

2023-2024
ADJUSTMENT BUDGET
REPORT



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PURPOSE OF THE REPORT

To seek approval from Council on the adjustments proposed to the 2023/2024 original Operational and Capital Budget.

To set out the options available to Council to fund the adjusted capital budget and to improve the municipality's cash flow position.

LEGISLATIVE BACKGROUND

Section 72(3) of the MFMA requires that the Accounting Officer must as part of the (mid-year) review:

- (a) Make recommendations as to whether an adjustments budget is necessary; and
- (b) Recommend revised projections for revenue and expenditure to the extent that this may be necessary.

In addition, Regulation 23(3) of the Municipal Budget and Reporting Regulations requires that if a National or Provincial Adjustments Budget allocates or transfers additional revenues to a municipality, the Mayor of the municipality must, at the next available Council meeting, but within 60 days of the approval of the relevant National or Provincial Adjustments Budget, table an Adjustments Budget referred to in Section 28(2)(b) of the MFMA in the municipal council to appropriate these additional revenues.

In terms of Section 28(2) of the MFMA, an Adjustments Budget-

- a) Must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
- b) May appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programs already budgeted for;
- c) May, within a prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the Mayor of the municipality;
- d) May authorize the utilization of projected savings in one vote towards spending under another vote;
- e) May authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when current year was approved by the Council;
- f) May correct any errors in the annual budget; and
- g) May provide for any other expenditure within a prescribed framework.

Regulation 21 of the Municipal Budget and Reporting Regulations states that an Adjustments Budget and supporting documentation of a municipality must be in the format specified in Schedule B and include all the tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of Section 168(1) of the Act.

Regulation 22 of the Municipal Budget and Reporting Regulations further states that

- 1) an adjustments budget must be appropriately funded and
- 2) the supporting documentation tabled in a municipal council in terms of Section 28(5) of the Act must contain an explanation of how the adjustments budget is funded.

When processing virements in the annual budget, the municipality must consider MFMA Circular No. 51 and ensure that the virements are made in accordance with the municipality's approved virements policy. The following principles should be adhered to:

- virements should not be permitted in relation to the revenue side of the budget;
- virements between votes should be permitted where the proposed shifts in funding facilitate sound risk and financial management;
- virements from the capital budget to the operating budget should not be permitted;
- virements to or from the following items should not be permitted: bulk purchases, debt impairment, interest charges, depreciation, grants to individuals, revenue foregone, insurance and VAT;
- virements should not result in adding 'new' projects to the Capital Budget;
- virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted; and
- there should be prudent limits on the amount of funds that may be moved to and from votes and sub-votes (e.g. not more than 5% of the budget may be moved to or from a vote, program, project etc.)

The importance of approving a funded budget in terms of Section 18(1) of the MFMA has always been emphasized by the National and Provincial Treasury at every opportunity. Similar to the 2023/24 Approved (Original) Budget process, the municipality is expected to adopt a funded Adjustment Budget in terms of Regulation 22(1) of the MBRR. Furthermore, Regulation 22(2) of the MBRR states that the supporting documentation to accompany an Adjustment Budget in terms of Section 28(5) of the MFMA Act must contain an explanation of how the Adjustment Budget is funded.

National Treasury indicated that consequence management will be implemented for all municipalities that approve unfunded budgets consistently for more than three (3) years.

When processing virements to address differences between the mSCOA data string and the Council approved budget the municipality must consider MFMA Circular No 51 and MFMA mSCOA Circular No 8 in order to ensure that the virements are made in accordance with the municipality's approved virements policy and ensure that the principles contained in MFMA Circular 51 and MFMA mSCOA Circular No 8 are adhered to.

The Adjustment budget submission must ensure that the project detail (IDP) contains all projects from the strategic initiative of the municipality and are aligned to the financial data contained in the adjustment budget.

Only the Mayor may table an Adjustments budget in the municipal council. When an adjustments budget is tabled, it must be accompanied by-

- a) An explanation of how the adjustments budget affects the annual budget;
- b) A motivation of any material changes to the annual budget;
- c) An explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years;
- d) Any other supporting documentation that may be prescribed;
- e) The Adjustment Budget must be tabled not later than 28 February

The municipality is required to table the feedback report from Provincial Treasury on the Mid-Year Budget and Performance Assessment Report to Council and include a paragraph thereon in the Council Resolution as proof the request was adhered to. Provincial Treasury firmly believe that the tabling of the feedback will not only bring the issues raised by Provincial Treasury to the attention of Council, it will also empower the entire Council and administration on a collective approach to be followed by the municipality on implementing the recommendations as well as addressing all weaknesses identified with the intention of having an informed and funded Adjustments Budget.

ADJUSTMENT BUDGET SPEECH

The 2023/2024 Adjustment Budget Speech by his worship the Mayor, Councillor SE Mkhwanazi, will be tabled in Abaqulusi Council Chambers on or before the 28th of February 2024 at a Council meeting.

This adjustment document is prepared in terms of the Municipal Budget and Reporting Regulations.

With the tabling and approval of the 2023/2024 adjustment budget, a strong focus is placed on Service Delivery and fighting poverty.

It is important to state that the focus of the adjustment budget is based on the result of the Mid-year review concentrating on the performance management of each department looking at the mid-year expenditure against the budget.

The adjustment budget has been prepared in such a way that value for money and sustainability are key considerations. It is important to note that expenditure required to address the challenges facing the municipality and our communities will always exceed the available funding, hence difficult choices have been made in balancing expenditure against realistically anticipated revenue as stipulated in Section 18 of the MFMA.

MID-YEAR BUDGET ASSESSMENT

The following observations were made during the mid-year budget assessment report that was tabled before Council on the 25th of January 2024.

Operating Budget Revenue

In total 101% of revenue or R435 million compared to the budget of R429 million has been received. To date 2 tranches of Equitable Share and all other grant funding has been received.

The municipality billed 99,89% of the property rates compared to the approved budget at mid-year which is R59,9 million billed against a budget of R60 million and the estimated actual for the financial year is R119,9 million

Revenue from service charges was billed as follows:

Revenue from electricity billed is 83,9% or R111,9 million and budget of R133,2 million and the estimated actual for the financial year is R223,9 million

Revenue from water billed is 104% or R31,6 million and budget of R30,6 million and the estimated actual for the financial year is R63,3 million

Revenue from sanitation billed is 105% or R19,3 million and budget of R18,3 million, the estimated actual for the financial year is R38,7 million

Revenue from refuse collection billed is 102% or R14,6 million and budget of R14,2 million and the estimated actual for the financial year is R29,2 million

The collection of revenue from fines and penalties is 120% or R24,4 million compared to a budget of R20,3 million. Included under fines and penalties is the penalties charged to consumers on overdue accounts.

Revenue collected for licences and permits amounts to 106% or R2,7 million compared to the mid-year budget of R1,3 million

Revenue from interest on the current accounts is 179% or R1,5 million compared to a mid-year budget of R853 thousand

Total internal revenue estimated for the financial year to date is R435 million which is R5,9 million more than the original budget, total equitable share and operating grants of R152,7 million, R10 million for MIG and INEP of R10 million is included in the revenue received

The total estimated revenue for 2023/2024 is R786,4 million which includes grant funding for MIG and INEP projects

Expenditure

The actual expenditure for the first 6 months is 88% or R406 million against the approved budget of R362,7 million and this is attributed to:

- Employee costs of 113% or R105,2 million compared to the budget of R93,2 million due to bonuses paid in December and staff appointments
- Bulk purchases of 88% or R122,8 million compared to the budget of R131,5 million which has been paid in the 1st six months of the year, however the Eskom accounts are paid a month in arrears and therefore only 4 months Eskom accounts have been paid. The municipality has a payment plan in place to repay the arrears to Eskom
- Free basic services costs of R10,8 million and estimated for the year of R21,6 million
- Repairs and Maintenance expenditure of 121% or R27,7 million compared to the budget of R22,8 million
- Contract payments of 106% or R51 million compared to the budget of R47,9 million
- Capital payments of 30% or R16,5 million mostly from MIG compared to the budget of R55,6 million
- Operational costs of 100% or R32,4 million compared to the budget of R32,5 million

Main Challenges

- The main challenge the municipality is facing is the impact from the collection of revenue from consumers who are failing to pay for services and this has resulted in less revenue being collected
- The ongoing challenge due to the ageing of water and sanitation pumps is impacting on expenditure and communities being without water and resulting in the hiring of water tankers to deliver water to the community
- The ongoing theft of cable and cutting of poles is a big loss of income from energy
- The deterioration of roads and insufficient capital to refurbish roads that have passed their lifespan made worse by unusually heavy rainfall
- One of the main challenges being experienced is the need to reprioritize projects and high expenditure rate given the cash flow realities and declining cash position of the municipality
- The on-going growth of the debtor ageing and indigent applications, the municipality is struggling to maintain a 90% collection rate as in the past with the average for the 6 months of only 81%
- The outstanding debtors amounts to R392,3 million of which R315,7 million is older than 90 days
- Ageing infrastructure for water, sanitation, roads and electricity
- Continuous high tariff increases making services no longer affordable and the Eskom % increase compared to the % increase allowed by municipalities
- Affordability of capital own funded capital projects, original allocations have to be reduced during the current year and factored where possible into the following financial year placing a further burden on the draft budget

Focus

As the municipality is cash strapped, over and above cost containment measures preferred by the National Treasury, the municipality needs to adopt a bold and radical approach in its revenue enhancement program. As a matter of utmost urgency, the municipality needs to consider the following from March ongoing:

- ✓ The collection of the old debt that has been identified following the data cleansing exercise and maintenance of the consumer database
- ✓ Disconnect fraudulent consumers, in all respects
- ✓ Provide and replace water meters to address water losses
- ✓ Provide and replace electricity meters to address electricity losses
- ✓ Source funding from National Departments
- ✓ Rehabilitate our environment

- ✓ Improve tourist attraction
- ✓ Make a foot print on local economic development
- ✓ Using funds for purposes they are meant for and have time-lined implementation plans
- ✓ Ward IDP

The following recommendations be approved: (Proposed Resolutions)

1. That the operational expenditure budget be adjusted from R720,4 million to R699,2 million.
2. The revenue budget be adjusted from R786,4 million to R828,6 million
3. That the payment levels which in previous years has been above 90% but reduced in the 2nd quarter to 81% be monitored and ensure the collection rate increases to above 85%
4. That the Council considers and adopts the updated Revenue Enhancement Strategy and its implementation
5. To monitor collection levels during the remaining budget period to ensure that funding is available to finance expenditure
6. That under no circumstances should expenditure be incurred that is not budgeted for. Disciplinary action be taken against the person liable for the unbudgeted expenditure
7. That, in compliance with the MFMA the financial results regarding the operating and capital budgets for the Adjustment Budget of the 2023/2024 financial year, and supporting documents as required by National Treasury (Schedule B) be submitted to Council for approval
8. This report be submitted to the National Treasury and the relevant Provincial Treasury **immediately after** tabling of the report in the council, in both a Council approved document and in electronic format to the GoMuni Upload Portal as guided by MFMA Circulars No 115 and 122
9. No hand orders be issued for suppliers, only suppliers registered on the CSD be utilized to ensure there is no expenditure incurred for which there is no budget. No Request for Goods will be approved for non-essential items. No payments will be approved if all relevant documentation and SCM processes have not been followed and approved by the CFO prior to the items being procured.
10. No temporary requisitions will be issued by stores, all departments requiring stock from stores must submit a Munsoft requisition prior to items being released from stores
11. During the 2022/23 financial year departments carried out work without official orders being obtained prior to work commencing and invoices were submitted at year end and paid in the 2023/24 financial year which resulted in the cashflow being under pressure. During the 2nd half of the 2023/24 no invoices will be paid unless accompanied by an

official order and all relevant supporting information indicating that the funds are available and no expenditure for 2023/24 will be paid in the 2024/25 financial year

12. That the Council considers and adopts the Adjusted SDBIP Scorecard
13. That the Council considers and adopt the updated Supply Chain Policy with the amendment that the threshold on competitive bidding has increased from R200,000 to R300,000

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 that municipal services are provided sustainably, economically and equitably to all communities

The Municipality's service delivery priorities were reviewed as part of the planning and adjustment budget process. A critical review was undertaken of expenditure on non-essential and 'nice-to-have' items. The Adjustment Budget for 2023/24 is based on the realisation that revenues and cash flows remain under pressure and the municipality must adopt a conservative approach when projecting expected revenues and cash receipts

The Adjustment budget was compiled by ensuring that the financial management processes are transparent, aligned to the accountability cycle and facilitate good governance that is accountable to the local community

During the approval of the 2023/2024 budget we had advised that the cash collection rate may still feel the impact of the recession the country is experiencing. In the previous financial year, the collection rate was 84% and for the six months of this financial year it has decreased to 81%

Some of the anticipated own revenue collection on trading services (i.e. Electricity, Water, Sanitation & Waste Management) has not materialised as projected, however when compared to the 1st six months in the previous financial year revenue the billed revenue has increased and is in line with the budgeted amount for basic services

In keeping with National Treasury Circulars regarding the managing of costs, reductions have been made on costs which are not urgent in the current financial year, or in the short term, have been deferred to the next financial year should resources be available. The reductions are in keeping with the cost containment that has been implemented

Current funding compliance assessment information

The audit outcomes relate to the past performance of a municipality and provide a good indication on the state of municipal financial management rather than the state of municipal finances.

The following key financial management objectives are used:

- a) Short term viability and consideration of whether the community is 'paying its way' relative to economic benefits received;
- b) Medium and long-term sustainability; ensuring that the broader community maintains control over outcomes within appropriate levels of affordability;
- c) Achievement of community aspirations and service delivery goals;
- d) Maintenance of a good credit rating and minimising financing costs; and
- e) Achieving and maintaining key prudential measurements; e.g. borrowing limits.

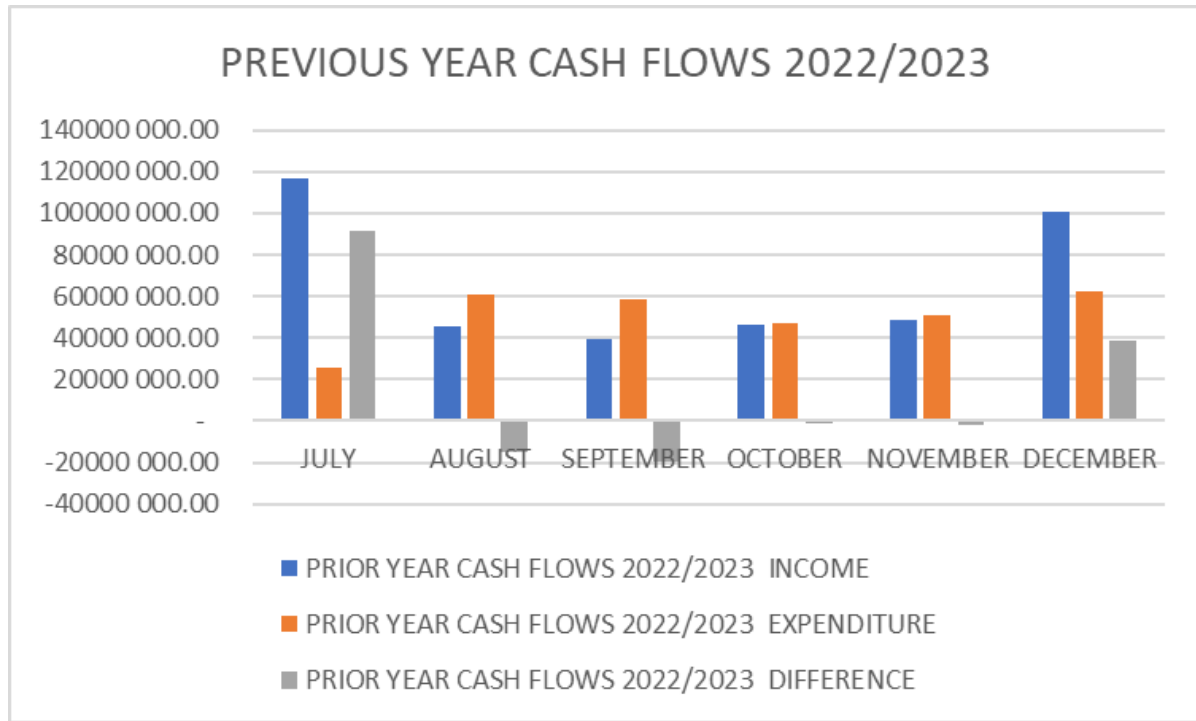
Vulnerable cash position

The municipality may not in terms of section 45 of the MFMA close the financial year with any short-term borrowing or overdraft. It must further ensure that there must be sufficient cash and investments to fulfill our legal obligations to provide not only to be able to meet the monthly payments as and when they fall due but for the cash-backing of reserves and other working capital requirements. It is generally accepted that the municipality must have sufficient cash coverage of three months of average operational expenditure.

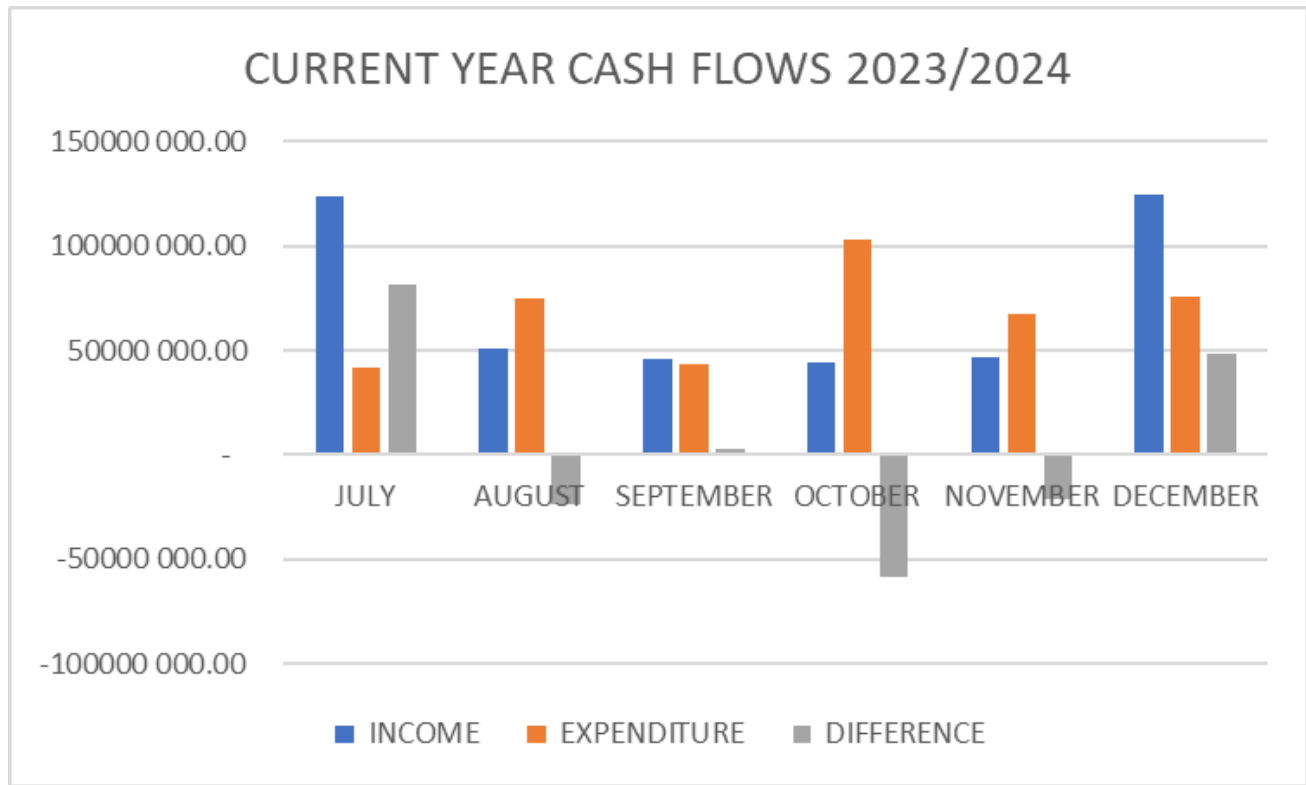
Of the reasons noted by National Treasury why municipalities' cash coverage is:

- A deterioration in revenue collections due to the impact of the economic recession and the rising rates and tariffs on the affordability of household budgets;
- The need to pay suppliers, especially contractors responsible for capital projects;
- The need to finance the cash-flow difference between paying for the increased cost of bulk electricity and the collection of revenues from customers;
- Any major breakdown in service delivery resulting in non-supply (especially water and electricity), and therefore no revenue.
- A rate-payers/consumers boycott.

PRIOR YEAR CASH FLOWS 2022/2023			
	INCOME	EXPENDITURE	DIFFERENCE
JULY	116 385 302.41	25 286 975.92	91 098 326.49
AUGUST	45 537 700.28	60 555 510.38	-15 017 810.10
SEPTEMBER	39 125 473.63	58 803 984.14	-19 678 510.51
OCTOBER	45 937 578.22	47 060 790.91	-1 123 212.69
NOVEMBER	48 824 564.55	50 956 130.19	-2 131 565.64
DECEMBER	100 546 257.63	62 239 173.21	38 307 084.42
	396 356 876.72	304 902 564.75	91 454 311.97



CURRENT YEAR CASH FLOWS 2023/2024			
	INCOME	EXPENDITURE	DIFFERENCE
JULY	123 233 525.64	41 671 371.60	81 562 154.04
AUGUST	51 006 224.38	74 507 741.15	-23 501 516.77
SEPTEMBER	46 160 683.16	43 739 418.84	2 421 264.32
OCTOBER	44 213 563.36	102 798 351.38	-58 584 788.02
NOVEMBER	46 298 130.18	67 585 255.79	-21 287 125.61
DECEMBER	124 177 452.26	75 770 753.98	48 406 698.28
	435 089 578.98	406 072 892.74	29 016 686.24



Risks posed by the current state of finances

The municipality must ensure that it does not fall into the risks associated with financial stress which are:

Service delivery risks

- Staff do not get paid – and so refuse to work
- Bulk services do not get paid for – so services could be cut and incur fruitless and wasteful expenditure (interest)
- Contractors and suppliers do not get paid – non compliance with MFMA
- Repairs and maintenance are invariably among the first expenditures cut placing service delivery at risk, as well as future revenue

Fiscal risks

- Poor financial management processes and systems exposes the municipality to corruption
- The municipalities are failing to properly utilise the resources available to them by failing to collect available revenues
- Poor financial management increases the cost of borrowing

Budget Related Resolutions

The Municipal Finance Management Act (MFMA) No 56 of 2003 requires that the municipality table and adopt the budget and budget resolutions. The format of the budget and supporting documentation is prescribed by the Municipal Budget and Reporting Regulations.

Adjustment Budget Summary

KZN263 Abaqulusi - Table B1 Adjustments Budget Summary - 2024/02/28

Description	2023/24									Budget Year 2024/25	Budget Year 2025/26
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year	Unfore. Unavoid.	Nat. or Prov.	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
	A	1	2	3	4	5	6	7	8		
R thousands	A	A1	B	C	D	E	F	G	H		
Financial Performance											
Property rates	120 645	-	-	-	-	-	-	-	120 645	125 675	130 736
Service charges	394 104	-	-	-	-	-	-	-	394 104	433 800	502 185
Investment revenue	1 706	-	-	-	-	-	3 000	3 000	4 706	1 789	1 874
Transfers recognised - operational	219 671	-	-	-	-	-	(2 724)	(2 724)	216 947	235 844	229 464
Other own revenue	50 286	-	-	-	-	-	42 000	42 000	92 286	54 438	60 160
Total Revenue (excluding capital transfers and	786 412	-	-	-	-	-	42 276	42 276	828 688	851 546	924 418
Employee costs	188 376	-	-	-	-	-	20 547	20 547	208 923	194 055	203 176
Remuneration of councillors	19 305	-	-	-	-	-	(1 346)	(1 346)	17 960	21 836	22 928
Depreciation & asset impairment	49 866	-	-	-	-	-	(7 363)	(7 363)	42 503	52 310	54 768
Finance charges	-	-	-	-	-	-	5 474	5 474	5 474	-	-
Inventory consumed and bulk purchases	303 352	-	-	-	-	-	(30 559)	(30 559)	272 793	420 709	478 545
Transfers and subsidies	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	159 595	-	-	-	-	-	(7 977)	(7 977)	151 618	147 941	147 124
Total Expenditure	720 495	-	-	-	-	-	(21 224)	(21 224)	699 271	836 852	906 542
Surplus/(Deficit)	65 917	-	-	-	-	-	63 500	63 500	129 418	14 694	17 876
Transfers and subsidies - capital (monetary)	76 440	-	-	-	-	-	(2 555)	(2 555)	73 885	53 899	58 618
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers &	142 357	-	-	-	-	-	60 945	60 945	203 303	68 593	76 494
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	142 357	-	-	-	-	-	60 945	60 945	203 303	68 593	76 494
Capital expenditure & funds sources											
Capital expenditure	83 440	-	-	-	-	-	(2 555)	(2 555)	80 885	53 899	58 618
Transfers recognised - capital	76 440	-	-	-	-	-	(2 555)	(2 555)	73 885	53 899	58 618
Borrowing	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	7 000	-	-	-	-	-	-	-	7 000	-	-
Total sources of capital funds	83 440	-	-	-	-	-	(2 555)	(2 555)	80 885	53 899	58 618
Financial position											
Total current assets	425 745	-	-	-	-	-	119 040	119 040	544 785	617 971	821 150
Total non current assets	1 412 533	-	-	-	-	-	(334 271)	(334 271)	1 078 262	1 421 846	1 433 783
Total current liabilities	333 576	-	-	-	-	-	75 945	75 945	409 521	466 522	605 144
Total non current liabilities	92 952	-	-	-	-	-	6 370	6 370	99 323	92 952	92 952
Community wealth/ Equity	1 411 750	-	-	-	-	-	(297 546)	(297 546)	1 114 204	1 480 343	1 556 837
Cash flows											
Net cash from (used) operating	114 205	-	-	-	-	-	14 921	14 921	129 126	62 724	59 568
Net cash from (used) investing	(83 440)	-	-	-	-	-	42 555	42 555	(40 885)	(53 899)	(67 555)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	59 796	-	-	-	-	-	48 558	48 558	108 354	68 621	60 633
Cash backing/surplus reconciliation											
Cash and investments available	59 796	-	-	-	-	-	48 558	48 558	108 354	68 621	60 633
Application of cash and investments	(17 744)	-	-	-	-	-	72 125	72 125	54 381	(71 911)	(134 873)
Balance - surplus (shortfall)	77 541	-	-	-	-	-	(23 567)	(23 567)	53 973	140 532	195 507
Asset Management											
Asset register summary (WDV)	1 309 524	-	-	-	-	-	(345 221)	(345 221)	964 304	1 264 939	1 218 257
Depreciation	42 503	-	-	-	-	-	-	-	42 503	44 586	46 681
Renewal and Upgrading of Existing Assets	12 372	-	-	-	-	-	(875)	(875)	11 497	13 423	17 876
Repairs and Maintenance	21 000	-	-	-	-	-	18 351	18 351	39 351	23 456	24 558
Free services											
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-	-
Households below minimum service level											
Water:	-	-	-	-	-	-	-	-	-	-	-
Sanitation/ sewerage:	-	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-	-

CHALLENGES FOR THE 2ND HALF OF 2023/2024

The major challenge the municipality faces going forward is that due to the depleted revenue and the current over commitments the general expenditure will be blocked. Further challenges include the cost containment measures that National Treasury have advised municipalities to implement to provide reasonable assurance that all expenditure in all sections is necessary, appropriate, paid promptly and adequately recorded. Given the economic challenges facing the community where resources are scarce it is imperative that funds are utilised effectively and economically.

To ensure compliance the following measures must be implemented as National Treasury have notified the Auditor-General who will be monitoring whether these changes have been implemented when the audit is conducted:

- Engagement of consultants and contractors – ensure a needs analysis has been confirmed that the relevant section does not have the requisite skills or resources in its full time employ to perform the assignment in question. The appointment of consultants may only be approved by the Accounting Officer and consultants may only be remunerated in terms of the guidelines issued by SAICA.
- Hotel accommodation must be in terms of the National Treasury policy. Overnight accommodation must be limited to instances where the distance by road exceeds 500 kilometers to and from the destination.
- Trips by vehicles must be optimised to reduce costs. Travel must be limited to meetings or events that are considered absolutely critical and the number of employees attending such meetings or events must be limited to those employees that are directly involved in the matter or event.
- Supplier and early settlement discounts must be negotiated to secure lower prices.
- Staff should be encouraged / educated on the prudent use of water and electricity usage in buildings to lower utility costs.
- Stricter control of allowances to employees
- Telephone and/or video conferencing facilities must be used, where possible, to avoid unnecessary travel and subsistence costs.
- Advertising for vacancies should be placed through bulk advertisements.
- Every effort must be made to recover debts from debtors before giving any consideration to writing off debts.
- Meetings and planning sessions must as far as practically possible be held in-house. Meetings attended by Councillors/employees may not incur catering expenses for internal

meetings. Catering should be limited to functions where external government departments are attending and limited to light snacks.

- Purchasing of new furniture and equipment and office refurbishments should only be undertaken where absolutely necessary.

Revenue generated from property rates and service charges forms a significant percentage of the revenue source of the municipality.

The approved operating revenue budget amounts to R786,4 million. For the period under review the planned SDBIP target is R429 million and the actual revenue collected to date is R435 million. When comparing the planned against the actual revenue there is a 1% over performance shown. The 1st and 2nd tranche of Equitable Share having been received as well as funding for MIG, INEP, FMG. Arts & Culture (Museum & Library) and EPWP.

Reasons for major variances between planned and billed/actual revenue collected as at 31 December 2023:

- revenue billed from rates is 0,1% below the planned projection, the collection of rates will increase in the 2nd half of the year as organs of state pay their rates in 3 tranches and the 3rd tranche is due in March
- revenue billed from electricity sales is 16% below the planned projection. The shortfall is mainly due to the impact load shedding is having on electricity sales
- revenue billed from water sales is 4% above the planned projection
- revenue billed from sanitation sales is 5% above the planned projection
- revenue billed from refuse sales is 2% above the planned projection
- It must also be noted that the half year income reflects the second tranche of the equitable share which must be carried over into next quarter. This inflates the six-month Income figure as shown above.

The municipality is still expected to deliver services in an area which is growing with fewer funds to do so.

The major operating revenue variances against budget to date are:

- Property rates billed including penalties and collection charges – R67 thousand less than budget. This is mainly due to organs of state still to transfer the 3rd tranche of their payments during March and businesses still owing the municipality due to the rebate of 18% that was removed. The municipality is however in discussion with businesses to try and solve the matter before the end of June 2024
- Service charges billed – R19 million less than budget. The main factor for this is the load shedding from Eskom
- Government Grants and subsidies – Operating – no additional equitable share allocated by National Treasury to local municipalities. The EPWP grant allocation has been reduced by R131 thousand
- Government Grants and subsidies – Capital – the MIG allocation has been reduced by R3,468,000 and the INEP allocation by R1,680,000
- Operational revenue – R5 million more than budget

The Directors and Managers are playing their oversight on their budgets and monitoring their spending as advised monthly by the Finance Department, the main concern is the lack of income and this is going to result in Finance again having to block non-essential votes to try and limit spending.

The municipality adopted a funded budget for 2023/24 that was approved by National Treasury. During the adjustment budget the budget must be funded and National Treasury have identified that approving a funded budget as one of the Game Changers in Local Government in a bid to ensure financial sustainability. If a municipality tables an unfunded budget it suggests the municipalities financial plans are unable to give effect to priorities identified and further an unfunded budget is an indication of a municipality in financial distress. National Treasury have further indicated that consequence management will be implemented for all municipalities that approve unfunded budgets consistently for more than three (3) years. Prior to the tabling of the Adjustment Budget all relevant information was uploaded onto the National Treasury GoMuni Upload Portal a week prior to tabling and Provincial Treasury have assessed the budget and the budget appears to be funded.

The fact that the municipality is experiencing on-going cash flow challenges is highlighted and needs to be taken into account when approval is considered for specific initiatives. Departments continue to bypass the CFO for financial input for certain projects and this is impacting on the reprioritizing of funds during the Adjustment Budget due to the shortfall.

The approved operating expenditure budget amounts to R720,4 million. For the period under review the planned SDBIP target is R362,7 million and the actual expenditure to date is R406 million. When comparing the planned against the actual expenditure there is a 12% over expenditure

Reasons for major expenditure variance variances against budget are:

- Employee costs – 13% or R12 million more than budget which is due to bonuses paid in December 2023 and filling of positions
- Inventory Consumed (Repairs and Maintenance) – 21% or R4,8 million more than budget, this is due to ageing infrastructure and theft of cable
- Bulk purchases – 7% or R8,6 million less than budget, this is due to load shedding
- Operational costs – R32,4 million has been spend which is R153 thousand less than budget
- Contracted services – 6% or R3 million more than budget

Reason for major variance of year-to-date capital expenditure, compared to departmental Service Delivery Budget Implementation Plans (SDBIP) targets for the municipal vote is:

- Capital program for MIG projects is ongoing as well as the electrification of Eskom areas, these projects are funded from grants.

Borrowings – own resources need to be accumulated before capital projects are embarked upon.

As at the end of December 2023, R392,3 million was outstanding for debtors, with R315,7 million outstanding for longer than 90 days. The effect of the weak economy is evident and the outstanding debtors has increased by +/-R21,8 million when compared to the same time last year.

The municipality needs to continuous audit through the Revenue Enhancement Strategy the debtors to improve the collection of debts. The large portion of this debt is from households and the Revenue Enhancement Strategy will address the measures of the non-payment. The municipality will also continue engaging with businesses to try and resolve the issues of non-payment in this customer group as well as with the Organs of state that owe the municipality.

Other Financial Issues

This executive report continues to highlight the performance achievement of the Finance Department during the first half of the financial year, taking into account:

- i. The targets set in the service delivery and business delivery

The main strategic goals during the 2023/2024 as set out in the business plan and reported in the performance report were for the following:

- The optimization of revenue collection by using incentives to encourage payments, increasing the number of payment methods, increasing the billing coverage and vigorously implementing the credit control policy and bylaws through effective implementation of the existing legal processes.
- Increasing the number of paying consumers by improving better communication and better relationships with consumers.
- Reduction of costs through reduction in physical and bulk losses.
- Improve service delivery to community through best practices.
- Reduction and/or control of expenditures mainly through the control of overhead costs by utilizing effective systems (blocking projects on the financial system)
- Alignment of structure with organizational strategy.
- Counteract wasteful water and electricity practices through education and awareness campaigns.
- Raising the level of awareness of consumers about hygiene and environmental health in compliance with regulatory requirements.
- Continual development of the required strategic skills from managerial levels to lower levels.
- Identify and manage operational and financial risks within the existing regulatory framework/environment.
- Manage and maintain an effective and efficient network system within the total Abaqulusi area.
- The reduction of overtime costs by implementing stricter monitoring controls and limiting the number of hours per employee to 40 hours per month.

KZN263 Abaqulusi - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 2024/02/28

Description	Ref	2023/24									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year	Unfore. Unavoid.	Nat. or Prov.	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		3	4	5	6	7	8	9	10			
R thousands	1	A	A1	B	C	D	E	F	G	H		
Revenue By Source												
Exchange Revenue												
Service charges - Electricity	2	266 529	-	-	-	-	-	-	266 529	299 974	362 069	
Service charges - Water	2	62 253	-	-	-	-	-	-	62 253	65 304	68 373	
Service charges - Waste Water Management	2	36 734	-	-	-	-	-	-	36 734	38 534	40 345	
Service charges - Waste Management	2	28 588	-	-	-	-	-	-	28 588	29 989	31 398	
Sale of Goods and Rendering of Services		513	-	-	-	-	2 000	2 000	2 513	538	563	
Agency services		-	-	-	-	-	-	-	-	-	-	
Interest		-	-	-	-	-	-	-	-	-	-	
Interest earned from Receivables		35 088	-	-	-	-	-	-	35 088	39 544	44 566	
Interest earned from Current and Non Current Assets		1 706	-	-	-	-	3 000	3 000	4 706	1 789	1 874	
Dividends		-	-	-	-	-	-	-	-	-	-	
Rent on Land		-	-	-	-	-	-	-	-	-	-	
Rental from Fixed Assets		1 667	-	-	-	-	-	-	1 667	700	733	
Licence and permits		2 643	-	-	-	-	-	-	2 643	2 773	2 903	
Operational Revenue		-	-	-	-	-	40 000	40 000	40 000	-	-	
Non-Exchange Revenue												
Property rates	2	120 645	-	-	-	-	-	-	120 645	125 675	130 736	
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-	
Fines, penalties and forfeits		5 531	-	-	-	-	-	-	5 531	5 802	6 075	
Licences or permits		4 844	-	-	-	-	-	-	4 844	5 081	5 320	
Transfer and subsidies - Operational		219 671	-	-	-	-	(2 724)	(2 724)	216 947	235 844	229 464	
Interest		-	-	-	-	-	-	-	-	-	-	
Fuel Levy		-	-	-	-	-	-	-	-	-	-	
Operational Revenue		-	-	-	-	-	-	-	-	-	-	
Gains on disposal of Assets		-	-	-	-	-	-	-	-	-	-	
Other Gains		-	-	-	-	-	-	-	-	-	-	
Discontinued Operations		-	-	-	-	-	-	-	-	-	-	
Total Revenue (excluding capital transfers and		786 412	-	-	-	-	-	42 276	42 276	828 688	851 546	924 418
Expenditure By Type												
Employee related costs		188 376	-	-	-	-	-	20 547	20 547	208 923	194 055	203 176
Remuneration of councillors		19 305	-	-	-	-	(1 346)	(1 346)	17 960	21 836	22 928	
Bulk purchases - electricity		263 142	-	-	-	-	(37 816)	(37 816)	225 326	330 602	389 119	
Inventory consumed		40 210	-	-	-	-	7 257	7 257	47 467	90 107	89 427	
Debt impairment		7 363	-	-	-	-	(7 363)	(7 363)	-	7 724	8 087	
Depreciation and amortisation		42 503	-	-	-	-	-	-	42 503	44 586	46 681	
Interest		-	-	-	-	-	5 474	5 474	5 474	-	-	
Contracted services		95 641	-	-	-	-	(135)	(135)	95 506	89 936	86 488	
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-	
Irecoverable debts written off		-	-	-	-	-	-	-	-	-	-	
Operational costs		63 954	-	-	-	-	(7 842)	(7 842)	56 112	58 005	60 636	
Losses on disposal of Assets		-	-	-	-	-	-	-	-	-	-	
Other Losses		-	-	-	-	-	-	-	-	-	-	
Total Expenditure		720 495	-	-	-	-	(21 224)	(21 224)	699 271	836 852	906 542	
Surplus/(Deficit)		65 917	-	-	-	-	63 500	63 500	129 418	14 694	17 876	
Transfers and subsidies - capital (monetary allocations)		76 440	-	-	-	-	(2 555)	(2 555)	73 885	53 899	58 618	
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) before taxation		142 357	-	-	-	-	60 945	60 945	203 303	68 593	76 494	
Income Tax		-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) after taxation		142 357	-	-	-	-	60 945	60 945	203 303	68 593	76 494	
Share of Surplus/ Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-	
Share of Surplus/ Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) attributable to municipality		142 357	-	-	-	-	60 945	60 945	203 303	68 593	76 494	
Share of Surplus/ Deficit attributable to Associate		-	-	-	-	-	-	-	-	-	-	
Intercompany/ Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-	
Surplus/ (Deficit) for the year	1	142 357	-	-	-	-	60 945	60 945	203 303	68 593	76 494	

The following amendments have been made:

- Revenue has increased by R42,2 million which is due to an additional amount of R40 million which is for the sale of land. The municipality has already received and reported R5 million in the 1st half of the year which is a part payment for the mall development and the outstanding amount must still be transferred to the municipality. The municipality has also advertised and evaluated proposals received for the sale of land which the successful bidder must pay the municipality within 60 days, thereafter the municipality will advertise further land that has been identified for sale. The EPWP grant has reduced by R131,000 and the revenue on the interest of investments has been increased as the interest rates at the banks have increased and the municipality has received more interest than previously budgeted
- Employee costs have increased by R20,5 million. The reason for this is the filling of critical essential vacancies, the staff at Public Safety working on a shift system, increase in overtime due to storm damage and theft of electrical infrastructure and the increase in the Council contribution for medical aid
- The bulk purchase budget for Eskom has been reduced due to the impact of load shedding
- The increase of R7,2 million in Inventory consumed (Repairs & Maintenance) is due to the ageing infrastructure and theft of cable
- Contracted Services has been reduced by R134 thousand due to an analysis by departments during the Adjustment Budget discussions and contractor's scope being reduced
- A reduction of R7,8 million in operational costs due to an analysis by departments during the Adjustment Budget discussions and non-essential items and cost containment being implemented

KZN263 Abaqulusi - Table B5 Adjustments Capital Expenditure Budget by vote and funding - 2024/02/28

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
		A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H		
R thousands		A	A1	B	C	D	E	F	G	H		
Capital expenditure - Vote												
Multi-year expenditure to be adjusted	2											
Vote 1 - Vote 1		-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Finance & Administration		-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Community & Social Services		-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Energy Sources		-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Housing		-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Internal Audit		-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Other		-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Planning and Development		-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Public Safety		-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Road Transport		-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Sport and Recreation		-	-	-	-	-	-	-	-	-	-	-
Vote 12 - Waste Management		-	-	-	-	-	-	-	-	-	-	-
Vote 13 - Waste Water Management		-	-	-	-	-	-	-	-	-	-	-
Vote 14 - Water Management		-	-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	3	-	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be adjusted	2											
Vote 1 - Vote 1		-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Finance & Administration		1 000	-	-	-	-	-	250	250	1 250	-	-
Vote 3 - Community & Social Services		15 917	-	-	-	-	-	-	-	15 917	15 492	16 637
Vote 4 - Energy Sources		17 680	-	-	-	-	-	(2 680)	(2 680)	15 000	10 449	10 917
Vote 5 - Housing		-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Internal Audit		-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Other		-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Planning and Development		2 000	-	-	-	-	-	-	-	2 000	-	-

Vote 9 - Public Safety		-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Road Transport		30 343	-	-	-	-	(875)	(875)	29 468	19 021	17 876	
Vote 11 - Sport and Recreation		16 500	-	-	-	-	-	-	16 500	8 937	13 188	
Vote 12 - Waste Management		-	-	-	-	-	-	-	-	-	-	
Vote 13 - Waste Water Management		-	-	-	-	-	-	-	-	-	-	
Vote 14 - Water Management		-	-	-	-	-	750	750	750	-	-	
Vote 15 -		-	-	-	-	-	-	-	-	-	-	
Capital single-year expenditure sub-total		83 440	-	-	-	-	(2 555)	(2 555)	80 885	53 899	58 618	
Total Capital Expenditure - Vote		83 440	-	-	-	-	(2 555)	(2 555)	80 885	53 899	58 618	
Capital Expenditure - Functional		1 000	-	-	-	-	250	250	1 250	-	-	
Governance and administration		-	-	-	-	-	-	-	-	-	-	
Executive and council		-	-	-	-	-	-	-	-	-	-	
Finance and administration		1 000	-	-	-	-	250	250	1 250	-	-	
Internal audit		-	-	-	-	-	-	-	-	-	-	
Community and public safety		32 417	-	-	-	-	-	-	32 417	24 429	29 825	
Community and social services		15 917	-	-	-	-	-	-	15 917	15 492	16 637	
Sport and recreation		16 500	-	-	-	-	-	-	16 500	8 937	13 188	
Public safety		-	-	-	-	-	-	-	-	-	-	
Housing		-	-	-	-	-	-	-	-	-	-	
Health		-	-	-	-	-	-	-	-	-	-	
Economic and environmental services		32 343	-	-	-	-	(875)	(875)	31 468	19 021	17 876	
Planning and development		2 000	-	-	-	-	-	-	2 000	-	-	
Road transport		30 343	-	-	-	-	(875)	(875)	29 468	19 021	17 876	
Environmental protection		-	-	-	-	-	-	-	-	-	-	
Trading services		17 680	-	-	-	-	(1 930)	(1 930)	15 750	10 449	10 917	
Energy sources		17 680	-	-	-	-	(2 680)	(2 680)	15 000	10 449	10 917	
Water management		-	-	-	-	-	750	750	750	-	-	
Waste water management		-	-	-	-	-	-	-	-	-	-	
Waste management		-	-	-	-	-	-	-	-	-	-	
Other		-	-	-	-	-	-	-	-	-	-	
Total Capital Expenditure - Functional	3	83 440	-	-	-	-	(2 555)	(2 555)	80 885	53 899	58 618	
Funded by:												
National Government		65 940	-	-	-	-	(2 555)	(2 555)	63 385	53 899	58 618	
Provincial Government		10 500	-	-	-	-	-	-	10 500	-	-	
District Municipality	4	-	-	-	-	-	-	-	-	-	-	

Transfers and subsidies - capital (in-kind)	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	76 440	-	-	-	-	-	(2 555)	(2 555)	73 885	53 899	58 618	
Borrowing	-	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	7 000	-	-	-	-	-	-	-	7 000	-	-	-
Total Capital Funding	83 440	-	-	-	-	-	(2 555)	(2 555)	80 885	53 899	58 618	

Capital expenditure has been reduced from MIG by R3,468,000 and INEP by R1,680,000 as per the Adjusted DoRA

KZN263 Abaqulusi - Table B6 Adjustments Budget Financial Position - 2024/02/28

Description	Ref	2023/24									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov.	Other Adjts.	Total Adjts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	A1	B	C	D	E	F	G	H		
R thousands												
ASSETS												
Current assets												
Cash and cash equivalents		59 796	-	-	-	-	-	48 558	48 558	108 354	68 621	60 633
Trade and other receivables from exchange	1	132 635	-	-	-	-	-	(12 920)	(12 920)	119 715	266 568	420 373
Receivables from non-exchange transactions	1	33 209	-	-	-	-	-	(26 578)	(26 578)	6 631	19 217	4 406
Current portion of non-current receivables	2	-	-	-	-	-	-	-	-	-	-	-
Inventory		19 160	-	-	-	-	-	65 414	65 414	84 573	19 160	19 160
VAT		180 875	-	-	-	-	-	44 579	44 579	225 454	244 336	316 508
Other current assets		70	-	-	-	-	-	(12)	(12)	58	70	70
Total current assets		425 745	-	-	-	-	-	119 040	119 040	544 785	617 971	821 150
Non current assets	3											
Investments		-	-	-	-	-	-	-	-	-	-	-
Investment property		99 933	-	-	-	-	-	(57 520)	(57 520)	42 413	99 933	99 933
Property, plant and equipment		1 308 594	-	-	-	-	-	(276 669)	(276 669)	1 031 925	1 318 085	1 330 209
Biological assets		-	-	-	-	-	-	-	-	-	-	-
Living and non-living resources		-	-	-	-	-	-	-	-	-	-	-
Heritage assets		3 855	-	-	-	-	-	0	0	3 855	3 855	3 855
Intangible assets		152	-	-	-	-	-	(82)	(82)	70	(27)	(213)
Trade and other receivables from exchange		-	-	-	-	-	-	-	-	-	-	-
Non-current receivables from non-exchange		-	-	-	-	-	-	-	-	-	-	-
Other non-current assets		-	-	-	-	-	-	-	-	-	-	-
Total non current assets		1 412 533	-	-	-	-	-	(334 271)	(334 271)	1 078 262	1 421 846	1 433 783
TOTAL ASSETS		1 838 278	-	-	-	-	-	(215 231)	(215 231)	1 623 047	2 039 818	2 254 933
LIABILITIES												
Current liabilities												
Bank overdraft		-	-	-	-	-	-	-	-	-	-	-
Financial liabilities		-	-	-	-	-	-	2 837	2 837	2 837	-	-
Consumer deposits		16 928	-	-	-	-	-	1 137	1 137	18 065	16 928	16 928
Trade and other payables from exchange		123 101	-	-	-	-	-	21 434	21 434	144 535	190 977	252 197
Trade and other payables from non-exchange		7 524	-	-	-	-	-	(2 082)	(2 082)	5 442	7 524	9 598
Provisions		5 008	-	-	-	-	-	4 109	4 109	9 116	5 008	5 008
VAT		178 273	-	-	-	-	-	49 012	49 012	227 286	243 343	318 671
Other current liabilities		2 743	-	-	-	-	-	(502)	(502)	2 241	2 743	2 743
Total current liabilities		333 576	-	-	-	-	-	75 945	75 945	409 521	466 522	605 144
Non current liabilities												
Borrowing	1	-	-	-	-	-	-	4 607	4 607	4 607	-	-
Provisions	1	50 237	-	-	-	-	-	1 591	1 591	51 828	50 237	50 237
Long term portion of trade payables		-	-	-	-	-	-	-	-	-	-	-
Other non-current liabilities		42 715	-	-	-	-	-	172	172	42 887	42 715	42 715
Total non current liabilities		92 952	-	-	-	-	-	6 370	6 370	99 323	92 952	92 952
TOTAL LIABILITIES		426 529	-	-	-	-	-	82 315	82 315	508 844	559 475	698 097
NET ASSETS	2	1 411 750	-	-	-	-	-	(297 546)	(297 546)	1 114 204	1 480 343	1 556 837
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/ (Deficit)		1 411 750	-	-	-	-	-	(297 546)	(297 546)	1 114 204	1 480 343	1 556 837
Funds and Reserves		-	-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY		1 411 750	-	-	-	-	-	(297 546)	(297 546)	1 114 204	1 480 343	1 556 837

KZN263 Abaqulusi - Table B7 Adjustments Budget Cash Flows - 2024/02/28

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	
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
R thousands												
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates		115 013	-	-	-	-	-	-	-	115 013	118 688	123 581
Service charges		365 334	-	-	-	-	-	-	-	365 334	404 757	468 563
Other revenue		8 670	-	-	-	-	2 000	2 000	10 670	32 931	27 888	
Transfers and Subsidies - Operational	1	219 671	-	-	-	-	(2 724)	(2 724)	216 947	235 844	236 257	
Transfers and Subsidies - Capital	1	76 440	-	-	-	-	(2 555)	(2 555)	73 885	53 899	53 899	
Interest		1 706	-	-	-	-	3 000	3 000	4 706	1 789	1 874	
Dividends		-	-	-	-	-	-	-	-	-	-	
Payments												
Suppliers and employees		(672 629)	-	-	-	-	15 200	15 200	(657 429)	(785 185)	(852 494)	
Finance charges		-	-	-	-	-	-	-	-	-	-	
Transfers and Subsidies	1	-	-	-	-	-	-	-	-	-	-	
NET CASH FROM/(USED) OPERATING ACTIVITIES		114 205	-	-	-	-	14 921	14 921	129 126	62 724	59 568	
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE		-	-	-	-	-	40 000	40 000	40 000	-	-	
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-	-	-	-	
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-	
Payments												
Capital assets		(83 440)	-	-	-	-	2 555	2 555	(80 885)	(53 899)	(67 555)	
NET CASH FROM/(USED) INVESTING ACTIVITIES		(83 440)	-	-	-	-	42 555	42 555	(40 885)	(53 899)	(67 555)	
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans		-	-	-	-	-	-	-	-	-	-	

Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-	-
Payments												
Repayment of borrowing		-	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		30 765	-	-	-	-	-	57 476	57 476	88 241	8 825	(7 987)
Cash/cash equivalents at the year begin:	2	29 031	-	-	-	-	-	(8 918)	(8 918)	20 113	59 796	68 621
Cash/cash equivalents at the year end:	2	59 796	-	-	-	-	-	48 558	48 558	108 354	68 621	60 633

The following has been considered when compiling the cashflow

- The collection rate for service charges has also been budgeted for at 90%
- The Finance and Technical Departments are currently busy with a vigorous campaign of removing all illegal connections and enforcing strict credit control and disconnection of services not paid for
- The municipality has also advertised and evaluated proposals received for the sale of land which the successful bidder must pay the municipality within 60 days, thereafter the municipality will advertise further land that has been identified for sale

KZN263 Abaqulusi - Table B8 Cash backed reserves/accumulated surplus reconciliation - 2024/02/28

Description	Ref	2023/24								Budget Year	Budget Year	
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov.	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	
		3	4	5	6	7	8	9	10			
		A	A1	B	C	D	E	F	G	H		
R thousands												
Cash and investments available												
Cash/ cash equivalents at the year end	1	59 796	-	-	-	-	-	48 558	48 558	108 354	68 621	60 633
Other current investments > 90 days		-	-	-	-	-	-	0	0	0	-	-
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		59 796	-	-	-	-	-	48 558	48 558	108 354	68 621	60 633
Applications of cash and investments												
Unspent conditional transfers		7 524	-	-	-	-	-	(2 082)	(2 082)	5 442	7 524	9 598
Unspent borrowing		-	-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	(2 602)	-	-	-	-	-	4 434	4 434	1 832	(993)	2 163
Other working capital requirements		(30 417)	-	-	-	-	-	66 167	66 167	35 750	(86 193)	(154 386)
Other provisions		7 751	-	-	-	-	-	3 607	3 607	11 357	7 751	7 751
Long term investments committed		-	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/ investments		-	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		(17 744)	-	-	-	-	-	72 125	72 125	54 381	(71 911)	(134 873)
Surplus(shortfall)		77 541	-	-	-	-	-	(23 567)	(23 567)	53 973	140 532	195 507

Feedback and responses from Provincial Treasury assessment of the Section 72 Mid-year report (see attached report)

Table 2: Financial Performance – Operating Revenue – (Table C4)

Provincial Treasury have advised the municipality to reassess the level of expected revenue to be generated for the year, based on the actual performance reported as at 31 December 2023 as well as prior year's performance and consider adjusting the budget accordingly.

The response from the municipality is that the concerns of Provincial Treasury have been noted and the municipality will ensure that the debit and credit control measures are strictly implemented

Table 3: Financial Performance – Operating Expenditure – Table C4)

Provincial Treasury have advised the municipality to reassess the level of anticipated expenditure to be incurred for the line items and consider adjusting the budget accordingly.

The response from the municipality is that the concerns of Provincial Treasury have been noted and the necessary adjustments made during the preparation of the Adjustment Budget

Table 4: Capital Expenditure by vote, standard classification and funding – (Table C5) & R&M/Renewals – (Table SC13b&c)

Provincial Treasury raised concern on the slow spending on spending of capital from grant funding and urgently resolve to ensure that all projects under these fundings are fully implemented in order to avoid surrendering of Unspent conditional grants to National Revenue Fund at the end of the financial year.

The response from the municipality is that the concerns of Provincial Treasury have been noted and the relevant department will ensure the funding is fully spent

Table 5: Cash Flow (Table C7)

Provincial Treasury raised concern on the collection rate for Property Rates and Service charges as both are below the benchmark of 90 percent and advised that the municipality must urgently take steps to improve debt collection. It was further noted the low payments to Suppliers.

The response from the municipality is that the concerns of Provincial Treasury are noted and the municipality will try and improve on the collection rate for services to ensure sufficient cash for the payment of suppliers

Table 6: **Cash Position as at 31 December 2023**

Provincial Treasury have advised that based on the municipality's Cash coverage position, the municipality does not appear to be liquid as the Cash coverage is less than the norm of 1 to 3 months. The Cash coverage is below 1 month as calculated. A ratio below the norm means a municipality would be vulnerable and at a risk in the event of financial shocks/set-backs and its ability to meet its obligation to provide basic services or its financial commitment is compromised

The response from the municipality is that the concerns of Provincial Treasury are noted and the municipality will try and improve on revenue collection

Table 7: **Debtors – (Table SC3)**

Provincial Treasury have advised the municipality to ensure steps are taken to improve collection and write off irrecoverable debt. The Debtors age analysis in the past 6 months reflect an increase of R76,8 million. The municipality is encouraged to initiate innovative measure to improve the collection of debts, which will boost their Cash receipts, stabilizing the Cash flow position. The municipality should liaise with affected Organs of state to ensure that concessions are entered into between the defaulting Organs of state for repayment and settlement of the debt. The municipality must ensure that continuous engagements with businesses that are still not paying the municipality are continued as this category of debtors contribute 19,7% towards total outstanding debt as at 31 December 2023. A significant portion (R235,9 million or 60,1%) of debt owed to the municipality is owed by Households and a larger portion of this debt is outstanding for more than 90 days. The municipality must ensure that measures are put in place to address this non payment problem by Households.

The response from the municipality is that the concerns of Provincial Treasury are noted and will implement the recommendations

Table 8: **Creditors – (Table SC4)**

Provincial Treasury have noted that the municipality owes Creditors in the over 30 days categories. This is in contravention of MFMA Section 65(2)(e) which stipulates that Creditors should not exceed 30 days. The municipality should ensure that payments to Creditors are made within 30 days of receiving the invoice to avoid non-compliance and incurring penalty charges on outstanding accounts, which will result in Fruitless and wasteful expenditure

The response from the municipality is that the concerns of Provincial Treasury are noted and will be implemented



Our Ref.: 9/1/17

Your Ref.

Enquiries: M Mthembu

Dept.: Finance



57, VRYHEID 3100

c/o, Mark & High Street



(034) 982-2133



Fax: (034) 982-1939

E-mail: finance@abaqulusi.gov.za

QUALITY CERTIFICATE

I, **SP Dlamini**, Acting Municipal Manager of **ABAQULUSI MUNICIPALITY**, hereby certify that: (mark as appropriate)

- The monthly budget statements
- Quarterly report on the implementation of the budget and financial state of affairs to the municipality
- Adjustment budget

The Adjustment Budget 2023/2024 has been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act.

SP DLAMINI
ACTING MUNICIPAL MANAGER
ABAQULUSI MUNICIPALITY
KZN263

DATE

Our Ref.: 9/1/1/7

Your Ref.

Enquiries: M Mthembu



✉ 57, VRYHEID 3100

c/o, Mark & High Street



(034) 982-2133



Fax: (034) 982-1939

E-mail: finance@abaqulusi.gov.za

CONFIRMATION CERTIFICATE

I, MPE Mthembu, the Chief Financial Officer of (ABAQULUSI MUNICIPALITY.) have checked the Report and done the Review Session with my Department. The POE's are categorised according to the index. *(Marked as appropriate)*

The December Monthly Report

Quarterly Report on the implementation of the
Financial State of affairs to the Municipality

Adjustment Budget

Medium Term Report

I hereby confirm that the above is a true reflection of the Finance Section and in full compliance with Schedule 2 of the Municipal Systems Act.

MPE MTHEMBU
CHIEF FINANCIAL OFFICER
ABAQULUSI MUNICIPALITY
KZN263

DATE