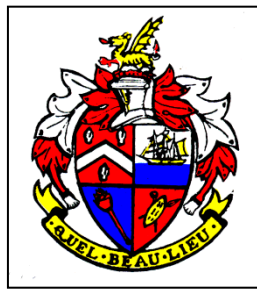


RICHMOND

MUNICIPALITY



ADJUSTMENT BUDGET 2023/2024

Copies of this document can be viewed:

- **In the foyers of all municipal buildings**
- **All public libraries within the municipality**
- **www.richmond.gov.za**

Table of Contents

PART 1 – ADJUSTMENTS BUDGETS

- 1.1 MAYOR'S REPORT
- 1.2 RESOLUTIONS
- 1.3 EXECUTIVE SUMMARY
- 1.4 ADJUSTMENTS BUDGET TABLES

PART 2 – SUPPORTING DOCUMENTATION

- 2.1 ADJUSTMENTS TO BUDGET ASSUMPTIONS
- 2.2 ADJUSTMENTS TO BUDGET FUNDING
- 2.3 ADJUSTMENTS TO BUDGET EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES
- 2.4 ADJUSTMENTS TO ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY
- 2.5 ADJUSTMENTS TO COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS
- 2.6 ADJUSTMENTS TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN
- 2.7 ADJUSTMENTS TO CAPITAL EXPENDITURE
- 2.8 OTHER SUPPORTING DOCUMENTATION
- 2.9 MUNICIPAL MANAGERS QUALITY CERTIFICATE

PART 1

ADJUSTMENTS BUDGETS

1.1 **MAYOR'S REPORT**

Since early 2010 the downturn in the global economy and the resultant negative impact on the world and South African economy in particular has seen a more prudent approach to financial and fiscal discipline.

The consequential belt tightening-measures that have been adopted both nationally and provincially have had eroding effect on our local economy. This has been exacerbated by the uncalled-for domestic protests with ensuing damaging of property and vandalism. The costs implication has had a deleterious effect on our local economy.

The National and Provincial adjustments budgets have affected our progress as we strive to comply with cost-saving measures whilst doing a delicate balancing act to improve our service delivery capacity. We have had to, successfully; introduce innovative and active discipline to succeed in fiscal measures that will have a minor effect on our role as service delivery agents.

We have increased our capacity to stimulate growth and try to boost demand for the labour market and to eradicate both poverty and unemployment. Using the EPWP programme of Public Works as a tool to achieve the latter; much thought and work has to be put in to provide income especially for the indigent and the poorest of the poor.

The National and Provincial adjustment budgets have made it very difficult to secure funding even through the Municipal Infrastructure Grant (MIG). Indeed our reliance on consultants to secure funding is not an ideal we wish for, it however is a necessity as we, as a small Municipality, do not have the capacity nor the ability to employ skilled personnel to take over this function. Thus far our consultants have been quite a success in securing the necessary funding for infrastructure.

Monitoring of telephone and electricity usage, are initiatives that have contributed to reducing cost in these areas. Whilst, no retrenchments have occurred, we have streamlined our organograms for more prudent and effective delivery.

We are obliged to look back critically at our successes and failures in the first half of the financial year. Some of our objectives have not been realised and / or achieved. Some of the projects that have been started will require more personnel to operate. The Driver's Testing Centre is a prime example. If we are to succeed in our endeavours, we will have to recommend that we adjust our budget for a more effective upward mobility that serves to guide our fiscal discipline.

There is ample opportunity to adjust the budget as we have savings on the vacant posts during the first half of the budget year.

Actual details of the adjustment would be reflected under the executive summary.

With our keen and dedicated staff and committed councillors, this is an achievement that can be attained through good fiscal and financial management. It is a goal that we must reach without compromising our excellent record of achievement that we have reached over many years.

.....
His Worship the Mayor
Richmond Local Municipality

1.2 RESOLUTIONS

The Council of Richmond Municipality, acting in terms of section 23 (1) of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

1.2.1 The Adjustment budget of the municipality for the financial year 2023/24 as set out in the following tables:

- a) Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table B2;
- b) Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table B3;
- c) Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table B4; and
- d) Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table B5.

1.2.2 The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

- a) Budgeted Financial Position as contained in Table B6;
- b) Budgeted Cash Flows as contained in Table B7;
- c) Cash backed reserves and accumulated surplus reconciliation as contained in Table B8;
- d) Asset management as contained in Table B9; and
- e) Basic service delivery measurement as contained in Table B10.

1.2.3 Council notes and approved the adjusted Service Delivery and Budget Implementation Plan (SDBIP), the amended Performance plans and amended Organisational Score Card.

1.3 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 the municipal services are provided sustainably, economically and equitable to all communities.

The municipality's business and service delivery priorities were reviewed as part of the Adjustment budget process. Where appropriate, funds were transferred from low to high priority programmes so as to maintain sound financial stewardship.

Management has therefore revised its approved budget for items where there has been over generation of revenue and non-performance on expenditure. Further all expenditure condoned by Council according to Section 32(2) (a) (ii) of the MFMA and reflected in the Mid-Year Assessment has been incorporated into the adjustment budget.

The main challenges experienced during the Adjustment budget 2023/2024 can be summarised as follows: -

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained infrastructure;
- The increased cost of fuel;
- National Electricity supply crisis
- Infrastructure Backlogs;

Table 1: Consolidated overview of the 2023/2024 Adjusted Budget

R thousand	Budget Year 2023/2024	Adjustment	Adjustment Budget
Total Operating Revenue	154,499	9,788	164,287
Total Operating Expenditure	166,135	10,886	177,021
Surplus / (Deficit) for the year	-11,636	-1,098	-12,734
Total Capital Expenditure	24,324	-330	23,995

1.4 Budget funding

In order for Richmond Local municipality to continue improving and sustaining the quality of services provided to the citizens it needs to generate revenue from the respective services. In these tough economic times strong revenue management is fundamental for the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will, inevitably, always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

1.5 Operating Revenue Framework

Table 2: Summary of revenue classified by main revenue source

Description	Ref	2023/24									Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unfore.	Nat. or Prov.	Other	Total	Adjusted	Adjusted	Adjusted
		Budget	Adjusted	Funds	capital	Unavoid.	Govt	Adjusts.	Adjusts.	Budget	Budget	Budget
	1	A	A1	B	C	D	E	F	G	H		
R thousands												
Revenue By Source												
Exchange Revenue												
Service charges - Electricity	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - Water	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - Waste Water Management	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - Waste Management	2	1,145	-	-	-	-	-	-	-	1,145	1,201	1,258
Sale of Goods and Rendering of Services		381	-	-	-	-	-	8,040	8,040	8,421	399	418
Agency services		-	-	-	-	-	-	-	-	-	-	-
Interest		147	-	-	-	-	-	(10)	(10)	136	154	161
Interest earned from Receivables		318	-	-	-	-	-	(20)	(20)	298	333	349
Interest earned from Current and Non Current Assets		2,740	-	-	-	-	-	953	953	3,693	2,874	3,010
Dividends		-	-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		1,096	-	-	-	-	-	-	-	1,096	1,149	1,203
Licence and permits		20	-	-	-	-	-	(7)	(7)	13	21	22
Operational Revenue		746	-	-	-	-	-	282	282	1,028	782	819
Non-Exchange Revenue												
Property rates	2	28,446	-	-	-	-	-	-	-	28,446	29,840	31,242
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		5,247	-	-	-	-	-	(1,508)	(1,508)	3,739	5,504	5,763
Licences or permits		3,027	-	-	-	-	-	(175)	(175)	2,851	3,175	3,324
Transfer and subsidies - Operational		100,757	-	-	-	-	-	2,234	2,234	102,991	106,220	106,853
Interest		-	-	-	-	-	-	-	-	-	-	-
Fuel Levy		-	-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		10,432	-	-	-	-	-	-	-	10,432	-	-
Other Gains		-	-	-	-	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		154,499	-	-	-	-	-	9,788	9,788	164,287	151,653	154,422

- **Property Rates**

The property rates have not been adjusted. The mid-year performance assessment reflected a 77% performance in respect of property rate generated. The main reason for the higher performance was the annual raising of property rates for government department and other classes of customers. Past performance has shown that the property rates targets are always met at year end and the current financial year is no exception.

- **Service Charges**

The mid-year performance assessment reflected a 45% performance in respect of services charges which is slightly below the pro-rata performance target of 50%. The municipality has not proposed an adjustment as it is expected that adjustment in the billing for service charges will result in improved performance.

- **Rental of facilities and equipment**

The mid-year performance assessment reflected a 31% performance in respect of the rental of facilities and equipment. However, based on the updated rental register and the audited AFS the municipality is of a view that 100% will be achieved at year end.

- ***Interest earned – external investment***

The mid-year performance assessment reflected a 61.4% performance in respect of the interest earned from external investment. This is because of an aggressive investment strategy currently being implemented by the municipality. The budget for this line item has been adjusted upwards by an amount of R 956 thousand in the current financial year.

- ***Fines and penalties***

The mid-year performance assessment reflected a 24% performance in respect of fines and penalties. In light of this, a downward adjustment of R 1.5 million will be made on this item during the adjustment budget.

- ***Licenses and permits***

The mid-year performance assessment reflected a 43% performance in respect of licence and permits. This is as a result of slow revenue being generated under the Traffic Department as a result this item has been adjusted downwards with in an amount of R 175 thousand.

- ***Transfers and Subsidies***

Transfers and subsidies have been adjusted downwards based on the Provincial Treasury Gazette and the 2023/24 Provincial Adjusted Allocations to municipalities and also the approved rollovers from last year.

- ***Other revenue***

The mid-year performance assessment reflected a 42% performance in respect of Other Revenue. Other revenue has been adjusted upwards by R 282 thousand to accommodate the latest claims based on the latest damage in one of the municipality properties.

1.6 Expenditure on allocations and grant programmes

Table 3: Operating Expenditure

KZN227 Richmond - 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	A1	B	C	D	E	F	G	H		
Expenditure By Type												
Employee related costs		68,613	-	-	-	-	-	-	-	68,613	71,975	74,852
Remuneration of councillors		6,881	-	-	-	-	-	-	-	6,881	7,219	7,558
Bulk purchases - electricity		-	-	-	-	-	-	-	-	-	-	-
Inventory consumed		8,664	-	-	-	-	-	(3,500)	(3,500)	5,164	9,050	9,319
Debt impairment		5,000	-	-	-	-	-	2,000	2,000	7,000	-	5,492
Depreciation and amortisation		22,241	-	-	-	-	-	(2,741)	(2,741)	19,500	23,331	24,428
Interest		402	-	-	-	-	-	-	-	402	421	440
Contracted services		31,217	-	-	-	-	-	9,897	9,897	41,114	32,130	32,380
Transfers and subsidies		600	-	-	-	-	-	-	-	600	628	628
Irrecoverable debts written off		-	-	-	-	-	-	-	-	-	-	-
Operational costs		22,517	-	-	-	-	-	5,230	5,230	27,748	23,589	24,776
Losses on disposal of Assets		-	-	-	-	-	-	-	-	-	-	-
Other Losses		-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		166,135	-	-	-	-	-	10,886	10,886	177,021	168,343	179,872

- **Employee Related Costs**

The mid-year performance assessment reflected a 52% performance in respect of employee related cost. The budget for employee cost has not been adjusted and the municipality is confident that the budget for employee related cost will be met at year end.

- **Remuneration of Councillors**

The mid-year performance assessment reflected a 51% performance in respect of the remuneration for councillors. No adjustments were made in respect of this item.

- **Depreciation & asset impairment**

The mid-year performance assessment reflected a 36% performance in respect of the depreciation & asset impairment. The under-performance in respect of this item is due to the debt impairment component which has not been processed in the financial system. However, the municipality has adjusted downwards by R2.7 million based on a recalculated and estimated depreciation as at year end.

- **Finance Charges**

The mid-year performance assessment reflected a 4% performance in respect of the finance charges. The under expenditure on this item can be attributed to the interest component of the provision for the restoration of the landfill. The interest component of the provision is normally computed by an expert at the end of the financial year. Prior experience on this item has shown that there is no need to change the amount set aside for this item. Therefore, no adjustment is proposed for this line item.

- ***Inventory consumed***

The mid-year performance assessment reflected a 53% performance in respect of the inventory consumed. However, upon a review of the mSCOA data strings in consultation with the mSCOA Advisor, the municipality decided to transfer the expenditure item for fuel and oil from inventory zero rated to wet fuel under operating expenses since the municipality is using fuel cards.

The overall effect of the adjustment amounted to a decrease of R 3.5 million.

- ***Contracted Services***

Contracted services were significantly increased by R 9.9 million, this was mainly to accommodate the INEP grant which is now accounted based on the audited annual financial statements and not under GRAP 109 and other contracted services items.

- ***Transfers and subsidies***

There were no changes done on the transfers and subsidies. The municipality is of a view that the budget will be fully consumed at year end.

- ***Other expenditure***

The mid-year performance assessment reflected a 51% performance in respect of the other expenditure. However as noted in the inventory consumed adjustment explanation, the effect of transferring the fuel and oil is reflected as an upward adjustment to the other expenditure line item by an amount of R 3.5 million. Furthermore, the other expenditure line item was adjusted upwards with an additional amount of R 1.7 million given the forecasted operational requirements for the municipality.

1.7 Capital Expenditure - Grants allocated in 2022/2023**MIG Funded Capital Project**

Projects	Original budget	Adjustments	Final budget
PMU	1,112,592.00	(568,935.14)	543,656.86
Fibre Ward 7 Sports field	8,786,100.00	-	8,786,100.00
Rehabilitation of Siyathuthuka/Magoda Main Road, Ward 02/Ward 7 (Phase 2)	6,940,176.00	(704,148.64)	6,236,027.36
Upgrading of storm water and roads in ward 7 Khetho to Mjintini	4,413,132.00	(147,916.22)	4,265,215.78
Total	21,252,000.00	(1,421,000.00)	19,831,000.00

INEP Funded Projects

Projects	Amount	Adjustment	Final budget
Slahla Sigcakini Electrification Project	2,480,000	(480,000)	2,000,000
Mthunzini-Lindelani Electrification Project	2,480,000	(480,000)	2,000,000
Mcsteel - Masonite Electrification Project	2,480,000	(480,000)	2,000,000
Mpofane - Nkumane Electrification Project	2,480,000	(480,000)	2,000,000
Total	9,920,000	1,920,000	8,000,000

1.8 ADJUSTMENTS BUDGET TABLES

(B schedule)

