



Special Adjustment Budget 2023/2024

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1.1 MAYORS REPORT

The Special Adjustment Budget that I present to you is in terms of section 28 which states that the Mayor may authorise 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 the annual budget for the current year was approved by the council. The municipality received the Disaster Recovery Grant funding amounting to R4.7m at the end of the past financial year. The grant was allocated to the municipality in order to respond to the floods that occurred within the municipal area; specifically in Forestway and Toise where major damage of infrastructure occurred. The grant is therefore earmarked for the following two projects:

- Construction of washed away pipe crossing along forest way road at Stutterheim – Forest Way Road R3 450 000.
- Construction of road and storm water channelling water away from the road and households at Bridge near Community Hall & School in Ngqanda [Toise] R1 250 000.

In terms of the conditions of the grant the municipality is required to fully spend the funding within the next 6 months (June – November 2023); failure to spend the funds within the stipulated time frame will result in the funds being surrendered to National Revenue Fund. In addition to this; the Municipal Infrastructure Projects have been revised to accelerate spending on projects that are moving.

The following items is what necessitated the special adjustment budget; disaster recovery grant funding received in the prior year amounting to R4.7m; rolling over of unspent budget for buildings and furniture; provision for state of the municipal address and provision for Engineering Plant/Vehicles.

The special adjustment budget that is tabled before council is unfunded due to operating expenditure that exceeds operating revenue and the projected cash that cannot cover the commitments of creditors at year end. The financial recovery plan with funding plan was developed with an objective to improve the

financial situation of Amahlathi, the plan is continuously monitored and reviewed. In addition to this there are also other strategies that the municipality is implementing to better the financial situation.

1.2 SPECIAL ADJUSTMENT BUDGET RELATED RESOLUTIONS

Below are the resolutions that must be approved by council with 2023/24 special adjustment budget.

- a. That the Special Adjustment Budget for 2023/2024 and the indicative 2 outer financial years 2024/2025 and 2025/2026 **BE APPROVED** as set out in the following budget tables:-

- 1.1 Table A1 Budget Summary
- 1.2 Table A2 Budgeted Financial Performance by Standard Classification
- 1.3 Table A3 Budgeted Financial Performance by Vote
- 1.4 Table A4 Budgeted Financial Performance – Revenue by Source and Expenditure by type
- 1.5 Table A5 Budgeted Capital
- 1.6 Table A6 Budgeted Financial Position
- 1.7 Table A7 Budgeted Cash Flows
- 1.8 Table A8 Budgeted Backed Reserves and Accumulated Surplus Reconciliation
- 1.9 Table A9 Asset management
- 1.10 Table A10 Basic Service Delivery Measurement

- b. That the list of revised capital projects **BE APPROVED.**
- c. That the funding plan **BE NOTED.**
- d. That the Special Adjustment Budget **BE APPROVED.**

1.3 EXECUTIVE SUMMARY

Section 28 of the Municipal Finance Management Act (MFMA) states that a municipality may pass an adjustment budget to authorise 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 the annual budget for the current year was approved by the council. The municipality received the Disaster Grant amounting to

R4.7m in June 2023 for flood intervention measures within the municipality. The funding will assist in two projects in Forestway and Toise where the floods affected the roads in the area.

The revenue of the municipality continues to be under pressure due to various factors; which include the culture on non-payment by debtors; the slow economic growth rate and unemployment rate which was also exacerbated by the Covid-19 pandemic. Having said this; there are various revenue generating strategies that are being implemented by the municipality. The progress on implementation of the revenue enhancement strategy is being reported on a quarterly basis.

The following is the table depicting the high level overview of the special adjustment budget for 2023/24

Description	2023/24 MTREF	2023/24 SPECIAL ADJUSTMENT	2024/25 MTREF	2025/26 MTREF
Operating Revenue (Excl. capital transfers)	240 449 034	240 449 034	249 664 608	248 861 496
Operating Expenditure	305 538 054	305 788 054	286 079 775	291 804 047
Surplus or (Deficit) before capital transfers	(65 089 020)	(65 339 020)	(36 415 167)	(42 942 551)
Capital Transfers	31 327 200	36 027 200	43 615 400	46 459 650
Surplus/Deficit after capital transfers	(33 761 820)	(29 311 820)	(7 200 233)	(3 517 099)

The total revenue excluding capital transfers remains unchanged at R240m for the 2023/24 when compared to the original budget. The operating expenditure has increased by R250 thousand for 2023/24 when compared to original budget

1.4 OPERATING REVENUE FRAMEWORK

The municipality is implementing a revenue enhancement strategy with an objective to improve financial viability. In order to meet the objective of the strategy a revenue enhancement committee monitors and evaluates the implementation of the strategy. The committee ensure that there is monitoring of the implementation of the revenue enhancement strategy and full implementation of the credit control policy and debt collection policy.

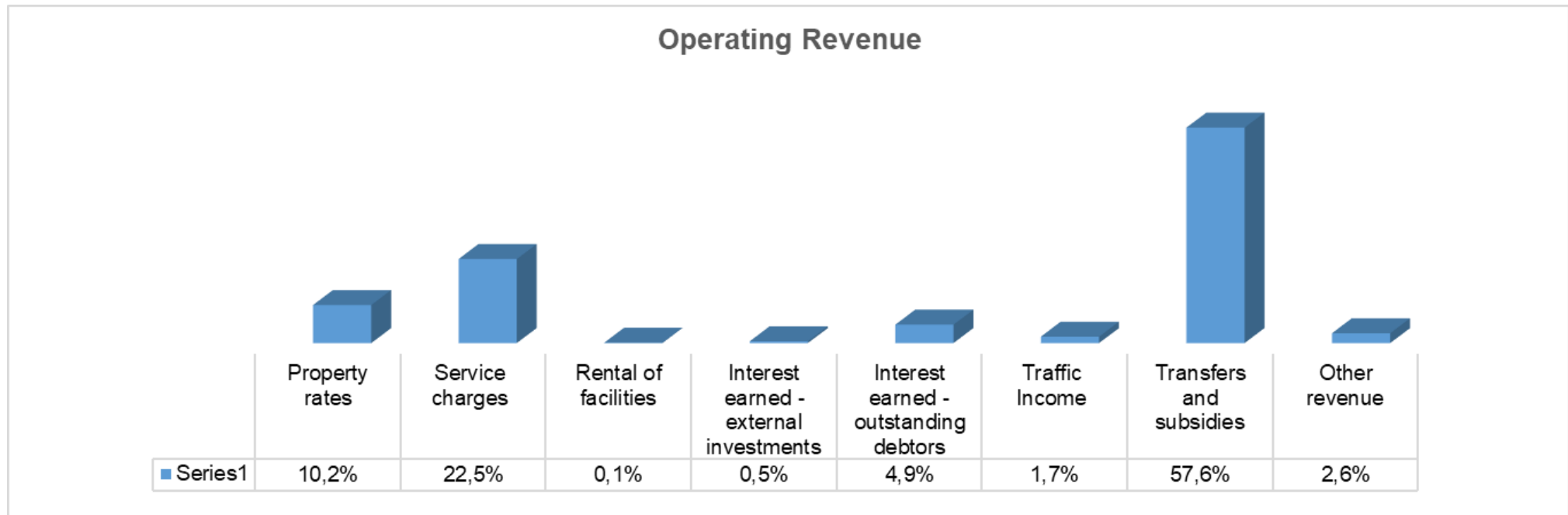
Below is the table reflecting the summary of revenue by source.

Table: 1 (Revenue by source)

EC124 Amahlathi - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -												
Description	Ref	Budget Year 2023/24									Budget Year +1 2024/25	Budget Year +2 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
			3	4	5	6	7	8	9	10		
R thousands	1	A	A1	B	C	D	E	F	G	H		
Revenue By Source												
Service charges - Electricity	2	41 674	—	—	—	—	—	—	—	41 674	43 716	45 770
Service charges - Water	2	—	—	—	—	—	—	—	—	—	—	—
Service charges - Waste Water Management	2	—	—	—	—	—	—	—	—	—	—	—
Service charges - Waste Management	2	12 320	—	—	—	—	—	—	—	12 320	12 924	13 531
Sale of Goods and Rendering of Services	2	5 634	—	—	—	—	—	—	—	5 634	5 910	6 188
Agency services		1 829	—	—	—	—	—	—	—	1 829	1 918	2 009
Interest		—	—	—	—	—	—	—	—	—	—	—
Interest earned from Receivables		5 531	—	—	—	—	—	—	—	5 531	5 787	6 054
Interest earned from Current and Non Current Assets		1 158	—	—	—	—	—	—	—	1 158	1 215	1 272
Dividends		—	—	—	—	—	—	—	—	—	—	—
Rent on Land		—	—	—	—	—	—	—	—	—	—	—
Rental from Fixed Assets		196	—	—	—	—	—	—	—	196	205	215
Licence and permits		2 252	—	—	—	—	—	—	—	2 252	2 399	2 512
Operational Revenue		667	—	—	—	—	—	—	—	667	699	732
Non-Exchange Revenue												
Property rates		24 424	—	—	—	—	—	—	—	24 424	25 621	26 825
Surcharges and Taxes		—	—	—	—	—	—	—	—	—	—	—
Fines, penalties and forfeits		27	—	—	—	—	—	—	—	27	29	30
Licences or permits		—	—	—	—	—	—	—	—	—	—	—
Transfer and subsidies - Operational		138 420	—	—	—	—	—	—	—	138 420	142 614	136 784
Interest		6 318	—	—	—	—	—	—	—	6 318	6 628	6 939
Fuel Levy		—	—	—	—	—	—	—	—	—	—	—
Operational Revenue		—	—	—	—	—	—	—	—	—	—	—
Gains on disposal of Assets		—	—	—	—	—	—	—	—	—	—	—
Other Gains		—	—	—	—	—	—	—	—	—	—	—
Discontinued Operations		—	—	—	—	—	—	—	—	—	—	—
Total Revenue (excluding capital transfers and contributions)		240 449	—	—	—	—	—	—	—	240 449	249 665	248 861

- The operating revenue excluding capital transfers remains unchanged at R240m.
- The capital transfers have been adjusted upwards from R31m to R36m to make provision for the Disaster Recovery Grant.

Operational grants constitutes 57% of operating revenue; property rates and service charges 33% and other revenue 10%. This is an indication that the municipality is still heavily dependent on grants. Below is the graph depicting the split of total operating revenue.



The table below depicts the grants to be received by the Municipality during 2023/24 financial year.

Table: 2 (Grants and subsidies)

EC124 Amahlathi - Supporting Table SB7 Adjustments Budget - transfers and grant receipts -										
Description	Ref	Budget Year 2023/24							Budget Year +1 2024/25	Budget Year +2 2025/26
		Original Budget	Prior Adjusted	Multi-year capital	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	7 A1	8 B	9 C	10 D	11 E	12 F		
R thousands		A	A1	B	C	D	E	F		
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		136 692	-	-	-	-	-	136 692	142 614	136 784
Local Government Equitable Share		131 533					-	131 533	138 697	132 697
Finance Management		2 200					-	2 200	2 200	2 300
Municipal Systems Improvement		-					-	-	-	-
EPWP Incentive		1 310					-	1 310	-	-
PMU 5%		1 649					-	1 649	1 717	1 787
Disaster Relief Grant		-					-	-	-	-
Other transfers and grants [insert description]							-	-	-	-
Provincial Government:		1 728	-	-	-	-	-	1 728	-	-
Sport and Recreation		1 200					-	1 200	-	-
LED Promotions		-					-	-	-	-
Waste Grant 2m		-					-	-	-	-
Waste Grant 770k		-					-	-	-	-
Capacity		-					-	-	-	-
Recycling		-					-	-	-	-
Vuna Awards		-					-	-	-	-
Seta		528					-	528	-	-
Waste Grant 6m		-					-	-	-	-
Donation	4	-					-	-	-	-
Other transfers and grants [insert description]	5						-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]							-	-		
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]							-	-		
Total Operating Transfers and Grants	6	138 420	-	-	-	-	-	138 420	142 614	136 784
Capital Transfers and Grants										
National Government:		31 327	-	-	-	-	-	31 327	43 615	46 460
Municipal Infrastructure Grant (MIG)		31 327					-	31 327	32 615	33 960
INEP Grant							-	-	11 000	12 500
Disaster Grant							-	-		
Other capital transfers [insert description]							-	-		
Provincial Government:		-	-	-	-	-	-	-	-	-
Waste Grant R6m							-	-		
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]							-	-		
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]							-	-		
Total Capital Transfers and Grants	6	31 327	-	-	-	-	-	31 327	43 615	46 460
TOTAL RECEIPTS OF TRANSFERS & GRANTS		169 747	-	-	-	-	-	169 747	186 229	183 244

1.5 OPERATING EXPENDITURE FRAMEWORK

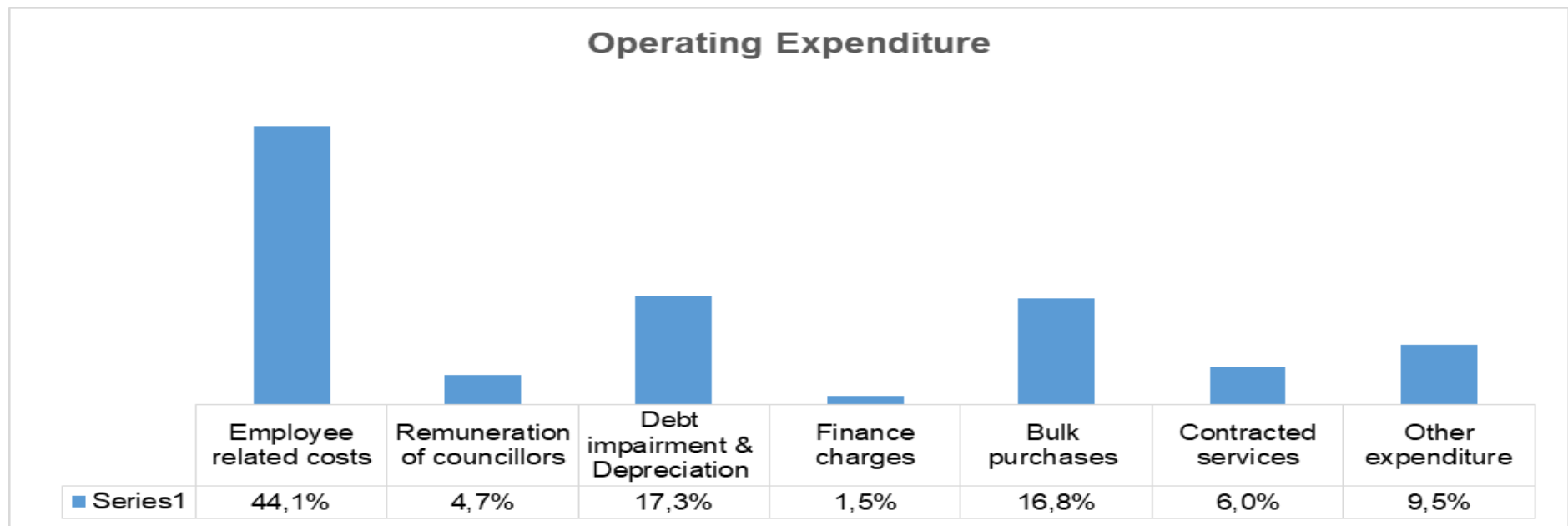
The table below depicts the high level summary of special adjustment budget classified per main type.

Table: 4 (Expenditure by Type)

EC124 Amahlathi - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -												
Description	Ref	Budget Year 2023/24									Budget Year +1 2024/25	Budget Year +2 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	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
R thousands	1	A	A1	B	C	D	E	F	G	H		
Expenditure By Type												
Employee related costs		134 985	—	—	—	—	—	—	—	134 985	112 687	112 687
Remuneration of councillors		14 329	—	—	—	—	—	—	—	14 329	14 329	14 329
Bulk purchases - electricity		51 433	—	—	—	—	—	—	—	51 433	53 799	56 273
Inventory consumed		247	—	—	—	—	—	—	—	247	247	247
Debt impairment		27 000	—	—	—	—	—	—	—	27 000	27 000	27 000
Depreciation and amortisation		26 000	—	—	—	—	—	—	—	26 000	26 000	26 000
Interest		4 500	—	—	—	—	—	—	—	4 500	4 721	4 942
Contracted services		18 230	—	—	—	—	—	210	210	18 440	17 832	18 543
Transfers and subsidies		—	—	—	—	—	—	—	—	—	—	—
Irrecoverable debts written off		—	—	—	—	—	—	—	—	—	—	—
Operational costs		28 815	—	—	—	—	—	40	40	28 855	29 466	31 783
Losses on disposal of Assets		—	—	—	—	—	—	—	—	—	—	—
Other Losses		—	—	—	—	—	—	—	—	—	—	—
		305 538	—	—	—	—	—	250	250	305 788	286 080	291 804
Surplus/(Deficit)		(65 089)	—	—	—	—	—	(250)	(250)	(65 339)	(36 415)	(42 943)
Transfers and subsidies - capital (monetary allocations)		31 327	—	—	—	—	—	4 700	4 700	36 027	43 615	46 460
Transfers and subsidies - capital (in-kind)		—	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after capital transfers & contributions		(33 762)	—	—	—	—	—	4 450	4 450	(29 312)	7 200	3 517
Income Tax		—	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after income tax		(33 762)	—	—	—	—	—	4 450	4 450	(29 312)	7 200	3 517
Share of Surplus/Deficit attributable to Joint Venture		—	—	—	—	—	—	—	—	—	—	—
Share of Surplus/Deficit attributable to Minorities		—	—	—	—	—	—	—	—	—	—	—
		(33 762)	—	—	—	—	—	4 450	4 450	(29 312)	7 200	3 517
Surplus/(Deficit) attributable to municipality												
Share of Surplus/Deficit attributable to Associate		—	—	—	—	—	—	—	—	—	—	—
Intercompany/Parent subsidiary transactions		—	—	—	—	—	—	—	—	—	—	—
Surplus/ (Deficit) for the year		(33 762)	—	—	—	—	—	4 450	4 450	(29 312)	7 200	3 517

- Contracted Services have been adjusted upwards from R18.2m to R18.4m; this is to provide for catering; transportation and hire costs for the state of municipal address.
- Other Expenditure have been adjusted upwards by R40 thousand to provide for branding for the state of municipal address.
- The overall operating expenditure adjustment amounts to R250 thousand.

Employee costs constitute 44.1% of operational expenditure; non-cash items constitute 17.3%; Bulk Purchases 16.8% and these are the expenditure items with bigger percentage share in operating expenditure. Below is the graph depicting the split of total operating expenditure.



1.6 CAPITAL EXPENDITURE

The following table provides a breakdown of budgeted capital expenditure by vote.

Table: 5 (Capital Expenditure by vote)

EC124 Amahlathi - Table B5 Adjustments Capital Expenditure Budget by vote and funding -												
Description	Ref	Budget Year 2023/24									Budget Year +1 2024/25	Budget Year +2 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		A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H		
Capital Expenditure - Functional												
Governance and administration		900	—	—	—	—	—	500	500	1 400	—	—
Executive and council		750						—	—	750	—	—
Finance and administration		150						500	500	650	—	—
Internal audit		—						—	—	—	—	—
Community and public safety		—	—	—	—	—	—	1 000	1 000	1 000	—	—
Community and social services		—						1 000	1 000	1 000	—	—
Sport and recreation		—						—	—	—	—	—
Public safety		—						—	—	—	—	—
Housing		—						—	—	—	—	—
Health		—						—	—	—	—	—
Economic and environmental services		31 427	—	—	—	—	—	5 050	5 050	36 477	32 615	33 960
Planning and development		31 377						4 700	4 700	36 077	32 615	33 960
Road transport		50						350	350	400	—	—
Environmental protection		—						—	—	—	—	—
Trading services		1 550	—	—	—	—	—	—	—	1 550	11 000	12 500
Energy sources		—						—	—	—	11 000	12 500
Water management		—						—	—	—	—	—
Waste water management		—						—	—	—	—	—
Waste management		1 550						—	—	1 550	—	—
Other		—						—	—	—	—	—
Total Capital Expenditure - Functional	3	33 877	—	—	—	—	—	6 550	6 550	40 427	43 615	46 460

Below is the adjusted 3 year Capital Plan:-

Project	Funding	2023/24	2024/25	2025/26
Keiskamahoe Recreation Center	MIG	10 938 004.91	-	-
Stutterheim Recreation Center	MIG	11 589 825.81	-	-
Surfacing of Carthcart Streets	MIG	1 083 956	-	-
Paving of Xhologha Internal Roads	MIG	2 275 240.97	13 246 800	5 250 000
Mlungisi Sports field	MIG	1 000 000	-	-
Mbaxa Community Hall	MIG	1 640 172.31	2 500 000	-
Frankfort Internal Roads	MIG	2 000 000	-	-
Izidenge Internal Roads	MIG	250 000	3 000 000	-
Pumulani Community Hall	MIG	250 000	3 000 000	-
Nqenge Internal Roads	MIG	150 000	2 000 000	-
Upgrading of the Stutterheim Recreational Park	MIG	-	-	449 650
Langdraai Community Hall	MIG	150 000	6 250 000	-
Stutterheim Streets Paving	MIG	-	450 000	10 000 000
Keiskammahoe Town Paving	MIG	-	450 000	4 000 000
Mandlakapheli Internal Roads	MIG	-	-	2 500 000
Amabele Paving	MIG	-	-	4 500 000
Keilands Roads	MIG	-	-	2 500 000
Mzamomhle Community Hall	MIG	-	-	-
Khayelitsha Community Hall	MIG	-	-	2 700 000
Waste Collection Truck	MIG	-	1 718 600	1 760 000
Greenfields Internal Roads	MIG	-	-	300 000
Upgrade Electricity Projects	INEP	-	11 000 000	12 500 000
Computer Equipment	Own Funds	350 000	-	-
Cage Trucks	Own Funds	1 500 000	-	-
Vehicle Mayor	Own Funds	700 000	-	-
Vehicle/Plant	Own Funds	350 000	-	-
Buildings	Own Funds	1 000 000	-	-
Furniture and Office Equipment	Own Funds	500 000	-	-
Forestway Project	Disaster Grant	3 450 000	-	-
Toise Project	Disaster Grant	1 250 000	-	-
Total		40 427 200	43 615 400	46 459 650

1.7 Annexures

- ✓ Signed Quality Certificate
- ✓ B Schedule
- ✓ Financial Recovery Plan
- ✓ Funding Plan