also slide increase on Expanded Public works Program. The municipality must also ensure that it top up on Expanded Public works Program to increase the activities and number of participants.

National Grant (Operational)				
Description	Adjusted budget 2023	Draft budget 2024	Draft 2025/26	Draft 2026/27
Equitable Share	114,793,000.00	120,689,000.00	119,066,000.00	114,044,000.00
Municipal Finance Management Grant	1,950,000.00	1,900,000.00	2,000,000.00	2,200,000.00
Expanded Public Works Program	950,000.00	1,770,000.00		
Total	117,693,000.00	124,359,000.00	121,066,000.00	116,244,000.00

7. Budget 2023/24 Mid-year Review and Adjustments Budget

The 2023/24 adjustments budget approved during February 2024 was considered in the preparation of the 2024/25 MTREF. The capital budget must be set at a level that is realistic in terms of the capacity to deliver and the ability to fund.

7.1 Executive Summary

The Budget was confronted with numerous challenges during the budget process. All departments in the municipality need to ensure that the budget is tabled on time and budget information is submitted for budget preparation. It remains a complex task balancing the needs of the community with limited resources whilst having to operate within the legislative framework determined by the various spheres of government in ensuring a credible, funded budget is implemented.

The municipality need to improve on its internal budget processes because it really affects the credibility of the budget process and oversight that should be done by the council. Budget information coordination is very difficult because the relevant stakeholders that should be involved in the process are not playing their role. Committees by legislation that are supposed to sit prior to council sitting are not given enough time or do not sit and deliberate on proposed budget items, it makes it difficult for smooth approval of the budget by council, this has to improve in the future.

After approval of budget the municipality table the procurement plan, which indicate the timeline Supply chain management processes until the implementation of each project. Procurement Plan implementation should be monitored.

There's still a gap that need to be addressed between costing of projects and amount actual spent on the projects. Proper costing of projects is necessary to avoid overspending.

7.2 Credible Budget

The community should realistically expect to receive services that are affordable for which provision is made in a budget.

Amongst other things, a credible budget is a budget 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 i.e. 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.

Furthermore, draft budgets tabled for consultation at least 90 days prior to the start of the budget year should already be credible and close to the final approved budget.

- GDP is expected to grow by 0.8 per cent in real terms in 2023, compared with an estimate of 0.9 per cent projected in the 2023 Budget Review. Growth is projected to average 1,4 per cent from 2024 to 2026.

8. Operating Revenue Framework

For Dannhauser Municipality to continue maintaining / improving the quality of services provided to its citizens it needs to generate the required revenue.

- ✓ National Treasury's guidelines, MFMA Circular No. 126 & 128
- ✓ The municipality's Property Rates Policy
- ✓ The municipality's Credit Control and Indigent Policy and rendering of free basic services.
- ✓ Tariff policy and structure.
- ✓ Revenue enhancement plan

8.1 Operational Revenue

The aim is to table the budget that is credible and realistic, the municipal revenue source is limited, and council need to look at the ways of increasing revenue sources e.g the completion of the Testing ground might improve the municipal revenue.

Description	Adjusted budget 20	Draft budget 2024/25	Draft 2025/26	Draft 2026/27
Property Rates	44,515,876.00	45,038,705.00	47,245,602.00	49,466,145.00
Refuse Removal	1,966,511.00	2,062,870.00	2,157,762.00	2,257,019.00
Licences & Permits		192,900.00	201,773.00	211,055.00
Rental of Properties	11,609.00	20,964.00	21,929.00	22,937.00
Interest on Investment	1,848,000.00	1,326,775.00	1,387,807.00	1,451,646.00
Agency Fees	1,861,427.00	2,100,000.00	2,196,600.00	2,297,644.00
Fines, Penalties and Forfeits	424,764.00	600,000.00	627,600.00	656,470.00
Transfers and Subsidies - Operational	114,793,000.00	120,689,000.00	119,066,000.00	114,044,000.00
Operational Revenue(excluding the above)	34,666,972.00	23,007,786.00	24,480,284.00	26,144,943.00
Total	200,088,159.00	195,039,000.00	197,385,357.00	196,551,859.00

Tariffs

Municipal services proposed to increase as follows (including Property Rates)

- ✓ 2024/25 4.9%
- ✓ 2024/26 4.6%
- ✓ 2026/27 4.8%

8.2 TARIFF CHANGES SUGGESTED FOR 2024/25

i. Rates Tariffs

Property rates cover the cost of the provision of general services. Determining the effective property rates tariff is therefore an integral part of the municipality's budgeting process. Property Rates are the only major source of revenue the municipality have. Grant revenue contribute over 75% of the budget, indicate that the municipality relies on grants for its functioning.

ii. Discounts and Exemptions

The threshold for Residential Properties, the first R 50 000.00 of the municipal valuation exempted and 50% of market value on Agricultural properties is exempted from rates charges. Indigent are exempted from paying rates and refuse, there is a high rate of unemployment in Dannhauser, and residence are struggling to pay for services.

Tariff Increase		
Description	2023/24	2024/25
Property Rates	5.4 %	4.9 %
Refuse Removal	5.4 %	4.9 %
Hall Hire	5.4 %	4.9 %
Cemetery Fees	5.4 %	4.9 %
Plan Fees	5.4 %	4.9 %
Business licences	5.4 %	4.9 %
Billboards	5.4 %	4.9 %
Outdoor Advertisement	5.4 %	4.9 %

9. Operating Expenditure Framework

The expenditure framework for the 2023/24 budget and MTREF is informed by the guidelines of National Treasury. The following table is a summary of the 2023/24 MTREF (classified by main expenditure types):

Operating Budget				
Description	Adjusted budget 2023/24	Draft budget 2024/25	Draft 2025/26	Draft 2026/27
Employee related costs	53,739,000.00	59,269,000.00	63,062,000.00	67,351,000.00
Remuneration of councillors	13,289,000.00	12,707,000.00	13,469,420.00	14,277,585.20
Inventory consumed	200,000.00	210,000.00	222,600.00	235,956.00
Debt impairment	3,500,000.00	5,000,000.00	5,300,000.00	5,618,000.00
Depreciation and amortisation	37,760,000.00	41,020,326.00	43,481,545.56	46,090,438.29
Interest	3,500,000.00	7,386,000.00	7,829,160.00	8,298,909.60
Contracted services	45,509,000.00	33,803,000.00	35,831,180.00	37,981,050.80
Operational costs	34,074,000.00	31,624,000.00	33,521,440.00	35,532,726.40
Total	191,571,000.00	191,019,326.00	202,717,345.56	214,880,386.29

The operating expenditure has decreased from R 191 570 000 ,2023/24 (February adjustments budget) to R 191 019 235 in 2024/25

9.1 Employee Related Costs

The following factors were considered during the budget for employee related cost:

- The salary and wage Collective Agreement will come to an end on 30 June 2024 and a new agreement is under consultation. Therefore, in the absence of any information a projected 4,9% increase was used.
- The draft budget reflects the vacant posts or positions to filled during 2024/25, the municipality is trying to reduce expenditure on consultants and employ more competent staff.

9.2 Contracted Services

MFMA Circular No.97 Municipal Finance Management Act No. 56 of 2003, talks about assessment that is needed before use of consultant or reduction in use of consultant. The municipality budgeted R 33 million on contacted services from the adjustment budget of R 45 million. This is R12 million reduction, supplemented by the increase in employee related cost.

9.3 Repairs and Maintenance

The municipality reduced monies used for Yellow Plant Hire and budget for acquisition Yellow Plant, and maintenance broken yellow Plant. This will reduce expenditure of hiring but improve maintenance of roads.

9.4 General expenses

As part of cost containment, the municipality propose to decrease Operating costs from R 34 million to R 31 million, this includes spending on subsistence and travel and other operational expenses.

10. Capital Budget

The council went through rigorous processes for capital projects, trying to strike the balance in term ensuring that all wards in Dannhauser benefits from 2024/25 Budget. Indeed, the municipality has limited resources to distribute equitable across 13 wards. Electrification grant (INEP) , that was on the tabled budget for 2023/24, and subsequently adjusted to zero(removed), affected the capital budget of the municipality. Now the municipality has R 9,4 million that is going to come from internal funding for Electrification projects.

Capital Projects				
Description	Adjusted budget 2023/24	Draft budget 2024/25	Draft 2025/26	Draft 2026/27
MUNICIPAL VEHICLES		1,050,000.00	1,101,450.000	1,155,421.05
FURNITURE & EQUIPMENT(TOOLS OF TRADE)	518,914.00	500,000.00	524,500.000	550,200.50
TELEPHONE LINE NEW OFFICES	50,000.00	200,000.00	209,800.000	220,080.20
IMPROVEMENTS- REGISTRY	100,000.00	150,000.00	157,350.000	165,060.15
CLOCKING MACHINE & AUDIO FOR NEW OFFICE	1,500.00	600,000.00	629,400.000	660,240.60
NEW OFFICES - (FURNITURE & EQUIPMENT)	4,000,000.00	1,000,000.00	1,049,000.000	1,100,401.00
GIS PLOTA	110,000.00		-	-
METER CONVERSION(WARD 2)	300,000.00	500,000.00	524,500.000	550,200.50
LOWBED		2,000,000.00		
Community Halls- (WARD 9 &10)	2,500,000.00		-	-
NEW CEMERTY INFRASTRUCTURE	2,500,000.00		-	-
Mast Lights(WARD 6,7,8,10 & 13)	1,800,000.00	2,000,000.00	2,098,000.000	2,200,802.00
Rural Roads - MIG (1,3,6,7 &13)	20,810,000.00		-	-
COMMUNITY HALLS - MIG ward 9 and 10	2,500,000.00		-	-
Urban Roads (internal funding) ward 2	1,000,000.00	14,598,148.00	15,313,457.252	
NEW OFFICES(Ward 2)	5,000,000.00	3,000,000.00	3,147,000.000	3,301,203.00
Electrification (3,4,8 &12)COUNTERFUNDING	3,000,000.00	9,400,000.00	9,860,600.000	10,343,769.40
COMMUNITY HALLS(MIG)		10,322,850.00	10,828,669.650	
EXCESS ROADS		17,500,000.00	18,357,500.000	19,257,017.50
ELECTRIFICATION INFILLS-(5,11) 2023/24 (1,2,6)	2,000,000.00		-	-
DURNACOL SPORT CENTRE	2,000,000.00	1,000,000.00		
TESTING GROUNG - WARD 2	500,000.00	2,000,000.00	2,098,000.000	2,200,802.00
SKIP BINS	300,000.00	200,000.00	209,800.000	
SLASHERS	150,000.00	150,000.00	157,350.000	
BRUSH CUTTERS	200,000.00	250,000.00	262,250.000	
CHAINSAW	30,000.00	50,000.00	52,450.000	
TOOLS FOR RESPONSE TEAM	100,000.00		-	-
LANDFILL SITE FENCING	1,500,000.00	2,000,000.00	2,098,000.000	
FIRE ENGINE	2,000,000.00		-	-
DISASTER HOUSES		800,000.00	839,200.000	
RIDE ON MOWER	80,000.00	80,000.00	83,920.000	
COMMUNITY HALLS (WARD 4)		1,500,000.00	1,573,500.000	1,650,601.50
TOTAL	53,050,414.00	70,850,998.00	71,175,696.90	43,355,799.40

The capital projects have increased from R 53 million to R 70 million, internal funding for capital projects amounts to R 45 million.