



ADJUSTMENTS BUDGET 2023/2024

Emakhazeni Local Municipality



ADJUSTMENTS BUDGET

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INTRODUCTION

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, taking into account any guidelines issued by the Minister in terms of Section 168 (1) of the act.

MAYOR'S REPORT

MAYORAL ADJUSTMENTS BUDGET SPEECH

Honourable Speaker, Cllr. SL Ndinisa

Members of the Mayoral Committee

Councillors present.

Officials and members of the public, all protocol observed.

Chairperson, Madam Speaker, I would like to greet you and all members of the council and officials, and I hereby present the Adjustment Budget for the 2023/2024 financial year as outlined in the Municipal Finance Management Act. (MFMA, Section 28 of MFMA in relation to the tabling of Adjustment Budget).

I would like to highlight the following items:

DESCRIPTION	ANNUAL BUDGET	ADJUSTMENT BUDGET FEBRUARY 2024
Operating Expenditure	R 520 875 000	R 518 365 000
Capital Expenditure	R 58 091 000	R 52 201 000
Total Budget	R 578 966 000	R 570 566 000

Operating expenditure is adjusted downwards by 0.5% and capital expenditure is adjusted downwards by 10%, 98% of the capital expenditure decrease is from municipal funded projects. This is mainly due to the cashflow challenges faced by the municipality. The municipality has decreased the budget for MIG projects by R1.4 Million.

Honourable Speaker and Councillors, this report reflects the wishes and aspirations of the people of Emakhazeni and it is aligned with the priorities set by Treasury (circular 66 & 67) and it is in line with the Emakhazeni 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 adjustment budget and the revised Service Delivery and Budget Implementation Plan.

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

I thank you

RESOLUTION

On the 28th of February 2023, the Council of Emakhazeni Local Municipality met in the Council Chambers of Emakhazeni Municipality to consider the 2022/2023 Adjustments Budget. The council approved and adopted the following resolutions:

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

- 2022/2023 Adjustments Budget

EXECUTIVE SUMMARY

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. Due to the municipality having an unfunded budget, material differences between the budget and the performance for the first quarter and errors made in the original budget a Special Adjustments budget was necessary.

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. When drafting the adjustments budget, consideration was always given to Section 18 of the MFMA wherein section 18(1) 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).

In terms of section 18(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.

ADJUSTMENT BUDGET TABLES AND ADJUSTMENTS BUDGET ASSUMPTIONS

Description		
	R thousands	
	Adjustments budget 2024	Original Budget 2024
Revenue		
Exchange Revenue		
Service charges - Electricity	69,324	88,791
Service charges - Water	20,134	20,134
Service charges - Waste Water Management	13,411	14,926
Service charges - Waste Management	11,680	12,030
Sale of Goods and Rendering of Services	1,519	3,234
Interest earned from Receivables	13,610	13,610
Interest earned from Current and Non Current Assets	2,210	1,727
Dividends	-	-
Rent on Land	46	46
Rental from Fixed Assets	16,649	15,664
Licence and permits	15	15
Operational Revenue	2,860	1,603
Non-Exchange Revenue		
Property rates	85,071	77,476
Surcharges and Taxes	-	-
Fines, penalties and forfeits	5,335	14,195
Licences or permits	-	-
Transfer and subsidies - Operational	94,448	94,407
Total Revenue (excluding capital transfers and contributions)	336,312	357,859

Revenue

Property Rates

Property Rates has been overperforming for the first half of the financial year. There are properties that were on the valuation roll but were not being billed on the financial system in the previous financial year. These properties have now been added to the financial system in the current financial year. The Municipality has used the Monthly average from August to December to project the monthly revenue to be expected for the remaining six months of the year. July was not used in the calculation due to the annual billing done in July.

Service Charges

Electricity Revenue- was under performing in the first half of the year, This is due to the the data cleansing exercise where tariffs are being corrected and duplications being eliminated, the municipality continues to see a decrease in the performance of this line item. Loadshedding is also causing a decrease in this line item. The amount reported in the AFS was used for the adjustments budget purposes.

Waste water Revenue and Waste Management- Waste water and waste management revenue was underperforming in the first 6 months of the financial year. Water waste management and waste management service charges have been affected by illegal occupants at the eMthonjeni and eMgwenya flats. The municipality is currently unable to do readings and billing at those flats due to the illegal occupants that have taken over at the flats. The municipality has used the first 7 months monthly average to project the monthly revenue for the reaming 5 months.

Rental of Facilities and Equipment

The Municipality has received more rentals of facilities in the current year than anticipated. The municipality has entered into an agreement with a property management company that will be assisting with the flats and signing of lease agreements. The municipality has used the monthly average of the first 7 months to project performance for the last 6 months of the year.

Interest earned - external investments

The Municipality receives a fair amount of its grants in the first half of the year. The municipality has been transferring these funds into their respective investments' accounts. The municipality had a few grants that had a slow start in the beginning of the financial year and this meant that the investment accounts had larger amounts invested for longer. The Municipality has used the first 7 months performance to project the remaining 6 months of the financial year.

Fines, penalties, and forfeits

The process to appoint a service provider for traffic fines has been delayed, the budget was based on revenue brought in by a previous service provider. The municipality has used projects from the currently appointed service providers to project revenue for the reaming 5 months.

Sale of Goods and Rendering of Services

The Sale of Goods and Rendering of Services was under performing in the first 6 months of the year. Other revenue is difficult to project as some items are seasonal and revenue differs. The municipality has used the average for the first 7 months of the year to project revenue for the reaming 5 months..

Operational Revenue

The municipality is in the process of selling land, therefore the municipality has increased the budget for this line item in anticipation of revenue that will be received from the sale of Land.

Grants

The Municipality has the following Adjustments to allocations for 2023/2024:

GRANT	ORIGINAL BUDGET "R"	ADJUSTMENT BUDGET FEBRUARY "R"
EQUITABLE SHARE	80,242,000.00	80,242,000.00
FINANCE MANAGEMENT GRANT	2,900,000.00	2,900,000.00
EPWP	3,031,000.00	2,862,000.00
INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME	835,000.00	835,000.00
WATER SERVICE INFRASTRUCTURE GRANT	29,000,000.00	29,000,000.00
MIG	21,001,000.00	19,596,000

Operating Expenditure Assumptions

Province: Municipality A - Table A4 Budgeted Financial Performance

Description		
	Adjustments budget 2024	Original Budget 2024
R thousands		
Expenditure		
Employee related costs	128,130	127,880
Remuneration of councillors	7,538	8,611
Bulk purchases - electricity	85,147	94,147
Inventory consumed	21,960	31,896
Debt impairment	91,095	51,095
Depreciation and amortisation	80,030	121,937
Interest	22,000	10,000
Contracted services	41,521	44,902
Transfers and subsidies	-	-
Irrecoverable debts written off	-	-
Operational costs	38,345	30,407
Losses on disposal of Assets	2,600	-
Other Losses	-	-
Total Expenditure	518,365	520,875

Finance Charges Finance charges

The Municipality has decreased Remuneration of councillors based on the current year performance. The full year budget is also consistent with the past year performance of the AFS.

Finance Charges Finance charges

Finance charges have been increased to 2million. This item is increased based on current year's expenditure as at Midyear. The overperformance is caused by the large Eskom overdue account, Eskom charges interest on the outstanding balance. The Municipality used the first 7 month's performance to project full year expenditure.

Bulk Purchases

Bulk Purchases has decreased to 85 million. The monthly average for first 7 months of the of the Financial year was used to project the total expenditure for bulk purchases. The bulk purchases budget it also consintant with prior years expenditure in the AFS.

Contracted Services

Contracted services has decreased from 44 million to 41 million

Inventory Consumed

Inventory services has been decreased from 21 million to 31 million.

Other Operating Expenditure

This line item has been increased to 38 million from 30 million.

Other Losses

The municipality has increased the other losses expenditure to 2.6 million as per prior year expenditure

Own Funded Detailed Capital Expenditure

SegmentDesc	FinalBudge	TotalTempBulkAdjustmen	ADJB
Furniture & Equip 026/305010	-	150000	150,000.00
ICT :Data Centre	1,000,000.00	-1000000	-
Digital Camera	25,000.00	0	25,000.00
Equipment	1,300,000.00	-800000	500,000.00
machinery & Equip 035/30501	-	480000	480,000.00
2 Back up generator for water treatment plant (ward 7 and 4)	2,000,000.00	-304348	1,695,652.00
Airconditiors	70,000.00	0	70,000.00
Height Restrictions	580,000.00	-230000	350,000.00
cherry picker	1,600,000.00	-1600000	-
Mayor and Speakers Vehicle	1,230,000.00	0	1,230,000.00
Computer Equipment (305012)	500,000.00	50000	550,000.00
	8,305,000.00	- 3,254,348.00	5,050,652.00

Capital Activities:

The capital Budget has been decreased from 8.3 million to 5 million. The Municipality has decreased projects which would have been funded by the municipality. The municipality had started the procurement processes for the items funded by the municipality. However, due to the municipality having cashflow challenges the processes were suspended. The municipality has then decided to decrease that capital budget as the, Municipality has been unable to bill and collect the revenue to fund the projects.

Capital expenditure is funded through:

Municipal Infrastructure Grant	18 545 550
Integrated National Electrification Program	835 000
Water Services Infrastructure Grant	29 000 000
Municipal Reserves	5 050 652

PROVISION OF BASIC SERVICES

There are no changes to the free basic Services offered by the Municipal

	2023/24 Medium Term Revenue & Expenditure Framework		
	Budget Year	Budget Year	Budget Year
	2023/24	2024/25	2025/26
Free Basic Electricity	4 627 241	4 853 976	5 082 113
Free Basic Charge: Refuse	2 750 958	2 885 755	3 021 386
Free Basic Services: Sewer	1 900 323	1 993 439	2 087 130
Free Basic Water	4 226 129	4 433 209	4 641 570

PART 2 SUPPORTING DOCUMENTATION

In the compilation of the Adjustment MTREF, 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 taken into account in compiling Emakhazeni Local Municipality adjustment budget.

Emakhazeni expenditure framework for the 2023/2024 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;

Budget Assumptions

CASH FLOW

The below collection rates were used for cashflow receipts

Property rates

- The average collection rate is 76%

Service Charges

- Service charges Electricity- 70%
- Service Charges Water- 61%
- Service Charges Sanitation- 55%
- Service Charges Refuse- 70%

Interest on Outstanding Debtors

- The average collection rate is 6%

Other revenue

Other revenue are cash transactions from the figures in table A4.

Payment to Suppliers

All expenditure transactions are treated as cash transactions (excluding depreciation and debt impairment) has been included with the assumption 100% of cash transactions will be paid including capital expenditure.

Repayment of Borrowings:

The Municipality does not have borrowings

ADJUSTMENT TO BUDGET FUNDING

Section 18(1) of the MFMA states that an annual budget may only be funded from: Realistically anticipated revenues to be collected Cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and borrowed

funds, but only for the capital budget referred to in section 17.

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that

budgeted outflows will be offset by a combination of planned inflows

OPERATIONAL

There was a decrease in the Expanded Public Works Programme from R 3,031,000 to R 2,862,000.

CAPITAL FUNDING

Capital Expenditure will be funded as per the table below. 48 million will be funded by National Government and 5 million will be funded internally by the Municipality. There was a decrease in the Municipal Infrastructure Grant allocation from R 21,001,000 to R 19,596,000.

R thousands	1	Municipality Budget
Funded by		
National Government		48,381
Provincial Government		-
District Municipality		-
Other transfers and grants		-
Transfers recognised - capital	4	48,381
Public contributions and donations	5	
Borrowing	6	-
Internally generated funds		5,051
Total Capital Funding	7	53,431

ADJUSTMENTS TO EXPENDITURE ON ALLOCATION AND GRANT PROGRAMMES

SegmentDesc	FinalBudget	TotalTempBulkAdju	FinADJB	Multi Ye
104 households siyathuthuka	835,000.00	0	835,000.00	INEP
Solar High mast in Emthonjeni	2,900,135.00	(2,900,135.00)	-	MIG
Repair and purchase of Geberator	-	1,690,000.00	1,690,000.00	Disaster Gi
Construction of Internal road (Thembisa street) at Emthon	3,100,000.00	(545,318.00)	2,554,682.00	MIG
Zamvie Street Sakhelwe Ward 4	-	2,500,000.00	2,500,000.00	MIG
Construction of a 500 Internal road (ZCC Street) at Emthon	2,500,000.00	-	2,500,000.00	MIG
Construction of Mongwe ring road in Siyathuthuka Ward 1	3,100,000.00	(545,318.00)	2,554,682.00	MIG
Sakhelwe Roads	2,500,000.00	(2,500,000.00)	-	MIG
Upgrading of Madala Sewer Line	7,127,584.00	0	7,127,584.00	WSIG
Upgrading of sewer outfall in Emthonjeni	-	2,900,135.00	2,900,135.00	MIG
Repair and maitenance of Belfast WWTW	2,100,000.00	-	2,100,000.00	MIG
Upgrading of Emgwenya Waste Water Treatment Works	21,872,416.00	0	21,872,416.00	WSIG
water supply rural areas	3,750,815.00	(314,764.00)	3,436,051.00	MIG

ADJUSTMENTS TO ALLOCATIONS OR GRANTS MADE BY THE MUNICIPALITY

The Municipality does not have grants or allocation made to other organisations.

UNSPENT GRANTS:

The municipality anticipates to completely spend all the 2023/24 allocations