REPORT TO THE MUNICIPAL COUNCIL

SUBJECT : **2024/25 ADJUSTMENTS BUDGET (27 FEBRUARY 2025)**

DIRECTORATE : **FINANCE**

DEPARTMENT : **FINANCIAL MANAGEMENT**

AUTHORS : **S ROETS AND M CORNETT**

DATE : **7 FEBRUARY 2025**

FILE NO : **5/1/1 – 2024/25**

ITEM NUMBER : **R**

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1. Purpose of the report

The purpose of the report is to submit an adjustments budget for 2024/2025 to Council for approval as required by section 28 of the MFMA.

2. Background

In terms of section 28 of the MFMA and Regulation 23 of the Municipal Budget and Reporting Regulations (MBRR), Council must consider the main Adjustments Budget by latest 28 February 2025 and Adjustments Budget for additional allocations within 60 days of approval by the National or Provincial Adjustments budgets if additional allocations were made.

The 2024/25 annual roll-over Adjustment Budget was approved on 22 August 2024.

3. Legislative compliance

3.1 Section 28 of the MFMA stipulates inter alia the following:

In terms of section 28(1) of the MFMA a municipality may revise an approved annual budget through an adjustments budget.

(2) An adjustments budget –

(a) Must adjust the *revenue and expenditure estimates downwards* if *there is a material under-collection of revenue* during the 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 programmes already budgeted for.

3.2 Municipal Budget and Reporting regulation 23(1) and (3)

Regulation 23(1) of the MBRR stipulates that an adjustments budget referred to in section 28(2)(b), (d) and (f) may be tabled in the municipal council at any time after the mid-year budget and performance assessment has been tabled in the council but not later than 28 February of the current financial year.

MBRR 23(3) stipulates that if National or Provincial Adjustments Budgets allocates or transfers additional revenues to the municipality, the mayor of the municipality must at the next available council meeting, but not later than 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.

4. Adjustments budget

4.1 Mayors Report

a) The municipal budget is adjusted to reflect more realistic revenue and expenditure projections based on the mid-year budget assessment.

b) As identified by departments, certain capital projects that will not start or be finalised is herewith reduced and will be considered in the 2025/26 MTREF.

c) It is therefore recommended that council approves the adjustments budget and revised SDBIP for the 2024/2025 financial year as tabled herewith.

4.2 Resolutions

The recommendations at the end of the report contain the prescribed recommended resolutions as required in terms of the MBRR.

4.3 Executive summary

An adjustment budget is necessary after the budget has been assessed and amended in terms of section 72 of the MFMA.

4.3.1 Total Budget summary

The total adjusted expenditure decreases **from R2.282 billion** to **R2.119 billion.**

TABLE 1: SUMMARY OPERATING AND CAPITAL BUDGET

	2023/24 Final ADJB	2024/25 ORGB	ADJB Nov 2024	Adjustments Feb 2025	ADJB Feb 2025
	R	R	R	R	R
Operating revenue	1,559,708,513	1,542,695,776	1,546,783,590	(19,792,459)	1,526,991,131
Grants	212,750,987	248,526,383	278,001,139	(47,724,808)	230,276,331
Total revenue	**1,772,459,500**	**1,791,222,159**	**1,824,784,729**	**(67,517,267)**	**1,757,267,462**
Capital expenditure	333,252,764	326,852,540	431,054,503	(95,021,816)	336,032,687
Operating expenditure	1,597,320,515	1,825,844,325	1,851,050,462	(67,892,948)	1,783,157,514
Total expenditure	**1,930,573,279**	**2,152,696,865**	**2,282,104,965**	**(162,914,764)**	**2,119,190,201**

4.3.2 Operating Budget

The Operating Revenue decreases from R1.824 billion to R1.757 billion, whilst the Operating Expenditure decreases from R1.851 billion to R1.783 billion. The nett result of the operating adjustment budget reflected on the B1 schedule changes from a deficit of R26.3 million to a deficit of R25.9 million.

Summaries of adjustments to the operating budget for 2024/2025 are reflected in the tables below:

TABLE 2: OPERATING REVENUE

	Final 2023/24 Adjustment budget	2024/25 ORGB	ADJB Nov 2024	Adjustments Feb 2025	ADJB Feb 2025
Revenue: Exchange	**R**	**R**	**R**	**R**	**R**
Service charges - Electricity	501,454,168	567,145,818	567,145,818	(7,263,000)	559,882,818
Service charges - Water	172,644,313	183,003,213	183,003,213	3,600,000	186,603,213
Service charges - Waste water management	92,904,654	99,731,918	99,731,918	1,520,000	101,251,918
Service charges - Waste management	85,428,283	90,554,172	90,554,172	4,800,000	95,354,172
Sale of goods and rendering of services	20,301,929	57,426,213	61,514,027	(33,825,642)	27,688,385
Agency services	10,026,113	10,527,432	10,527,432	-	10,527,432
Interest earned from receivables	13,619,567	13,222,696	13,222,696	-	13,222,696
Interest earned from current and non current assets	71,085,284	72,243,257	72,243,257	5,000,000	77,243,257
Rental from fixed assets	14,578,889	15,308,159	15,308,159	-	15,308,159
Licence and permits	1,470,158	1,543,705	1,543,705	-	1,543,705
Operational revenue exchange	27,041,445	8,227,587	8,227,587	1,483,181	9,710,768
Revenue: Non-exchange					
Property rates	327,260,279	352,786,901	352,786,901	4,600,000	357,386,901
Fines, penalties and forfeits	24,244,843	26,665,636	26,665,636	-	26,665,636
Licences or permits	4,548	4,777	4,777	-	4,777
Transfer and subsidies - operational	156,712,363	160,877,352	181,995,675	(21,115,153)	160,880,522
Interest-non exchange	5,537,647	6,854,756	6,854,756	2,038,002	8,892,758
Operational revenue	35,394,030	37,449,536	37,449,536	(1,745,000)	35,704,536
Gains				-	-
Total revenue (excl. capital grants)	**1,559,708,513**	**1,703,573,128**	**1,728,779,265**	**(40,907,612)**	**1,687,871,653**
Transfers and subsidies - capital	56,038,624	87,649,031	96,005,464	(26,609,655)	69,395,809
Transfers and subsidies - capital (in-kind)				-	
Total revenue (incl. capital grants)	**1,615,747,137**	**1,791,222,159**	**1,824,784,729**	**(67,517,267)**	**1,757,267,462**

The most significant increases and reductions in revenue is as follows:

- Electricity revenue is anticipated to decrease with R7.2 million to R559.8 million.
- Water revenue is anticipated to increase with R3.6 million to R186.6 million.
- Waste-Water revenue is anticipated to increase with R1.5 million to R101.2 million.
- Waste revenue is anticipated to increase with R4.8 million to R95.3 million.
- Sale of goods and rendering of services is anticipated to decrease due to the adjustment of housing top structures allocated under this item.
- Interest on investments increases further with R5 million to R77.2 million due to the slow spending of the capital budget which made more funds available to be invested.
- Operational revenue exchange increases with R1.4 million to R 9.7 million due to additional development charges and an insurance refund received.

- Transfers and subsidies: operational decreases with R21.1 million mainly due to the reduction of the housing grant.

TABLE 3: OPERATING EXPENDITURE

	Final 2023/24 Adjustment budget	2024/25 ORGB	ADJB Nov 2024	Adjustments Feb 2025	ADJB Feb 2025
Less: Expenditure					
Employee related costs	525,658,674	565,839,877	565,839,877	(2,981,308)	562,858,569
Remuneration of councillors	15,330,799	16,097,339	16,097,339	-	16,097,339
Bulk purchases - electricity	420,326,740	473,708,236	473,708,236	-	473,708,236
Inventory consumed	125,795,803	147,581,254	148,464,581	(5,938,343)	142,526,238
Debt impairment	2,021,858	2,154,758	2,154,758	-	2,154,758
Depreciation and amortisation	177,512,277	195,597,312	195,597,312	-	195,597,312
Interest expenditure	21,113,767	19,528,980	19,528,980	(49)	19,528,931
Contracted services	171,375,034	245,713,363	271,052,773	(56,378,638)	214,674,135
Transfers and subsidies	1,802,996	1,499,507	1,499,507	-	1,499,507
Irrecoverable debts written-off	32,067,818	33,611,052	33,611,052	(4,266,831)	29,344,221
Operational costs	94,926,093	111,038,243	110,021,643	(2,192,369)	107,829,274
Losses on disposal of assets	-	-	-	77,763	77,763
Other losses	9,388,656	13,474,404	13,474,404	3,786,827	17,261,231
Total expenditure	**1,597,320,515**	**1,825,844,325**	**1,851,050,462**	**(67,892,948)**	**1,783,157,514**
Surplus/ (Deficit)	**18,426,622**	**(34,622,166)**	**(26,265,733)**	**375,681**	**(25,890,052)**

The most significant amendments to operating expenditure are as follows:

- Employee related costs decreases with R2.9 million to R562.8 million due to the reduction of new positions in the original budget.
- Inventory consumed decrease with R5.8 million to R142.5 million.
- Bad debt written-off reduce with R 4.26 million to R29.3 million.
- Contracted services in total decreases with R56.6 million from R271 million to R214.4 million.
- Operational cost decreases with R2.2 million from R110 million to R 107.8 million. The major changes in operational cost are as follows:

TABLE 4: OPERATIONAL COST

	2024/25 ORGB	ADJB Nov 2024	Adjustments Feb 2025	ADJB Feb 2025
Operational costs	**111,038,243**	**110,021,643**	**(2,192,369)**	**107,829,274**
External audit fees	5,876,357	5,876,357	(250,000)	5,626,357
Protective clothing	4,414,863	4,304,863	417,000	4,721,863
Insurance underwriting	8,692,629	8,292,629	(3,118,515)	5,174,114
Travel and subsistence	2,109,707	2,183,207	(283,048)	1,900,159
Other operational cost	89,944,687	89,364,587	1,042,194	90,406,781

TABLE 5: RECONCILIATION OF CASH BACKED DEPRECIATION TO CRR

	2024/25 ORGB	ADJB Nov 2024	Adjustments Feb 2025	ADJB Feb 2025
Operating Surplus / - Deficit	**(34,622,166)**	**(26,265,733)**	**375,681**	**(25,890,052)**
Below the line:		-		
Less: Capital grants	(87,649,031)	(96,005,464)	26,609,655	(69,395,809)
Plus: Depreciation	195,597,312	195,597,312	-	195,597,312
Less: Development charges	(10,213,039)	(10,213,039)	4,462,239	(5,750,800)
Less: Redemption loans	(11,321,411)	(11,321,411)	(1,155,659)	(12,477,070)
Cash back depreciation to CRR	**51,791,665**	**51,791,665**	**30,291,916**	**82,083,581**

The table above reflects the amount of depreciation that is cash-backed and transferred to the CRR for capital replacement. This amount increases from R51.8 million to R82.1 million as result of the changes to the operating budget.

An extraordinary Gazette (no 9021) was issued by the Provincial Minister of Finance, Mr. D M Baartman on 21 January 2025, whereby an additional amount of R510 000 was allocated to the municipality. The allocation for the Human settlement grant was decreased with R35.6 million. The municipality further decreased the Human settlement grant allocation where it is already foreseen that projects will not be implemented in the current year. The MIG grant was reduced with R18 000 in the Division of revenue amendment bill that was published on 12 September 2024. The effect of the additional funding and other grant adjustments on the operating - and capital budget is as follow:

TABLE 6: NATIONAL GRANTS SUMMARY

	Classification	2024/25 ORGB	ADJB Nov 2024	Declined Roll-overs	Grant Adjustments	Department Adjustments	ADJB Feb 2025
Finance management grant	Operating	1,600,000	1,600,000	-	-	-	1,600,000
Municipal infrastructure grant	Capital	21,019,700	22,755,277	(1,735,577)	(18,000)	-	21,001,700
Municipal infrastructure grant	Operating	1,106,300	1,106,300	-	-	-	1,106,300
Integrated eletrification programme	Capital	23,361,000	23,361,000	-	-	-	23,361,000
Energy efficiency and demand side management grant	Capital	-	-	-	-	-	-
Expanded public works programme	Operating	1,368,000	1,368,000	-	-	-	1,368,000
Equitable share	Operating	138,465,000	138,465,000	-	-	-	138,465,000
Total National DORA grants		**186,920,000**	**188,655,577**	**(1,735,577)**	**(18,000)**	**-**	**186,902,000**

TABLE 7: PROVINCIAL GRANTS SUMMARY

Provincial Allocations	Classification	2024/25 ORGB	ADJB Nov 2024	Declined Roll-overs	Grant Adjustments	Department Adjustments	ADJB Feb 2025
Housing and human settlement	Operating	47,267,671	66,921,221	(175,201)	(14,078,048)	(31,178,508)	21,489,464
Housing and human settlement	Capital	28,897,794	34,657,090	-	(13,602,952)	(2,337,636)	18,716,502
Informal settlements upgrading partnership	Capital	14,370,537	15,054,899	-	(7,956,000)	(894,272)	6,204,627
Cultural affairs: Library service	Operating	8,728,000	8,728,000	-	-	-	8,728,000
Cultural affairs: Library service	Capital	-	177,198	-	-	(65,218)	111,980
Community development worker grant	Operating	76,000	76,000	-	-	-	76,000
Title deeds restoration	Operating	275,000	275,000	-	110,000	-	385,000
Proclaimed main roads grant	Operating	130,000	130,000	-	(5,000)	-	125,000
Informal settlements upgrading partnership	Operating	6,562,998	11,606,586	-	-	(8,966,036)	2,640,550
Municipal service delivery and capacity building grant	Operating	-	508,999	-	250,000	-	758,999
WC Financial management capability grant (FMCG)	Operating	1,000,000	1,000,000	-	150,000	-	1,150,000
Total Provincial grants		**107,308,000**	**139,134,993**	**(175,201)**	**(35,132,000)**	**(43,441,670)**	**60,386,122**

An amount of R17.9 million of operating housing grants is allocated under construction contract revenue in terms of GRAP, which forms part of Sales of Goods and Rendering of Services in terms of the B Schedules.

TABLE 8: OTHER GRANTS

Other Grants	Classification	2024/25 ORGB	ADJB Nov 2024	Declined Roll-overs	Grant Adjustments	Department Adjustments	ADJB Feb 2025
SETA grants	Operating	881,051	881,051	-	-	-	881,051
Total other grants		**881,051**		**-**	**-**	**-**	**881,051**

TABLE 9: SPLIT BETWEEN OPERATING AND CAPITAL GRANTS

	Classification	2024/25 ORGB	ADJB Nov 2024	Declined Roll-overs	Grant Adjustments	Department Adjustments	ADJB Feb 2025
Operating grants	Operating	207,460,020	232,666,157	(175,201)	(13,573,048)	(40,144,544)	178,773,364
Capital grants	Capital	87,649,031	96,005,464	(1,735,577)	(21,576,952)	(3,297,126)	69,395,809
Total grants		**295,109,051**	**328,671,621**	**(1,910,778)**	**(35,150,000)**	**(43,441,670)**	**248,169,173**

4.3.2.1 Employment costs

Employee related costs is decreased with R3 million to R562.9 million.

4.3.3 Capital Budget

The detail of the adjustments is contained in **“Annexure A.”**

The capital budget decreases from **R431** million to **R336** million mostly due to capital projects that will not be completed at 30 June 2025.

Below in table 10 is a summary of the capital budget per directorate:

TABLE 10: CAPITAL BUDGET PER VOTE (DIRECTORATE)

Directorate	Final 2023/24 Adjustment budget	2024/25 ORGB	ADJB Nov 2024	Adjustments Feb 2025	ADJB Feb 2025
Finance	1,265,171	794,708	858,260	(295,972)	562,288
Community & Operational Services	26,367,138	12,870,083	21,662,594	(1,905,577)	19,757,017
Infrastructure & Planning Services	187,927,462	203,410,077	268,877,429	(71,645,635)	197,231,794
Corporate & Protection Services	40,804,284	28,545,103	42,552,848	(12,123,655)	30,429,193
Office of the Municipal Manager	192,013	1,085,010	1,085,010	(1,000,000)	85,010
Council	50,000	-	-	-	-
Economic Development and Strategic Services	14,778,985	15,053,938	18,469,384	(5,495,006)	12,974,378
Energy and Electro Technical Services	61,867,711	65,093,621	77,548,978	(2,555,971)	74,993,007
Total	**333,252,764**	**326,852,540**	**431,054,503**	**(95,021,816)**	**336,032,687**

The major adjustments are in the Infrastructure and Planning Services directorate where various projects have been reduced to be included in the 2025/26 budget.

Below in table 11 is a summary of the capital budget by funding source:

TABLE 11: FUNDING SOURCES OF CAPITAL BUDGET

Funding Source	Final 2023/24 ADJB	2024/25 ORGB	ADJB Nov 2024	Adjustments Feb 2025	ADJB Feb 2025
Capital replacement reserve	267,437,456	239,203,509	329,117,300	(67,391,164)	261,726,136
External borrowings	9,776,706	-	5,931,739	(1,020,997)	4,910,742
Informal settlements upgrading partnership grant	2,049,995	14,370,537	15,054,899	(8,850,272)	6,204,627
Integrated national electricity programme	11,524,000	23,361,000	23,361,000	-	23,361,000
Municipal infrastructure grant	26,206,550	21,019,700	22,755,277	(1,753,577)	21,001,700
Human Settlement	11,252,914	28,897,794	34,657,090	(15,940,588)	18,716,502
Municiapl library support	500,000	-	177,198	(65,218)	111,980
Energy efficiency and demand-side management grant	4,000,000	-	-	-	-
Municipal service delivery capacity grant	505,143	-	-	-	-
Total	**333,252,764**	**326,852,540**	**431,054,503**	**(95,021,816)**	**336,032,687**

4.4 Adjustment budget tables

The prescribed Budget schedules as required in terms of the municipal budget and reporting regulations (MBRR) for this Adjustment budget is attached as Annexure "B" to this report.

5. Funding of Budget

5.1 Impact of adjustments budget

The total budget remains funded as per various summaries included in 4.3 in this report as well as Budget schedule B 8.

5.2. Capital Replacement Reserve

The most significant changes are that certain capital projects identified by departments that will not commence for various reasons, is reduced in this adjustments budget and will be included in the 2025/2026 budget.

The status of the capital replacement reserve is as per table12 below:

TABLE 12: STATUS OF CAPITAL REPLACEMENT RESERVE

	2021/2022 Actual	**2022/23 Actual**	**2023/24 Actual**	**ADJB Jan 2025**
Opening balance on 1 July	**258,361,537**	**335,088,476**	**369,347,577**	**405,298,243**
Plus: Contributions				
Cash backed depreciation	91,361,115	101,000,000	120,000,000	82,083,581
Additional transfer from accumulated surplus	82,379,350	80,340,550	76,300,450	64,916,419
Development charges-in-cash	7,742,288	21,662,670	13,032,576	5,750,800
Employee benefits obligation	(4,379,351)	(5,340,550)	(5,300,450)	-
Transfer to Insurance reserve	(6,000,000)	(1,000,000)	(1,000,000)	-
Less: Capital Spending	(94,376,463)	(162,403,569)	(167,081,910)	(261,726,136)
Closing balance on 30 June	**335,088,476**	**369,347,577**	**405,298,243**	**296,322,907**

5.3 Application of Cash and Investments

TABLE 13: APPLICATION OF CASH AND INVESTMENTS

	Actual	Actual	Section 71 report
	30 June 2023	30 June 2024	31 Dec 2024
Item			
Cash and cash equivalents	**128,808,426**	**138,259,296**	**166,861,186**
Investments	**652,836,694**	**709,805,215**	**720,377,497**
Commitments	**(673,870,777)**	**(752,523,410)**	**(741,607,820)**
Unspent conditional grants	(9,420,362)	(28,110,792)	(18,600,212)
Contract revenue received in advance	(238,313)	(8,862,842)	(12,861,515)
Housing development funds	(3,412,120)	(3,475,514)	(3,475,514)
Unspent loans	(9,776,709)	(5,931,741)	(5,931,741)
Loan repayment due	(11,321,411)	(12,477,070)	(6,464,520)
Provision for environmental rehabilitation	(59,894,940)	(58,741,392)	(61,757,184)
Employee benefit obligation	(168,457,295)	(183,559,405)	(187,978,672)
Self insurance funds	(7,000,000)	(8,000,000)	(8,000,000)
Consumer deposits	(35,002,050)	(38,066,411)	(39,610,631)
Capital replacement reserve that includes:	**(369,347,577)**	**(405,298,243)**	**(396,927,831)**
-Capital Replacements	(230,304,190)	(253,069,193)	(237,540,633)
-Capital Contributions	(70,228,953)	(83,261,529)	(86,435,139)
-New building reserve	(60,000,000)	(60,000,000)	(59,805,597)
-Property sales proceeds	(8,814,434)	(8,967,521)	(13,146,462)
Working capital (A+B-C=D)	**107,774,343**	**95,541,101**	**145,630,863**

The allocation of cash and cash equivalents to unspent conditional grants, reserves, provisions and other and liabilities as well as the available working capital as stipulated in the Cash management and investment policy is reflected in table 13 above.

6. Changes to the Service Delivery and Budget Implementation Plan (SDBIP)

Section 54 (1) of the MFMA the mayor must amongst others consider upon receipt of the section 71 or 72 reports consider and if necessary, make changes to the service delivery and budget implementation plan, provided that revisions to the SDBIP and performance indicators in the plan may only be made with the approval of the council following approval of an adjustments budget.

Therefore, due to material changes in the budget through this adjustments budget certain financial performance targets and performance indicators is necessitated. These changes are contained in the Budget schedules SB3, SB12, SB15 and SB16 included in Annexure "B" to the report. The quarterly targets are equal to the sum of monthly targets for each quarter as contained in SB12, SB14 and SB16).

7. Attachments

(a) **Annexure "A1"** Summaries capital budget;

(b) **Annexure "A2"** Adjustments capital budget per department;

(c) **Annexure "A3"** Adjustments capital budget per ward;

(d) **Annexure "B''** MBRR prescribed B Budget schedules;

(e) **Annexure "C"** Signed quality certificate,

(f) **Annexure "D"** Government gazette.

(g) **Annexure "E"** Division of revenue amendment bill

8. Recommendations

It is recommended:

i. That the report be noted;

ii. That the individual capital projects as contained in the following detail of the Adjustments Capital Budget for 2024/25, supportive of the B-Schedules and other annexures, be approved:

- **Annexure A1: Summaries capital budget;**
- **Annexure A2: Detail capital budget per department;**
- **Annexure A3: Adjustments capital budget per ward;**

iii. That the funding of the capital budget contained in this report and annexures be approved;

iv. That the adjustments budget for 2024/2025 as contained in the prescribed budget schedules in **Annexure "B"**, be approved and submitted to National Treasury and Provincial Treasury: Western Cape;

v. That the signed quality certificate attached as **Annexure "C"** be noted;

vi. That the additional allocations included in the government gazette in **Annexure "D"** be noted;

vii. That the revised targets in the service delivery and budget implantation plan as per SB3 as well as monthly and quarterly (Quarterly targets are equal to the sum of monthly targets for each quarter as contained in SB12, SB14 and SB16) service delivery targets be approved; and

viii. That the Adjustments budget and revised SDBIP be made public within 10 working days after the approval by council as required in terms of MBRR 26.

7 Feb 2025

MS MANDY CORNETT
MANAGER: BUDGETING

DATE

07 February 2025

MR SYBRAND ROETS
SENIOR MANAGER: FINANCIAL MANAGEMENT

DATE

Stefan Vorster

11 February 2025

MR S VORSTER

CHIEF FINANCIAL OFFICER

DATE