SUBMISSION OF THE 2025/2026 OPERATIONAL AND CAPITAL ADJUSTMENT BUDGET

REPORT OF THE EXECUTIVE MAYOR

1. PURPOSE

To table to Council the adjustment budget in terms of section 28 of the Municipal Finance Management Act no 56 of 2003 for the 2025/26 financial year.

2. BACKGROUND

The Municipal Finance Management Act 56 of 2003 requires council to revise an approved budget through an adjustment budgets under certain circumstances and conditions.

Section 28 of the Municipal Finance Management Act reads as follows:

1. 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 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 programmes already budgeted for;
c) may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
d) may authorise the utilisation of projected savings in one vote towards spending under another vote;
e) 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;
f) may correct any errors in the annual budget; and
g) may provide for any other expenditure within a prescribed framework.

3. An adjustments budget must be in a prescribed form.
   1. Only the mayor may table an adjustments budget in the municipal Council, but an adjustments budget in terms of subsection (2)*(b)* to *(g)* may only be tabled within any prescribed limitations as to timing frequency.

4. When an adjustments budget is tabled, it must be accompanied by—

(a) an explanation 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; and
(d) any other supporting documentation that may be prescribed.

5. Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.
6. Sections 22*(b)*, 23(3) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustments budget.

The format and contents of the adjustment budget and supporting documentation must be in the format as specified in Schedule B of the Municipal Budget and Reporting Regulations. In addition to the above, the tariffs charges and municipal taxes may not be increased during the financial year except when required in terms of a financial recovery plan.

3. DISCUSSION

The adjustment budget has been prepared in terms of Section 28 of the MFMA to ensure that the appropriation of funds is realistic and is assisting the municipality to spend and deliver on the programs. The aspects that impacted on compiling the adjustment budget is for the shifting of funds between the votes to avoid overspending.

The following table summarises the outcome of the 2025/26 Adjustment Budget:

Table 1: Consolidated overview of the 2025/26 Adjustment Budget

Summary

Description	Budget 2025/26	Adjustments	Final Budget
Total Operating Revenue	R 578 342 000.00	-R 35 085 668.00	R 543 256 332.00
Total Operating Expenditure	R 540 679 000.00	-R 10 700 000.00	R 529 979 000.00
Surplus /(Deficit) for year before capital grants & transfers	**R 37 663 000.00**	**-R 24 385 668.00**	**R 13 277 332.00**
Transfers & Subsidies - (Monetary allocations) Grants	R 68 878 000.00	R 11 600 000.00	R 80 478 000.00
Net surplus/(deficit) after capital grants and transfers	**R 106 541 000.00**	**-R 12 785 668.00**	**R 93 755 332.00**

3.1. Revenue

R thousands	Original Budget	Adjustment Budget	Final Budget	Comment
Exchange Revenue				
Service charges: Electricity	R 106 318 000.00	R -	R 106 318 000.00	There is no adjustment proposed for this revenue line item.
Service charges: water	R 39 665 000.00	R -	R 39 665 000.00	There is no adjustment proposed

				for this revenue line item.
Service charges: wastewater management	R 53 483 000.00	-R 30 948 085.00	R 22 534 915.00	This is the removal of the 60% water consumption charge tariff
Service charges: waste management	R 12 443 000.00	R 2 000 000.00	R 14 443 000.00	To make provision for the over performance on this revenue line item
Sale of goods and rendering of services	R 708 000.00	R 30 000.00	R 738 000.00	To make provision for the over performance on this revenue line item
Agency services	R 7 510 000.00	-R 7 510 000.00	R -	This function has been moved to the Department of Licensing
Interest earned from receivables	R 71 516 000.00	-R 27 758 044.00	R 43 757 956.00	This is due to a reclassification between the exchange and non-exchange interest
Interest earned from Current and Non-current assets	R 3 650 000.00	R -	R 3 650 000.00	There is no adjustment proposed for this revenue line item.
Rental from fixed assets	R 2 713 000.00		R 2 713 000.00	There is no adjustment proposed for this revenue line item.
Operational revenue	R 3 812 000.00	R 1 008 000.00	R 4 820 000.00	To make provision for the over performance on this revenue line item
Non-Exchange Revenue				
Property rates	R 94 482 000.00	R -	R 94 482 000.00	There is no adjustment proposed for this revenue line item.
Licences and permits	R 10 000.00	R -	R 10 000.00	There is no adjustment proposed for this revenue line item.
Fines and penalties	R 470 000.00	R -	R 470 000.00	There is no adjustment proposed for this revenue line item.
Transfers and subsidies	R 178 878 000.00	R 334 417.00	R 179 212 417.00	This is the approved roll-over for the data cleansing grant

Interest	R -	R 27 758 044.00	R 27 758 044.00	This is due to a reclassification between the exchange and non-exchange interest
Gains on disposal of assets	R 2 684 000.00	R -	R 2 684 000.00	There is no adjustment proposed for this revenue line item.
Total Revenue	**R 578 342 000.00**	**-R 35 085 668.00**	**R 543 256 332.00**	

3.2 Expenditure

Description	Original Budget	Adjustment Budget	Final Budget	Comment
Employee related costs	R 122 881 000.00	-R1 500 000.00	R 121 381 000.00	R1.5million has been moved to contracted services to co-fund the EPWP for the second intake
Remuneration of councillors	R 11 318 000.00	R -	R 11 318 000.00	There is no adjustment proposed for this expenditure line item.
Debt impairment	R 101 616 000.00	R -	R 101 616 000.00	There is no adjustment proposed for this expenditure line item.
Depreciation and asset impairment	R 61 859 000.00	-R 1 000 000.00	R 60 859 000.00	This line item was over budgeted for.
Interest	R 9 000 000.00	R -	R 9 000 000.00	There is no adjustment proposed for this expenditure line item.
Bulk purchases	R 118 160 000.00	-R17 719 452.31	R 100 440 547.69	This is the reclassification between the Eskom bulk purchases and the Eskom operational costs
Inventory Consumed	R 40 897 000.00	-R 5 000 000.00	R 35 897 000.00	This line item was over budgeted for.
Contracted services	R 36 306 000.00	R1 500 000.00	R 37 806 000.00	The adjustment of R1.5million is to co-fund the EPWP second intake

Irrecoverable debts written off	R 5 495 000.00	R -	R 5 495 000.00	There is no adjustment proposed for this expenditure line item.
Operational costs	R 33 147 000.00	R 13 019 452.31	R 46 166 452.31	This is to cover for the operational costs for Eskom and bank charges
Total Expenditure	**R 540 679 000.00**	**-R10 700 000.00**	**R 529 979 000.00**	

3.4 Grants

Details	Original Budget	Adjustment Budget	Final Budget	Comment
Municipal Infrastructure Grant	R 31 519 000.00	R -	R 31 519 000.00	There is no adjustment proposed for this grant.
Expanded Public Works Program	R 2 206 000.00	R -	R 2 206 000.00	There is no adjustment proposed for this grant.
Financial Management Grant	R 2 400 000.00	R -	R 2 400 000.00	There is no adjustment proposed for this grant.
Water Services Infrastructure Grant	R 38 935 000.00	R 5 541 849.54	R 44 476 849.54	Approved 2024/25 roll-over application
Equitable Share	R 172 696 000.00		R 172 696 000.00	There is no adjustment proposed for this grant.
Integrated National Electrification Programme Grant	R -	R 6 067 606.35	R 6 067 606.35	Approved 2024/25 roll-over application
Total	**R 247 756 000.00**	**R 11 609 455.89**	**R 259 365 455.89**	

3.5 CAPITAL BUDGET

a) MIG Projects

Project Description	Original Budget	Adjustment Budget	Final Budget	Comment
Refurbishment of Volksrust Water Treatment Plant (Ward 4)	R 3 000 000.00	R -	R 3 000 000.00	There is no adjustment proposed.
Construction of Toilet Top Structures in Ward 7 and 8	R 2 000 000.00	R -	R 2 000 000.00	There is no adjustment proposed.

Refurbishment Construction of Roads Ward 3	R 2 500 000.00	R -	R 2 500 000.00	There is no adjustment proposed.
Construction of water and Sewer Reticulation in Ward 7 and 8	R 2 000 000.00	R -	R 2 000 000.00	There is no adjustment proposed.
THE REFURBISHMENT OF HOOF AND BETA METAL PUMP STATIONS IN WARD 3	R 5 000 000.00	R -	R 5 000 000.00	There is no adjustment proposed.
Construction of sewer reticulation in Vukuzakhe (ward 2)	R 3 000 000.00	R -	R 3 000 000.00	There is no adjustment proposed.
Construction of Roads in Daggakraal Ward 9, 10 and 11	R 6 000 000.00	R -	R 6 000 000.00	There is no adjustment proposed.
Construction of sewer reticulation in Ward 1	R 2 500 000.00	R -	R 2 500 000.00	There is no adjustment proposed.
Completion of toilet top structures in Perdekop in Ward 6	R 2 000 000.00	R -	R 2 000 000.00	There is no adjustment proposed.
Construction Roads in Wakkerstroom Ward 5	R 1 943 050.00	R -	R 1 943 050.00	There is no adjustment proposed.
PMU Admin Costs	R 1 575 950.00	R -	R 1 575 950.00	There is no adjustment proposed.
Total	**R31 519 000.00**	**R -**	**R 31 519 000.00**	

b) Water Services Infrastructure Grant (WSIG)

Project	Original Budget	Adjustment Budget	Final Budget	Comment
Sewer Reticulation in Amersfoort town	R 38 935 000.00	R 5 541 849.54	R 44 476 849.54	Approved 2024/25 roll-over application

c) INEP projects

Projects	Original Budget	Adjustment Budget	Final Budget	Comment
Electrification of houses in Vukuzakhe	R -	R 6 067 606.35	R 6 067 606.35	Approved 2024/25 roll-over application

d) Internally Funded Projects

Projects	Original Budget	Adjustment Budget	Final Budget	Comment
Procurement of service delivery vehicles	R800 000.00	R -	R800 000.00	There is no adjustment proposed.

Rehabilitation of roads in Volksrust Ward 4	R3 500 000.00	R -	R3 500 000.00	There is no adjustment proposed.

4. ATTACHMENTS

a) Adjustment budget workings
b) 2024/25 approved roll-over

RECOMMENDATIONS

1. THAT the 2025/2026 financial year adjustment budget report be noted

2. THAT the adjustment budget, inclusive of changes in terms of section: 28(2) of the MFMA be approved.

3. THAT it be noted that there are no changes to any budget related policies and tariffs.

4. THAT changes should be effected in IDP/SDBIP based on the approved adjustment budget.

5. THAT Council takes note of the 2024/25 approved roll-over on the INEP and WSIG grants.