

Ubuntu Municipality



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ubuntu • ithemba • izithethe
humanity • hope • heritage*

ADJUSTMENT BUDGET 2024/25

1. INTRODUCTION

Section 28 of the MFMA determines that:

“(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 format [Schedules B1 to B10 attached as Appendix A to the Adjustments Budget Report]. Adjustments Budget 2024/2025

(4) 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 and frequency [on or before 28 February 2025].

The annual operating and capital budget have been evaluated and adjusted based on the abovementioned legislative requirements.

2. Council Resolutions

The Council of Ubuntu Municipality, acting in terms of section 28 (2) of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

1.1. The annual budget adjustments of the municipality for the financial year 2024/2025 and the multi-year and single-year capital appropriations as set out in the following tables in part 1.8 of this report

1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table B2;

- 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table B3;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table B4; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table B5.
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables in part 1.4 of this report:
- 1.2.1. Budgeted Financial Position as contained in Table B6;
 - 1.2.2. Budgeted Cash Flows as contained in Table B7;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table B8;
 - 1.2.4. Asset management as contained in Table B9; and
2. The Council of Ubuntu Municipality take note of the fact that adjusted budget is funded.
3. The adjustment budget is adopted on 28 February 2025.

3. EXECUTIVE SUMMARY

This report is a summary of the main budget issues arising from the in-year monitoring processes and the municipality's performance. It compares the process of the budget to the projections contained in the Service Delivery and Budget Implementation Plan (SDBIP). No taxes or tariffs are to be adjusted.

The table below is the original budget and the proposed adjustment for the 2024/2025.

Description	Original Budget 2024/25 R'000	Adjustment Budget 2024/25 R'000
Total Revenue (Excluding Capital Transfers)	177 790	171 647
Total Operating Expenditure	177 570	171 288
Total Capital Expenditure	30 872	39 403
Surplus/ (Deficit)	220	359

The 2024/25 proposed adjustment is a downward adjustment as the anticipated revenue has decreased from R 177 790 to R 171 647 and the anticipated expenditure decrease from R 177 570 to R 171 288 due to certain line items being over budgeted for. Fines, Other Revenue and Service Charges - Electricity were over budgeted for on Revenue. Finance Cost, Other Materials and Depreciation were over budgeted for on Expenditure. Total capital grant expenditure will increase from R 30 872 to R 39 403 due to installation of high mass light in Loxton, with the adjustment supplemented by municipal own funds.

3.1 Revenue adjustment by line

NC071 Ubuntu - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -

Description	Ref	Budget Year 2024/25									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	+1 2025/26	+2 2026/27
R thousands	1	A	A1	B	C	D	E	F	G	H		
Revenue By Source												
Exchange Revenue												
Service charges - Electricity	2	26 284	-	-	-	-	-	(2 000)	(2 000)	24 284	27 861	29 532
Service charges - Water	2	18 063	-	-	-	-	-	-	-	18 063	19 146	20 295
Service charges - Waste Water Management	2	4 714	-	-	-	-	-	-	-	4 714	4 997	5 297
Service charges - Waste Management	2	5 765	-	-	-	-	-	-	-	5 765	6 111	6 478
Sale of Goods and Rendering of Services		91	-	-	-	-	-	(8)	(8)	84	97	103
Agency services		893	-	-	-	-	-	(521)	(521)	372	947	1 003
Interest		-	-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		9 196	-	-	-	-	-	(2 321)	(2 321)	6 875	9 748	10 332
Interest earned from Current and Non Current Assets		1 635	-	-	-	-	-	370	370	2 006	1 734	1 838
Dividends		-	-	-	-	-	-	-	-	-	-	0
Rent on Land		441	-	-	-	-	-	(338)	(338)	103	468	496
Rental from Fixed Assets		586	-	-	-	-	-	(139)	(139)	447	622	659
Licence and permits		488	-	-	-	-	-	(229)	(229)	259	517	548
Operational Revenue		2 245	-	-	-	-	-	(1 765)	(1 765)	480	2 380	2 523
Non-Exchange Revenue												
Property rates	2	28 734	-	-	-	-	-	-	-	28 734	30 458	32 285
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		20 639	-	-	-	-	-	(1 851)	(1 851)	18 788	21 877	23 190
Licences or permits		-	-	-	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational		58 016	-	-	-	-	-	-	-	58 016	61 229	64 561
Interest		-	-	-	-	-	-	2 659	2 659	2 659	-	0
Fuel Levy		-	-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		-	-	-	-	-	-	-	-	-	-	-
Other Gains		-	-	-	-	-	-	-	-	-	-	(0)
Discontinued Operations		-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		177 790	-	-	-	-	-	(6 142)	(6 142)	171 647	188 189	199 139

There has been a decrease in service charges (Electricity). Reason for the decrease is due to projected billing being higher than revenue measured half yearly. This is also as a result of Eskom arrears where the municipality does not bill, forfeiting the revenue.

Service charges on water, waste water management and waste management remains the same therefore the projected billing is in line with the revenue budgeted.

The municipality had planned for the traffic service law enforcement project to kick start at the end of Quarter 1; however, this did not materialise in the set period. The downward adjustment is based on comparative figures for realistic measures.

3.2 Expenditure adjustment by line

NC071 Ubuntu - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -													
Description	Ref	Budget Year 2024/25									Budget Year	Budget Year	
		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	1	A	A1	B	C	D	E	F	G	H			
Expenditure By Type													
Employee related costs		53 930	-	-	-	-	-	-	-	-	53 930	57 166	60 596
Remuneration of councillors		4 864	-	-	-	-	-	-	-	-	4 864	5 111	5 374
Bulk purchases - electricity		22 970	-	-	-	-	-	-	7 080	7 080	30 049	24 348	25 809
Inventory consumed		3 404	-	-	-	-	-	-	(1 506)	(1 506)	1 898	3 608	3 824
Debt impairment		-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortisation		27 518	-	-	-	-	-	-	(9 698)	(9 698)	17 820	29 166	29 166
Interest		5 779	-	-	-	-	-	-	(3 004)	(3 004)	2 775	6 126	6 494
Contracted services		18 282	-	-	-	-	-	-	(725)	(725)	17 557	19 131	14 859
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-	-	-
Irrecoverable debts written off		21 200	-	-	-	-	-	-	-	-	21 200	22 472	23 820
Operational costs		19 624	-	-	-	-	-	-	1 572	1 572	21 196	20 801	22 049
Losses on disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-
Other Losses		-	-	-	-	-	-	-	-	-	-	-	(0)
Total Expenditure		177 570	-	-	-	-	-	-	(6 281)	(6 281)	171 288	187 931	191 993

Employee related cost and Council Remuneration remains unchanged it is in accordance with the staff establishment for all employees.

Finance chargers have a downward adjustment – this highlights the cost cutting measures the municipality has achieved by adhering to the Eskom Debt Relief arrangement. Up-to-date payments and the suspension of interest has reduced spending on finance costs.

Bulk purchase has an upward adjustment – This is due to consumption of electricity and the tariff increase implemented by Eskom.

Operational Expenditure has an upward adjustment to make provision for the remainder of the financial year expenditure after the mid-year assessment was concluded. The upward adjustment is informed by the anticipated operational expenditure for the remaining months of the financial year.

Contracted Services has a downwards adjustment as some of the planned projects were implemented. The downwards adjustment is informed by the less anticipated expenditure for the remaining months of the financial year.

A slight downward adjustment has been made to other material which include consumables mainly. The downward adjustment was due to line items having less than the anticipated expenditure.

Based on the current collection rate of the municipality, cost containment policy needs to be institutionalised to ensure that the municipality can reach its objectives and deliver quality services to the community.

4. PROJECTS

4.1 Conditional Grant funded projects

The Municipality currently has the following projects financed by MIG and WSIG. The table below outlines how much budget is allocated to each of the projects.

UBUNTU LM 2024/25 PROJECT LISTING	
Name of Project	Allocation
MUNICIPAL INFRASTRUCTURE GRANT (MIG)	R 10 872 000.00
1. Victoria West: Augmentation of Groundwater Supply	R 5 464 017.63
2. Richmond: Upgrading of Sports Facility (Phase 1)	R 5 407 982.37
WATER SERVICES INFRASTRUCTURE GRANT (WSIG)	R 20 000 000.00
1. Richmond: Upgrading of Bulk Water	R 4 989 054.11
2. Victoria West: Refurbishment of existing oxidation ponds (Phase 10)	R 15 010 945.89

5. ADJUSTMENT BUDGET TABLES

Attached is the B1-B10 tables of the adjustment budget.

6. RECOMMENDATION

6.1 That council approves the Adjustment Budget for 2024/2025 as per section 28 of the Municipal Finance Management Act No 56 of 2003.
