RICHMOND

MUNICIPALITY

RICHMOND
Local Municipality

ADJUSTMENT BUDGET 2024/2025

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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 stream-lined 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 2024/25 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 2024/2025 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 2024/2025 Adjusted Budget

R thousand	Budget Year 2024/2025	Adjustment	Adjustment Budget
Total Operating Revenue	172,889,112	-1,041,665	171,847,447
Total Operating Expenditure	172,980,884	-704,903	172,275,981
Surplus / (Deficit) for the year	**-91,772**	**-336,762**	**-428,534**
Total Capital Expenditure	24,090,184	20,640,449	44,730,633

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

Revenue Item	Original Budget	Adjustment	Adjusted Budget
Exchange Revenue			
Interest Revenue	4,044,516.00	(15,245.00)	4,029,271.00
Permits	12,840.00	24,225.00	37,065.00
Operational Revenue	945,312.00	265,930.00	1,211,242.00
Rental Income from Fixed Assets	910,488.00	98,825.00	1,009,313.00
Construction Revenue and Other Income	3,570,924.00	(3,068,555.00)	502,369.00
Service Charges	1,078,596.00	-	1,078,596.00
Non-exchange Revenue			
Penalties and Traffic Fines	2,375,964.00	(2,345,735.00)	30,229.00
Interest on Outstanding Receivables	-	2,628,775.00	2,628,775.00
Licences	2,722,668.00	6,745.00	2,729,413.00
Property Rates	28,888,812.00	-	28,888,812.00
Transfers and Subsidies	128,338,992.00	1,363,370.00	129,702,362.00
Grand Total	**172,889,112.00**	**(1,041,665.00)**	**171,847,447.00**

- ***Interest revenue***

The mid-year performance assessment reflected a 43% performance in respect of the interest revenue. The interest revenue item has been reduced by an overall amount of R 15 245 to reflect the expected performance patterns on this item.

- ***Operational Revenue***

The mid-year performance assessment reflected a 38% performance in respect of Operational Revenue. Despite the perceived low performance in the mid-year, the municipality has processed an upward adjustment of R 265 930 to accommodate the latest claims from the insurance service provider.

- ***Rental income from fixed assets***

The mid-year performance assessment reflected a 52% performance in respect of the rental of fixed assets. An upwards adjustment of R 99 000 has been proposed to cater for the expected annual increments in the rental agreements.

- ***Construction Revenue and Other Income***

The mid-year performance assessment reflected a 5.2% performance in respect of Construction Revenue and Other Income. This can be attributed to the funding for the INEP

Grant which was initially anticipated to be received by the municipality however, the latest government gazette has no allocation for the municipality.

- ***Service Charges***

The mid-year performance assessment reflected a 50% performance in respect of services charges which is in line with the pro-rata performance target of 50%. The municipality has not proposed an adjustment as the current performance is in line with the annual performance projections.

- ***Penalties and traffic fines***

The mid-year performance assessment reflected a 9.4% performance in respect of penalties and traffic fines. During this adjustment budget period the municipality has passed a correction amounting to R 2 347 735 in the vote for penalties on late payment. This correction is now reflected in the vote for interest on outstanding receivables.

- ***Interest on outstanding receivables***

As noted above in the "*Penalties and traffic fines"* a correcting adjustment has been processed with an overall effect of adjusting the interest on outstanding receivables vote by a total amount of R 2 628 775.

- ***Licenses***

The mid-year performance assessment reflected a 44% performance in respect of licences revenue. Despite the perceived low performance in the mid-year, the municipality has processed an upward adjustment in anticipation for the additional revenue to be generated through the re-opening of the traffic department on weekends.

- ***Property Rates***

The property rates have not been adjusted. The mid-year performance assessment reflected a 80% 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. Consequently, no adjustment is proposed the 2024/25 adjustment budget.

- ***Transfers and Subsidies***

Transfers and subsidies have been adjusted upwards based on the Provincial Treasury Gazette and the 2024/25 Provincial Adjusted Allocations to municipalities and also the recently approved spending on the housing grant.

1.6 Expenditure on allocations and grant programmes

Table 3: Operating Expenditure

Expenditure Item	Original Budget	Adjustment	Adjusted Budget
Employee Related Cost	73,130,460.00	(145,288.00)	72,985,172.00
Remuneration of Councillors	7,218,528.00	-	7,218,528.00
Contracted Services	35,551,556.00	(794,274.00)	34,757,282.00
Operational Cost	20,501,932.00	1,710,845.00	22,212,777.00
Depreciation and Amortisation	20,455,524.00	-	20,455,524.00
Impairment Loss	6,781,596.00	-	6,781,596.00
Operating Leases	5,216,088.00	(2,939,430.00)	2,276,658.00
Inventory Consumed	3,703,916.00	774,244.00	4,478,160.00
Finance charges	421,284.00	689,000.00	1,110,284.00
Grand Total	**172,980,884.00**	**(1,393,903.00)**	**172,275,981.00**

- ***Employee Related Costs***

The mid-year performance assessment reflected a 54% performance in respect of employee related cost. The budget for employee cost has been adjusted by an amount of R 145 288 to correct the library grant employee related cost.

- ***Remuneration of Councillors***

The mid-year performance assessment reflected a 47% performance in respect of the remuneration for councillors. No adjustments were made in respect of this item.

- ***Contracted Services***

The mid-year performance assessment reflected a 36% performance in respect of the contracted services. The contracted services item was reduced by a net amount of R794 274 to cater for the expected expenditure patterns.

- ***Operational Cost***

The mid-year performance assessment reflected a 50% performance in respect of the operational cost. The operational cost budget was adjusted upwards to cater for the hire of yellow plant utilised in the maintenance of gravel roads.

- ***Depreciation & asset impairment***

The mid-year performance assessment reflected a 42% performance in respect of the depreciation & asset impairment. The under-performance in respect of this item is due to the asset impairment component which has not been processed in the financial system as the impairment assessment is conducted at year end therefore no adjustment processed.

- ***Finance Charges***

The mid-year performance assessment reflected a 2% 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.

Furthermore, the municipality has processed an upward adjustment to cater for the proposed finance leasing of vehicles in the last quarter of the financial year.

- ***Operating lease***

The municipality undertook a decision to acquire the municipal vehicles under a finance lease agreement; an option which allows for a retention of vehicles at the end of the lease term. This has resulted to a decrease in the budget vote for the operating lease by an amount of R 2 939 430.

- ***Finance Charges***

The mid-year performance assessment reflected a 2% 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.

Furthermore, the municipality has processed an upward adjustment to cater for the proposed finance leasing of vehicles in the last quarter of the financial year.

1.7 Capital Expenditure - Grants allocated in 2024/2025

Grant funded projects

Funding	Projects	Original Budget	Adjustments	Adjusted Budget
Rehabilitation of Nelson Street SMME Unit	Rehabilitation of Nelson Street SMME Units	1,200,000.00	1,100,000.00	2,300,000.00
Municipal Infrastructure Grant	Khetho and Mjintini Stormwater	16,871,796.00	-	16,871,796.00
Municipal Infrastructure Grant	Upgrading of Slahla Access road	3,053,508.00	-	3,053,508.00
Informal Economy Infrastructure	Stalls- Informal Economy Infrastructure	999,996.00	-	999,996.00
Municipal Infrastructure Grant	PMU Printer New	-	15,600.00	15,600.00
Library Grant	AIRCON HOPEWELL LIB	30,000.00	-	30,000.00
Library Grant	Library Projector 2025: New	20,004.00	-	20,004.00
Library Grant	RFID Libraries: New	38,372.00	-	38,372.00
Total		**22,213,676.00**	**1,115,600.00**	**23,329,276.00**

1.8 ADJUSTMENTS BUDGET TABLES

(B schedule)