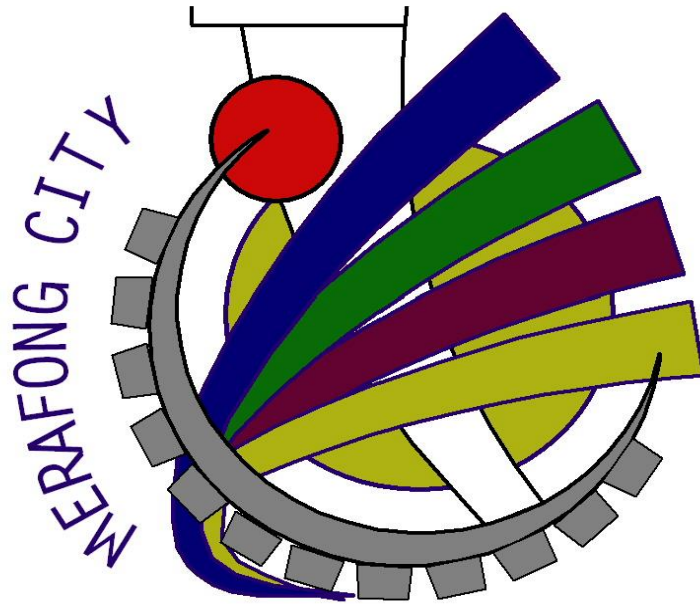


MERAFONG LOCAL MUNICIPALITY



ADJUSTMENT BUDGET

2024/2025

Adjusted Medium Term Revenue and Expenditure Framework

TABLE OF CONTENTS

Table of Contents

Glossary

PART 1 – ADJUSTMENT BUDGET

Section 1	–	Introduction.....
Section 2	–	Legal Requirements.....
Section 3	–	Adjustment Budget Related Resolutions.....
Section 4	–	Executive Summary.....
Section 5 -14	–	Adjustment Budget analysis.....

GLOSSARY

Adjustment Budget - Prescribed in Section 28 of the MFMA. The formal means by which a Municipality may revise its Annual Budget during the year.

Allocations – Money received from Provincial or National Government or other Municipalities or public donations.

Budget – The financial plan of the Municipality

Capital Expenditure – Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Asset Register.

DORA – Division of Revenue Act. Annual legislation that shows the total allocations made by National to Provincial and Local Government.

Equitable Share – A general grant paid to Municipalities. It is predominantly targeted to help with free basic services.

Fruitless and Wasteful Expenditure – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

IDP – Integrated Development Plan. The main strategic planning document of the Municipality.

MFMA - The Municipal Finance Management Act no. 53 of 2003. The principal piece of Legislation relating to Municipal Financial Management.

MTREF – Medium Term revenue and Expenditure Framework. A medium-term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current year's financial position.

OPERATING EXPENDITURE – Spending on the day-to-day expenses of the Municipality such as salaries and wages.

PROPERTY RATES – Local Government tax on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

SDBIP – Service Delivery and Budget Implementation Plan.

UNAUTHORISED EXPENDITURE – Generally, spending without, or more than, an approved budget.

VIREMENT – A transfer of budget within the same vote/department.

VOTE – One of the main segments of a budget. The vote structure at Merafong local Municipality is made up as follows:

1. Department of the Municipal Manager
2. Corporate Services Department
3. Engineering Department
4. Electrical Department
5. Finance Department
6. Planning and Economic Development Department
7. Community Services Department
8. Public Safety
9. Chief Operations Office

PART 1

SECTION 1 – INTRODUCTION

PURPOSE OF THE REPORT

The purpose of this report is to inform Council of the 2024/2025 budgeted versus the actual figures and to obtain Council's approval to revise the approved 2024/2025 Annual Budget through an Adjustment Budget.

BACKGROUND

Section 23 of the Budget Regulations published on 17 April 2009 in terms of Section 28 of the Municipal Finance Management Act, 2003 determines that an Adjustment Budget may be tabled in the Municipal Council at any time after the mid-year budget and performance assessment has been tabled in council, but not later than 28 February of the current year. It also determines that only one adjustment budget may be tabled in the Municipal Council during a financial year except when additional revenue is allocated to a municipality by National or Provincial Government.

The Municipal Finance Management Act determines that the accounting officer of the Municipality must by 25 January assess the performance of the Municipality during the first half of the financial year and make recommendations as to whether any adjustment budget is necessary. If an adjustment budget is required, it must be supported by revised projections of revenue and or expenditure to the extent that this may be necessary.

The mayor established a Budget Steering Committee to provide technical assistance to her. The Steering Committee consists of the following persons:

- a) MMC Finance
- b) MMC Infrastructure
- c) MMC Economic Development
- d) The Municipal Manager
- e) The Chief Financial Officer
- f) All the Executive Directors
- g) The Manager responsible for budgeting
- h) The Manager responsible for Planning (IDP)
- i) The Manager PMU

This Committee met to consider the revised revenue and expenditure projections.

Approval by other spheres of government:

Apart from the legislative requirements Provincial Treasury, COGTA provided oversight in the Midyear performance reviews and the engagements were on the 11th of February 2025.

SECTION 2 – LEGISLATIVE REQUIREMENTS

Chapter 4, Section 28 of the Local Government Municipal Finance Management Act. No. 56 of 2003 stipulates the following regarding the Municipal Adjustment Budget. Section 28 of the MFMA states the following:

- 1) *A Municipality may revise an approved annual budget through an adjustment budget.***
- 2) *An adjustment 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, 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 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 adjustment budget must be in a prescribed form.***
- 4) *Only the Mayor may table an adjustment budget in a municipal council, but an adjustment budget in terms of subsection (2) (b) to (g) may only be tabled within any prescribed limitations as to timings or frequency.***
- 5) *When an adjustment budget is tabled, it must be accompanied by: -***
 - (a) *An explanation of how the adjustment 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.***

SECTION 3 – ORIGINAL BUDGET 2024/2025

A meeting was held on the 23rd of May 2024 where the Council of Merafong City Local Municipality approved an Operational and Capital budget for the 2024/2025 financial year as follows:

The 2024/2025 capital budget was approved as follows by the Council:

Municipal Infrastructure Grant	R 77 320 000.00
Integrated Electrification Program	R 17 768 000.00
Water Services Infrastructure Grant	R 33 342 000.00
Human Settlements Development Grant	R 42 000 000.00
Subtotal: Grant Funded Projects	R 170 430 000.00
Own Funding	R21 210 000.00
Total capital budget	R191 640 000.00

The above estimates were based on past performance trends of revenue and expenditure items, other legal requirements as well as allocation from the national and provincial fiscus.

The legislation stipulates that in instances where there are variances in the performances of planned against actual performance, a midterm budget adjustment be submitted to the Council of the municipality for approval.

Additional revenue that was realised after the approval of the original budget as well as approved rollovers by other spheres of government and expenditure that was unforeseen at the time of the original budget need to be factored in the midterm adjustment budget.

SECTION 3 – ADJUSTMENT BUDGET RELATED RESOLUTIONS

The original budget estimates that were approved by the Council were impacted upon by the developments mentioned hereunder and the performance of revenue and expenditure items at midterm:

Operational budget adjustments motivations

1. Value added tax refund to the value of R8 678 673 was received from South African Revenue Services (SARS) and these receipts are to be utilized in the financial operations of the municipality. VAT refund statements from SARS .
2. A claim to the value of R 9 800 000 was received from the liquidators of VBS Bank for Merafong City Local Municipality.
3. An amount of R 10 991 348.34 was received from Gauteng Department of Transport in respect of agency fees for licensing. No provision was made in the original budget for this revenue. A provision of R 18 500 000 will be made in the adjustment budget for agency fees to cater for this revenue.
4. Correspondence regarding non-compliance with Circular 124 on the Eskom debt relief was received from National Treasury. The correspondence from National Treasury

was responded to by the accounting officer. The risk of non-compliance is that the municipality may lose the benefits of writing off Eskom debt that was accumulated in past periods. This would mean that the debt due to Eskom will have to be paid in full and the write-off that is associated with Circular 124 will be lost to the municipality.

5. The Department of Sports, Arts, Culture, and Recreation partially approved the library grant, with R 4,185,010 for library recapitalization and R 1,374,566 for the library plan. These adjustments are reflected in the adjustment budget (see Annexure B).
6. A provision has been made for the filling of critical vacancies that have been advertised.

Capital budget

1. The MIG grant has been reduced by R 379,000 (see Annexure A).
2. Housing grant was reduced by R 42 000 000 (see Annexure E).
3. The Water Services Infrastructure (WSIG) rollover of R 34,594,392 was rejected, leading to a reduction in the Local Government Equitable Share (LGSE) tranches by the same amount, as detailed in (Annexure C)
4. The Provincial Department of Housing has approved a rollover of R 32,242,888 for the housing grant, which is included in the adjusted budget (see Annexure B).
5. The Department of Sports, Arts, Culture, and Recreation partially approved the library grant, with R 4,185,010 for library recapitalization and R 1,374,566 for the library plan. These adjustments are reflected in the adjustment budget (see Annexure B).

The proposed operational adjustment budget 2024/2025

Operational revenue	R2 347 723 120
Operational expenditure	R2 336 443 120
Capital budget	R 192 423 884

- a) That the following adjustments regarding Capital projects be approved.

CAPITAL PROJECTS FOR 2024/2025 FINANCIAL YEAR

CAPITAL PROJECTS FOR 2024/2025 FINANCIAL YEAR:

Project No.	Project Description	Budget 2024/2025	Proposed Adjustment	2024/2025 Proposed Adjusted Budget	Remarks
	MUNICIPAL INFRASTRUCTURE GRANT (MIG)				
P620	PMU Operational Expenses	4 134 850.00	-268 850.00	3 866 000.00	Budget funded by 5% allocation as per DoRA provisions
P769	Khutsong Roads and Stormwater (Phase 8)	10 000 000.00	0.00	10 000 000.00	Multi Year project
P770	Kokosi Roads and Stormwater (Phase 4) (2)	6 000 000.00	0.00	6 000 000.00	Multi Year project.
P757	Kokosi Roads and Stormwater (Phase 7)	2 500 000.00	-2 189 439.00	310 561.00	Project completed
P771	Kokosi Roads and Stormwater (Phase 8)	10 000 000.00	853 046.82	10 853 046.82	Multi Year project
P758	Wedela Ext 3 Roads and Stormwater (Phase 7)	6 000 000.00	-1 232 046.82	4 767 953.18	Practical completion reached
P772	Wedela Ext 3 Roads and Stormwater (Phase 8)	8 500 000.00	0.00	8 500 000.00	Multi Year project. Construction as per letter of award.
P759	Khutsong North Water & Sewer Reticulation (STAGE 3)	0.00	75 737.74	75 737.74	No Provision Budget for 2024/2025.
P773	Khutsong North Water & Sewer Reticulation (STAGE 4)	7 000 000.00	0.00	7 000 000.00	Multi Year project.

					Construction as per letter award
P774	Merafong Solar Highmast Lights & Solar Streetlights	0.00	3 764 795.98	3 764 795.98	Multi Year project. Construction as per letter award
P775	Upgrading of Wedela Recreational Club	4 000 000.00	0.00	4 000 000.00	Multi Year project. Construction as per letter award
P776	Refurbishment of Kokosi Stadium	6 000 000.00	-1 382 244.72	4 617 755.28	Multi Year project. 1
P781	Access Roads Of Kokosi WWTW	2 062 150.00	0.00	2 062 150.00	New Project 2024/25. As per DDR estimate
P782	Access Roads Of Wedela WWTW	1 500 000.00	0.00	1 500 000.00	No changes
P783	Merafong Roads & Stormwater Maintenance	2 000 000.00	0.00	2 000 000.00	New Project 2024/25. Approved Business plan
P784	Merafong Water & Sanitation Maintenance	2 000 000.00	0.00	2 000 000.00	New Project 2024/25. Awaited approved B/plan
P780	Rehabilitation of Carletonville Cemetery Road	5 623 000.00	0.00	5 623 000.00	Estimate as per Desings
		77 320 000.00	-379 000.00	76 941 000.00	MIG Allocation Reduced

	INTEGRATED NATIONAL ELECTRIFICATION PROGRAM (INEP)				
P765	2x40 132-11KV Plover Substation	7 768 000.00	1 384 000.00	9 152 000.00	Multi Year project. As per letter award
P786	1132KV- 150M Loopin-loopout Overhead Line for Plover	10 000 000.00	-7 000 000.00	3 000 000.00	New Project 2024/25.
Pnew	Khutsong south Ext 5, 6 Electrification Change Control	0.00	5 616 000.00	5 616 000.00	New Project 2024/25.

17 768 000.00

0.00

17 768 000.00

**WATER SERVICES
INFRASTRUCTURE GRANT (WSIG)**

P763	Upgrading & Rehabilitation of Wedela WWTW	10 000 000.00	0.00	10 000 000.00	multiyear project. rollover request 2023-24 not approved.
P779	Replacement of Manhole Covers Merafong	0.00	3 000 000	3 000 000.00	multiyear project. as per approved award. rollover 2023/24 not approved. zero budget provision
P777	Foundation Stabilisation of Addata Reservoir	5 000 000.00	0.00	5 000 000.00	multiyear project. as per letter award
P791	Wolverdiend WWTW	2 000 000.00	0.00	2 000 000.00	New Project 2024/25. As per Design
P789	Refurbishment of Khutsong WWTW	10 000 000.00	0.00	10 000 000.00	New Project 2024/25. As per Design
P787	Installation of Zone Meters and PRV's	6 342 000.00	-3 000 000	3 342 000.00	New Project 2024/25. Estimate as per Design

33 342 000.00

-

33 342 000.00

**HUMAN SETTLEMENTS DEVELOPMENT GRANT
(MINING TOWNS ALLOCATION)**

P790	Khutsong Bulk Roads and Stormwater Phase 2	30 000 000.00	-30 000 000.00	0.00	Due to gazette withdrawn
P747	Khutsong South Ext. 5 Outfall Sewer	0	150 887.68	150 887.68	

P766	Khutsong Electricity (Frikkie Substation)	0	8 548 853.52	8 548 853.52	2023/2024 Rollover approved dd 04-10-2024
P778	Khutsong Rehabilitation of Sinkholes	12 000 0000	-4 012 816.12	7 987 183.98	
P767	Fochville Outfall Sewer	0	8 576 101.63	8 576 101.63	
P768	Kokosi Ext 6 Completion of Sewer Network & Installation of Water Meters	0	6 979 857.65	6 979 857.65	
		42 000 000.00	-9 757 115.54	32 242 884.46	
TOTAL		170 430 000.00	-13 136 115.54	160 293 884.46	

PROJECTS FINANCED FROM OWN FUNDING:

ANNEXURE A: FINANCIAL CONSTRAINTS UNFUNDED PRJOECTS AND PROGRAMMES IN THE 2024/25 PROCUREMENT PLAN

The following projects be amended downwards due to reinsuring that all unfunded items are implemented within available cash resource

Project Description	Original Budget	Adjusted Budget	Proposed Adjustment 2024/25
Implementation of Smart Meters water and electricity		10 000 000.00	10 000 000.00
Hlanganani Primary School Sink Hole		6 000 000.00	6 000 000.00
Supply and delivery of one 9kW, 400V, 21A, 6 pole submersible pump for Oberholzer WWTW	210 000.00	- 210 000.00	-
Upgrading Public Safety Buildings	1 160 000.00	- 1 160 000.00	-
Printers	1 000 000.00		1 000 000.00
Procurement of office furniture	1 000 000.00		1 000 000.00
Procurement of New Chamber furniture	1 500 000.00	- 1 500 000.00	-
Procurement of Ride-on Lawnmowers	500 000.00		500 000.00
Call Centre Renovations	1 500 000.00		1 500 000.00
Fochville Cemetery road - rehabilitation	2 000 000.00		2 000 000.00
Stores warehouse	5 000 000.00	- 3 000 000.00	2 000 000.00
Upgrading of Municipal Buildings	1 000 000.00	- 1 000 000.00	-
Upgrading of stormwater system, Church Street in Fochville	1 000 000.00	2 000 000.00	3 000 000.00
Vehicle for political offices to reduce rentals cost	2 340 000.00		2 340 000.00
Upgrading security in municipal properties	3 000 000.00		3 000 000.00
TOTAL	21 210 000.00	11 130 000.00	32 340 000.00

- b) That no adjustment with regard to DORA Grant allocations be affected.
- c) That no roll over project, financed from Conditional Grants, approved by National Treasury, be included in the Adjustment Budget.
- d) That the Directors manage their respective votes/departments in the Municipality in terms of Section 77 of the MFMA to ensure that no overspending occurs on 30 June 2025, and that the additional requests that could not be accommodated in the Adjustment Budget be managed through virements.
- e) That special attention be given to Credit Control to ensure that the required revenue is generated.
- f) That the cash flow of the Municipality be managed to ensure that all liabilities of the Municipality are met at year-end.
- g) Those adjustments be effected on the Municipalities B Schedules to ensure alignment with the mSCOA data strings.

SECTION 4 – EXECUTIVE SUMMARY

- A mid-term budget assessment was undertaken in terms of the provisions of Section 72 of the Municipal Finance Management Act. The planned revenue collection was set at 65%, however actual collection averaged 54% as at mid-term. This reality requires that the realisable revenue be adjusted downwards, and the expenditure be reduced downwards.
- The municipality held a Revenue enhancement strategic session relating to the challenges on the declining Revenue base and Revenue protection. The strategic session was held on the 15th of February 2025 to the 18th of February 2025 where strategies were discussed on urgent revenue recovery. It has been concluded installation of Water and Electricity smart meters must be prioritised as part of budget adjustment and non-essential expenditure be reduced downwards to accommodate meter replacement. All Departments are committed to ensure the municipality increases its revenue base.
- The Equitable share received in December 2024 had a condition to pay Rand Water an amount of R45 000 0000 while the difference was paid to the Municipality.
- The Equitable share received in December 2024 was reduced by R17.3 million for the WSIG rollover not approved and the remaining R17.3 million will be deducted in March 2025, equitable share.

- The current year's R42 million Housing (mining town) grant was subsequently withdrawn by a Provincial Gazette no.8 issued in January 2025, refer to Annexure E

SECTION 5 – ADJUSTMENT BUDGET ANALYSIS

5.1 APPROVED OPERATIONAL BUDGET 2024/25

5.1.1 BUDGETED INCOME (2024/25)

Description	Amount
Total Budget	R2 639 887 870.74

The 2024/2025 expenditure budget which has been approved by Council can be summarized as follows: (This budget includes the capital budget from Grants and Own sources)

5.1.2 BUDGETED EXPENDITURE (2024/25)

Description	Amount
Total Budget	R2 598 895 124.00

The revenue and expenditure as approved on the 2024/2025 budget will have to be managed to ensure that no overspending occurs.

5.2 CASH FLOW PROJECTIONS (2024/25)

5.2.1 ANTICIPATED ACTUAL INCOME (2024/2025)

SUMMARY OF THE PROPOSED ADJUSTED BUDGET 2024'2025

Description	BUDGET	MIDYEAR PERFORMANCE	PROPOSED ADJUSTMENT BUDGET	OUTER	OUTER
	2024'25	2024'25	2024'25	YEAR -1	YEAR -2
Revenue	TB	TB		2025'26	2026'27
Exchange Revenue					
Service Charges	- 1 085 779 021	- 471 462 910	- 1 132 216 164.54		
Sale of Goods and Rendering of Services	- 4 845 592	- 1 642 609	- 5 085 224.05	-5 354 380	-5 946 038
Agency services			- 18 500 000.00		
Interest					
Interest earned from Receivables	- 239 230 784	- 54 495 148	- 197 161 276.36	-264 350 016	-293 560 694
Interest From Investments	- 15 000 000	- 6 650 315	- 15 000 000.00	-16 575 000	-18 406 538
Dividends					
Rent on Land	- 22 000	- 172 215			
Rental from Fixed Assets	- 1 614 313	- 1 589 321	- 3 668 421.40	-1 783 816	-1 980 927
Licence and permits	- 13 568 000	- 226 133	- 1 008 446.64	-14 992 640	-16 649 327
Operational Revenue	- 10 615 467	- 7 403	- 9 717 160.28	-11 730 092	-13 026 267
Non-Exchange Revenue					

Property rates	- 737 198 722	- 246 438 784	- 550 198 722.00	-814 604 587	-904 618 394
Service charges – Electricity					
Service charges – Water					
Service charges - Waste Water Management					
Service charges - Waste Management					
Surcharges and Taxes	- 16 247 478			-18 064 905	-20 061 077
Fines, penalties and forfeits	- 2 175 919		- 34 317 216.00	-2 404 391	-2 670 075
Licences or permits					
Transfer and subsidies - Operational	- 337 434 850	- 243 384 995	- 342 206 626.00	-370 175 271	-409 190 586
Interest	- 290 647 197	- 56 444 467	- 155 138 139.16	-321 165 153	-356 653 902
Fuel Levy					
Gains on disposal of Assets				-108 745 998	-103 308 698
Other Gains	- 114 469 472		-116 494 276.00		
Discontinued Operations					
Total Revenue	- 2 639 887 893.00	-1 082 514 300.00	- 2 347 723 120.43	- 1 732 454 253.00	- 1 939 455 127.00

- a. The total budgeted revenue of the municipality for the 2024/2025 financial year was R2 639 887 893. The actual revenue for the period ended 31 December 2024 was R1 082 514 300.
- b. The projected revenue from property rates has been adjusted downwards from R 737 198 722 by an amount of R 187 000 000 to R550 198 722. The decrease is because of the midterm performance assessment. There has been adjustments to the property values because of the objections lodged on the valuations.
- c. The proposed interest for property rates (non-exchange revenue) is adjusted downwards to an amount of R155 138 139.16. This adjustment is influenced by the performance of interest from outstanding debtors which did not perform as was originally planned.
- d. The Municipality renders the following services:
 - Sale of Electricity and Sale of Water
 - Refuse removal and Sanitation
- e. The projected revenue from fines amounts to R 34 317 216 which is revised as equal to the audited revenue on fines issued for the 2023/2024 financial year.

5.2.2 ANTICIPATED ACTUAL EXPENDITURE (2024/2025)

The anticipated actual expenditure can be summarized as follows:

Description	BUDGET 2024'25 TB	MIDYEAR PERFORMANCE 2024'25	PROPOSED ADJUSTMENT BUDGET 2024'25	OUTER YEAR -1 2024'25	OUTER YEAR -2 2025'26
EXPENDITURE					
Employee related costs	539 315 739	226 155 137	436 350 068.78	586 726 888	640 599 127
Remuneration of councillors	28 516 641	13 432 209	25 151 401.00	31 510 888	34 992 842
Bulk purchases - electricity	431 007 344	321 281 899	642 563 798.00	456 867 785	484 279 852
Inventory consumed	221 956 984	131 136 218	225 733 328.00	235 274 403	249 390 866
Debt impairment	805 858 565	37 189 512	288 627 982.00	854 210 080	905 462 685
Depreciation and amortisation	171 600 000	80 491 337	165 982 674.00	189 617 999	210 570 791
Interest	153 118 492	88 094 802	166 189 604.00	169 195 934	187 892 085
Contracted services	157 224 207	187 982 398	304 395 502.25	171 079 953	186 827 970
Transfers and subsidies	1 102 400	268 369	562 684.95	1 218 152	1 352 758
Operating Leases					
Irrecoverable debts written off				0	0
Operational costs	89 194 752	50 374 166	80 885 976.98	98 560 215	109 451 112
Losses on disposal of Assets					
Other Losses -Water					
Total Expenditure	2 598 895 124	1 136 406 047	2 336 443 119.96	2 794 262 297	3 010 820 088
SURPLUS / DEFICIT	- 40 992 769	53 891 747	11 280 000.47	1 061 808 044	1 071 364 961

5.3 Expenditure

The 2024/25 expenditure budget was originally R 2 598 895 124 and has been decreased to R 2 347 723 120.

- The 2024/25 adjusted operational budgeted surplus amounts to R 11 280 000
- The significant increase in Bulk Purchases is due to seasonal energy demands by consumers.
- The projected provision for employee related costs has been decreased by an amount of R 102 965 670 from R539 315 739 to R436 350 069 and provision has been made to fill in critical vacancies.
- The debt impairment is projected at an amount of R 288 627 982. This is a provision that is made for the non-payment of municipal accounts. The non-payment of municipal accounts is the largest contributor to the budget of the municipality not being funded.
- The projected provision for the depreciation of assets increased from R171 600 000 and as at mid-term the actual amounted to R 80 491 337 and the adjusted budget for 2024/25 financial year is R165 982 674. The unbundling of previous assets was performed during this financial year and provision is also made for new projects.
- Finance charges were budgeted at R 153 118 492 and has been increased by an amount of R 13 071 112 to R166 189 604. The municipality currently has a negative working capital and the inability to settle creditors within stipulated timeframes has contributed in the increase of the budget for finance charges.
- The provision for contracted services has increased from R 157 224 207 by an amount of R 147 171 295 to R 304 395 502.25. The increase is due to various experts required to improve Service Delivery.
- The transfers to other organs of state for an amount of increased from R1 102 400 with an amount of R115 752 to R562 684.25 due to WSIG reduction.
- The provision for operational cost has been decreased from an amount of R 89 192 752 by an amount of R 8 306 775 to R 80 885 977. The reduction is influenced by the midterm expenditure performance and the need to have the budget of the municipality funded as well as cost containment.

5.3.1 REPAIRS AND MAINTENANCE

Our Municipality is not performing well on services such as maintenance of our electricity network, maintenance of roads and the maintaining of Councils vehicle fleet to ensure that vehicles are available when needed. Council should consider focusing on maintaining the Municipalities assets before creating new assets.

5.3.2 MAINTENANCE OF THE WATER SERVICES NETWORK AND WASTEWATER TREATMENT

Water Service

A 100% maintenance services is rendered by Merafong local Municipality to the following towns:

- Kokosi
- Wedela
- Khutsong
- Carletonville
- Greenspark
- Fochville
- Welverdiend
- Watersedge
- Elijah Barayi

Wastewater Treatment

Merafong local Municipality manages and operates several Sewage Works

5.3.3 BUDGET VERSUS ACTUAL EXPENDITURE

Before the adjustment requests are summarized Council needs to be informed of the budgeted versus the actual expenditure of the different votes / departments for the first six months.

The budget is approved on this level and must be managed on this level as well.

The mid-term actuals include provision for bad debt and depreciation, which are non-cash items.

5.3.4 ADJUSTMENT REQUESTS

Grant funded Capital projects have virements requested by departments for adjustments on the 2024/2025 to ensure project performance improves.

5.3.5 MFMA REQUIREMENTS

National Treasury issued correspondence to Merafong LM, to revise the current as to ensure it is funded refer to Annexure D, which requires Merafong LM to reduce its expenditures in line with anticipated revenues

5.3.6 ROLL OVERS

The following application for Conditional and Unconditional Grants were rejected.

Grant Name: 2023/24 FY	Rollover Applied for	Rollover Approved	Rollover Rejected
Library Recapitalization	4 527 594.00	4 185 000.00	342 594.00
Library Plan	1 604 105.00	137 456.00	1 466 649.00
WSIG	34 594 392.00	Not approved	34 594 392.00
Housing/ Mining town grant	32 242 884.46	32 242 884.46	-

The key changes regarding Grants allocated to Merafong LM are as follows

- The MIG grant has been reduced by R 379,000 (see Annexure A).
- Housing grant was reduced by R 42 000 000 (see Annexure E).
- The Water Services Infrastructure (WSIG) rollover of R 34,594,392 was rejected, leading to a reduction in the Local Government Equitable Share (LGSE) tranches by the same amount, as detailed in (Annexure C)

5.3.7 mSCOA

Adjustments need to be effected on Council's B schedules to ensure alignment with the mSCOA Data Strings as discussed with National treasury. The mSCOA data strings will have to be forwarded to Provincial treasury not later than 28 February 2025 to be assessed by Province.

SECTION 7 – ADJUSTMENT BUDGET TABLES

Table B1 to B10 tables could not be populated due to non-availability of financial system noted below:

Table B1	-	Adjustment Budget Summary
Table B2	-	Adjustments Budgeted Financial Performance (revenue and Expenditure by standard classification)
Table B3	-	Adjustment Budgeted Financial Performance (revenue and expenditure by municipal vote)
Table B4	-	Adjustments Budgeted financial Performance (revenue and

		expenditure)
Table B5	-	Adjustments Budgeted Capital Expenditure by vote, standard. classification and funding.
Table B6	-	Adjustments Budgeted Financial Position
Table B7	-	Adjustments Budgeted Cash flows.
Table B8	-	Adjustments Cash backed reserves/accumulated surplus. Reconciliation
Table B9	-	Adjustments Budget Asset Management
Table B10	-	Adjustments Budget Basic Service delivery measurement

PART 2 – SUPPORTING DOCUMENTATION

SECTION 7– BUDGET RELATED POLICIES

There are no changes to the Budget Related Policies. All Financial Policies will be reviewed before the approval of the Annual Budget.

SECTION 8 – OVERVIEW OF ADJUSTMENT BUDGET ASSUMPTIONS

There are no changes to the Budget Assumptions proposed in the Adjustments budget.

SECTION 9 – ADJUSTMENT BUDGET FUNDING

FUNDING OF THE BUDGET

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated Revenue to be collected.
- Borrowed funds, but only for the Capital Budget referred to in Section 17.

This means that a Council must “balanced” its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows.

A CREDIBLE BUDGET

Amongst other things, a credible budget is a budget that:

- Budget allocations which are consistent with the revised IDP.
- Is achievable in terms of agreed service delivery and performance targets.
- Contains revenue and expenditure projections that are consistent with current and on past performance and supported by documented evidence.
- Does not jeopardize the financial viability of the Municipality (ensures that the financial position is maintained within accepted prudential limits and that obligations can be met in the short, medium and long term); and

The Budget of Merafong local Municipality sets out certain services delivery levels and associated financial implications. Therefore, our community can realistically expect to receive these promised service delivery levels and understand the associated financial implications.

SECTION 10 – ADJUSTMENTS TO EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

GRANT ALLOCATIONS

	CAPEX SPENDING AS AT 31ST DECEMBER 2024			
	Gazetted	Adjusted	SPENT on Gazetted	% SPENT
MIG	R77 320 000	R 76 941 000	R 36 509 774.56	47.45%
INEP	17 768 000	R 17 768 000	R 5 367 563.80	30.21%
WSIG	R33 342 000	R 33 342 000	R 16 307 522 .62	48.91%
MINING TOWN	R42 000 000	R32 242 884.46	R 23 982 641 .97	57.10%
TOTAL	R170 430 000	R 160 293 884.46	R 82 167 502.95	46 %

SECTION 11 – ADJUSTMENTS TO ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

ALLOCATIONS MADE BY THE MUNICIPALITY

No allocations outside the budgeted amounts have been made by the Municipality.

SECTION 12 – ADJUSTMENTS TO COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

None noted.

SECTION 13 – ADJUSTMENTS TO THE QUARTERLY SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS – INTERNAL DEPARTMENTS

Detail will be submitted to Council.

SECTION 14 – ADJUSTMENTS TO CAPITAL EXPENDITURE

As per tables under grant spending in report,