ANNEXURE A

Budget Adjustment

MFMA Section 28 Report

2025/2026

Govan Mbeki Municipality

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1.1 Chapter 1: Overview

1.2 Background

The 2025/26 MTREF was approved by Council on 28 May 2025 in accordance with Section 24(1) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA) and applicable National treasury finance management reform requirements.

Section 72 of the MFMA stipulates that the Accounting Officer must by 25 January assess the performance of the municipality during the first half of the financial year. Section 72 (3), read with section 54 (1) (f) & section 54 (2) stipulates that as part of the performance assessment of the municipality during the first half of the financial year, the Accounting Officer must make recommendations as to whether an adjustments budget is necessary and recommend revised projections for revenue and expenditure, to the extent that it may be necessary.

The Mid-year budget assessment report considered by Council indicated the necessity for tabling an Adjustments Budget for the 2025/26 financial year for inter alia, the following:

- To adjust the revenue estimates downward/upward owing to a declining/increasing trend in certain operating revenue sources.
- To authorise the utilisation of projected savings in one vote towards spending under another vote.
- To ensure that additional Capital expenditure is included in the budget, and
- To facilitate the inclusion of rolled over/transfer grant funding.

Circular 99 of Municipal Finance Management Act (Act 56 of 2003) states that Adopting a funded budget has become more critical now than before as it has direct bearing on the financial sustainability of the institution. It has been agreed that no municipality will adopt an unfunded budget in the future, and if the budget is unfunded, it must at least have a surplus and positive cashflow. There are cases that may warrant a plan as this may not be achievable over one year. As a result, such municipalities must, together with their 2025/26 MTREF budget, table updated Financial Recovery Plan and the impact assessment plan detailing how the municipal council will improve from an unfunded to a funded position. This will be essential when the National and provincial treasuries are assessing the budget to determine its credibility.

1.3 Regulation

In terms of Section 28 of the Municipal Finance Management Act (Act 56 of 2003) a municipality may revise an approved annual budget through an adjustment budget. It is important to note that the adjustment budget is not a re-budgeting process, thus fiscal discipline must be adhered to at all times. Only the Mayor may table an adjustment budget in the municipal council and it may only be tabled within prescribed limitations as to timing or frequency. In terms of the Municipal Budget and Reporting Regulations, only one adjustment budget may be tabled in Council during the financial year, after tabling of the mid-year budget and performance assessment, but not later than 28 February.

1.4 Financial overview

The following table summarises the outcome of the 2025/26 Adjustment Budget and subsequent outer years.

Description	Original Budget 2025/2026	Adjustment	Adjusted Budget 2024/25	Budget 2026/2027	Budget 2027/2028
Total Operating Revenue	3,359,877,309.70	50,993,564.54	3,410,870,874.24	3 151 599 423.33	3 334 872 896.87
Less: Total Operating Expenditure	3,788,023,028.11	49,196,565.79	3,837,219,593.90	4 025 435 577.67	4 153 479 852.11
Deficit for year before capital grants & transfers	**-428 145 718.41**	**1,796,998.75**	**-426,348,719.66**	**-873 836 154.34**	**-818 606 955.24**
Capital Grants and transfer revenue	110,975,000.00	4,226,530.75	115,201,530.75	94 078 000.00	102 385 000.00
Deficit after grants and transfers	**-317 170 718.41**	**6,023,529.50**	**-311,147,188.91**	**-779 758 154.30**	**-716 221 955.24**
Total Capital Expenditure	216,314,250.00	4,226,657.98	220,540,907.98	238 656 077.00	253 176 944.39
Net deficit	**-533,484,968.41**	**1,796,871.52**	**-531,688,096.89**	**-1 018 414 231.30**	**-969 398 899.63**

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

The council approved the 2025/26 Original operational revenue budget to the amount of R 3 359 billion which has been adjusted to R 3 410 billion.

The main purpose of this adjustment budget is therefore to adjust the material under and over budgeted figures as well as to accommodate unspent grants from 2024/25 financial year.

The municipality consider non-satisfactory performance on electricity and water because of distribution losses.

There are various revenue enhancement initiatives underway and/or implemented accordingly to ensure improved Municipal increase its collection rate across all service rendered to the community.

The initiatives include but not limited to:

- Service Level Agreements (SLA) have been concluded with the panel which will enable the municipality to utilise the appointed companies to effectively implement credit control.
- Meter audit for Large Power Users is in progress.
- Migration of SG Codes is ongoing.
- Expedite the installation of meters
- Disconnection of non-paying business.
- Consultation with non-paying customers.
- Increase Municipal tax base by billing of unbilled customers.
- Effecting contract conditions that were never affected.
- The process of collecting from the prospective buyer of municipal land that was disposed is underway

Based on this, it is anticipated that the revenue will gradually increase and enable the municipality to meet its core obligation of service delivery across Govan Mbeki Municipality's jurisdiction.

Table 2: Significant Operational Budget Adjustments

Significant Budget Adjustments	Total Budget	Total Actual	Adjustment	Budget After Adjustment	Reason
Contracted Services	398,499,996.00	126,820,659.32	41,798,641.00	440,298,637.00	Increased due to the contractual amount as well as spending patterns on repairs and maintenance
Depreciation	152,107,839.00	55,931,359.31	- 17,899,274.18	134,208,564.82	Budget reduced based on the current trend in depreciation and the 2024-25 actuals.
Interest	177,400,422.00	175,941,486.47	20,000,000.00	197,400,422.00	Increased due to actual interest incurred to date.
Inventory Consumed	576,933,223.00	315,277,672.08	7,749,142.00	584,682,365.00	Based on the projection for repairs and maintenance an additional 8mil will be required for the 5 remaining months. This is based on the required work on the ground
Operating Leases	14,243,985.00	3,392,124.28	- 2 200,000.00	14,143,985.00	Reallocated to contracted services as the budget will not be committed in the next 5 Months of the Budget year
Operational Cost	149,999,989.00	61,236,051.98	- 252,129.92	147,647,859.08	Reallocated to contracted services as the budget will not be committed in the next 5 Months of the Budget year
Grand Total	**1,469,185,454.00**	**738,599,353.44**	**49,196,378.90**	**1,518,381,832.90**	

2. Chapter 2: Section 13: Quality Certification By Accounting Officer

QUALITY CERTIFICATE

I, **EN Maseko**, the Municipal Manager of **Govan Mbeki Municipality**, hereby certify that: **-**

✔ **The Adjusted Budget**

Supporting documentation for the **Adjustment Budget** have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name: VB Nkhata

Chief Financial Officer of Govan Mbeki Municipality (MP307)

Signature:

Date:

Print Name : EN Maseko

Municipal Manager of Govan Mbeki Municipality (MP307)

Signature:

Date:

3. Chapter 3: Executive summary

3.1 Executive Summary

The Adjustment Budget was prepared in terms of the guidelines contained in Section 28(2) of the MFMA and furthermore ensures that the Municipality continues delivery on its core mandate and identified priorities and principles, achieve its developmental goals and entails prioritising all available resources towards essential services and contractual financial commitments.

In general, the aim with the compilation of the 2025/26 **Adjustment Budget** is to align the expenditure to the revenue and ensure that the budget is funded. The Head of Departments need to apply belt tightening measures by reprioritising and down scaling of non-core functions to uphold service delivery towards core functions on a sustainable level. Furthermore, measures in place are the funds management tool, which assists in budgeted allocations not being exceeded and savings to be affected as far as possible.

The under mentioned principles gave guidance to the compilation of the 2025/26 **Adjustment Budget:**

A. The Budget must be funded in terms of the funding compliance procedure set out in MFMA Circular 108.
B. Affordability within the context of sustainability must be considered and maintained.
C. No additional funding capacity is available on the budget therefore no additional funding requests will be accommodated during the Adjustment Budget process Funding will only be considered subject to:
   a. Additional revenue
   b. A projected under collection in revenue that will result in a request to decrease the relevant revenue, must be accompanied by a corresponding decrease in expenditure.
   c. Savings identified in other programmes and projects.
   d. Grants to be received from an external source.
   e. Submissions which relate to external funding sources must be accompanied by proof of confirmation from the relevant transferring authority.
   f. Appropriation of funding form National/Provincial departments should be accompanied by acceptable documentation as per Municipal Budget and Reporting Regulations (MBRR).
D. Filling of vacancies should be processed within current allocation.
E. Overtime to be managed within the available resources and departments are encouraged to adopt a shift system to manage overtime expenditure.
F. Repairs and Maintenance plans to be developed to ensure that service delivery is not compromised.
G. Departments need to concentrate on core functions, proactively review and reprioritize their budget and identify savings that can be affected during the Adjustment Budget process to assist with the Municipality's financial position.
H. No savings on grant funding will be accommodated, as all grant allocations must be spent according to the terms and conditions of the grant.
I. Departments are encouraged to spent on the allocated grant funding, in case of unspent grants at year end rollover applications should be done and supported.

3.2 Operating budget

3.2.1 Adjustments Budget Financial Performance (revenue per source)

The following table reflects the approved 2025/26 MTREF, The proposed 2025/26 Adjustment Budget (Revenue by source)

Description	Total Budget	Total Actual	Adjustment	Budget After Adjustment
Revenue				
Exchange Revenue	**- 2,336,143,022.00**	**- 1,176,126,985.79**	**- 38,959,866.80**	**- 2,375,102,888.80**
Interest; Dividend and Rent on Land	- 239,892,789.00	- 117,057,411.71	- 3,018,189.00	- 242,910,978.00
Licences or permits	-	- 3,500.00	- 7,000.00	- 7,000.00
Operational Revenue	- 6,566,990.00	- 786,036.78	-	- 6,566,990.00
Rental from Fixed Assets	- 10,917,995.00	- 9,906,497.56	- 8,895,000.12	- 19,812,995.12
Sales of Goods and Rendering of Services	- 7,831,703.00	- 3,670,986.82	-	- 7,831,703.00
Service Charges	- 2,070,933,545.00	- 1,044,702,552.92	- 27,039,677.68	- 2,097,973,222.68
Non-exchange Revenue	**- 1,134,709,283.00**	**- 708,545,563.46**	**- 16,260,359.41**	**- 1,150,969,642.41**
Fines; Penalties and Forfeits	- 19,535,892.00	- 4,172,642.35	-	- 19,535,892.00
Interest	- 22,620,202.00	- 15,861,945.28	- 9,103,688.56	- 31,723,890.56
Property Rates by Usage	- 456,203,189.00	- 228,351,218.80	-	- 456,203,189.00
Gains and Losses	- 2,500,000.00	-	-	- 2,500,000.00
Operational Transfers and subsidies	- 522,875,000.00	- 387,761,784.71	- 2,930,013.88	- 525,805,013.88
Capital Transfers and subsidies	- 110,975,000.00	- 72,397,972.32	- 4,226,656.97	- 115,201,656.97
Grand Total	**- 3,470,852,305.00**	**- 1,884,672,549.25**	**- 55,220,226.21**	**- 3,526,072,531.21**

The above table/ indicates total revenue (including capital transfers and contributions) of R 3 473 billion for the 2025/26 financial year adjusted to R 3 526 billion.

3.2.2 Adjustments Budget Financial Performance (expenditure)

The following table reflects the approved 2025/26 MTREF, the proposed 2025/26 Adjustment Budget

Classification	Total Budget	Total Actual	Adjustment	Budget After Adjustment
Bulk Purchases	828,129,512.00	566,750,049.83	-	828,129,512.00
Contracted Services	398,499,996.00	126,820,659.32	41,798,641.00	440,298,637.00
Depreciation	152,107,839.00	55,931,359.31	- 17,899,274.18	134,208,564.82
Employee Related Cost	800,000,214.00	394,855,856.73	- 0.00	800,000,214.00
Impairment Loss	526,975,262.00	-		526,975,262.00
Interest	177,400,422.00	175,941,486.47	20,000,000.00	197,400,422.00
Inventory Consumed	576,933,223.00	315,277,672.08	7,749,142.00	584,682,365.00
Irrecoverable Debt	126,727,380.00	65,202,731.91	-	126,727,380.00
Operating Leases	14,243,985.00	3,392,124.28	- 2 200,000.00	14,143,985.00
Operational Cost	149,999,989.00	61,236,051.98	- 252,129.92	147,647,859.08
Remuneration of Councillors	37,005,393.00	16,075,798.10		37,005,393.00
Transfers and Subsidies	-	-	-	-
Grand Total	**3,788,023,215.00**	**1,781,483,790.01**	**49,196,378.90**	**3,837,219,593.90**

3.3 Capital Budget

- An amount of R216.3 million was budget for the capital investment program for 2025/2026 financial year, the capital budget is adjusted to R220.5 million. Included in the R220.5 million total capital is R111.6 million to be funded from capital grants and R108.8 million to be funded from own funding.

The following table provides a summary of the municipality's 2025/26 capital budget per source

Source of funding	Original Budget	Rollover	Adjustments	Adjusted Budget
Integrated National Electrification Programme Grant	40,000,000.00	-	-	40,000,000.00
Municipal Infrastructure Grant	67,426,250.00	-	-	67,426,250.00
Disaster Recovery Grant	-	2,254,279.22		2,254,279.22
Water Service Infrastructure Grant	-	1,972,377.75	1 972 377.75	1,972,377.75
Own Funding	108,888,000.30	-	-	108,888,000.30
Total	**216,314,250.30**	**4,226,656.97**	**1 972 377.75**	**220,540,907.27**

- The disaster recovery grant rollover has been approved by council as per resolution A137/10/2025.

Grants and Subsidies – Operating

The grants subsidies refer to the Division of Revenue Act allocations in the 2025/26 financial year; the operational grants allocations are as follows:

Source of funding	Original Budget 2025/26	Rollover	Adjustments	Adjusted Budget 2025/26
Extended Public works Programme	2,939,000.00	-	-	2,939,000.00
Financial Management Grants	3,500,000.00	-	-	3,500,000.00
Infrastructure Skills Development Grant	22,774,000.00	-	-	22,774,000.00
Arts and Culture	0.00	91,608.25	91,608.25	91,608.25
LG Seta	1,200,000.00		-	1,200,000.00
Economic Development and Tourism	0.00	313,901.00	313,901.00	313,901.00
Gert Sibande District Municipality	0.00	274,580.00	274,580.00	274,580.00
Energy Efficiency Demand Grant	0.00	3,470.00	3,470.00	3,470.00
Point Duty Officer (SASOL)	-		2,153,926.00	2,153,926.00
Pre-Capacity grant	0.00	92,528.63	92,528.63	92,528.63
Equitable share	492,462,000.00	-	-	492,462,000.00
TOTAL	**522,875,000.00**	**776,087.88**	**2,930,013.88**	**555 037 860.00**

Project Name	Funding	User Department	Approved Total Budget	Adjusted Budget per A137/10/2025	YTD Expenditure	Proposed Adjustments	Budget After Adjustment
Emzinoni Substation Phase 3	INEP	Energy & Mechanical	40,000,000.00	40,000,000.00	24,353,803.44		40,000,000.00
Construction of stormwater concrete pipeline EXT22 Emba	MDRG	Civil & Engineering	-	2,254,279.22	2,254,279.22		2,254,279.22
Kinross waste treatment plant	WSIG	Civil & Engineering	-	-	1,972,377.75	1,972,377.75	1,972,377.75
Construction of Bulk water line and reservoir in Leandra	MIG	Civil & Engineering	14,615,304.00	22,920,457.21	22,566,230.35	5,000,000.00	27,920,457.21
Embalenhle Bulk Replacement/Upgrade (Phase1)	MIG	Civil & Engineering	13,731,591.00	20,468,946.22	15,052,964.68	-	20,468,946.22
Emzinoni Bulk water supply	MIG	Civil & Engineering	11,389,538.00	6,000,000.00	-	- 5,000,000.00	1,000,000.00
Procurement of Specialised Vehicles for Waste Management	MIG	Civil & Engineering	17,684,542.00	-	-	-	-
Completion of charl cilliers waste water treatment works	MIG	Civil & Engineering	-	2,000,000.00	-	-	2,000,000.00
Installation of Sewer Reticulation; Pump Station in Eendracht	MIG	Civil & Engineering	10,005,275.00	6,036,846.58	3,711,081.73	-	6,036,846.58
Upgrading of Lebohang Stadium MIG8/3/142/2019	MIG	Civil & Engineering	-	10,000,000.00	-	-	10,000,000.00
Acquisition of Smart Meters & Meter Boxes	Revenue	Energy & Mechanical	30,000,000.00	30,000,000.00	14,297,892.50		30,000,000.00
Resealing of Roads	Revenue	Civil & Engineering	15,000,000.00	15,000,000.00	12,321,320.80		15,000,000.00
Temper proof ground and pole mounted boxes	Revenue	Energy & Mechanical	10,000,000.00	10,000,000.00	-	- 5,911,615.35	4,088,384.65
Acquisition of Water Meters	Revenue	Civil & Engineering	9,000,000.00	9,000,000.00	3,157,410.01		9,000,000.00
Replacement of Asbestos in Evander	Revenue	Civil & Engineering	5,000,000.00	5,000,000.00	4,697,935.71	4,000,000.00	9,000,000.00
Replacement of Asbestos in Secunda	Revenue	Civil & Engineering	5,000,000.00	-	-		-
Insurance	Revenue	Finance	5,000,000.00	5,000,000.00	1,339,750.00		5,000,000.00
Construction of stormwater concrete pipeline EXT22 Emba	Revenue	Civil & Engineering	-	4,283,551.00	3,689,214.05		4,283,551.00
Rehabilitation of Chief Albert Luthuli-Emba	Revenue	Civil & Engineering	-	3,506,387.00	2,034,732.63		3,506,387.00
Refurbishment on Bethal Stores & Installation of Fuel Tanks	Revenue	Finance	3,500,000.00	-	-		-
Completion of Floating roof in Secunda Ext 22	Revenue	Civil & Engineering	5,000,000.00	3,335,744.00	-	- 3,335,744.00	-
Fencing of Facilities	Revenue	Energy & Mechanical	3,000,000.00	3,000,000.00	-	- 3,000,000.00	-
Reconstruction of technical storeroom	Revenue	Energy & Mechanical	3,000,000.00	3,000,000.00	-	- 3,000,000.00	-
Cable Fault Locator (Thumper)	Revenue	Energy & Mechanical	3,000,000.00	3,000,000.00	-	- 3,000,000.00	-
Rehabilitation of road and culverts at Barney Molokwane in Trichardt	Revenue	Civil & Engineering	-	2,874,319.00	-	-	2,874,319.00
Air conditioner	Revenue	Energy & Mechanical	2,000,000.00	2,000,000.00	808,517.85		2,000,000.00
Computer Equipment	Revenue	Corporate Services	2,000,000.00	2,000,000.00	1,023,962.99	1,750,000.00	3,750,000.00
Resealing of Roof Slabs	Revenue	Energy & Mechanical	2,600,000.00	1,100,000.00	-	- 1,100,000.00	-
Lillian Ngoyi stadium Air Conditioners	Revenue	Community Services					-
Lillian Ngoyi stadium sound system	Revenue	Community Services	1,000,000.00	1,000,000.00	-	- 800,000.00	200,000.00
Machinery and Equipment (EPWP)	Revenue	Executive & Council	1,000,000.00	1,000,000.00	-	- 1,000,000.00	-

Project Name	Funding	User Department	Approved Total Budget	Adjusted Budget per A137/10/2025	YTD Expenditure	Proposed Adjustments	Budget After Adjustment
Installation of Boreholes in GMM Farms	Revenue	Civil & Engineering	1,000,000.00	1,000,000.00	756,700.00		1,000,000.00
Pressure management at Emba ext 15 Reservoir bulk water line	Revenue	Civil & Engineering	-	1,000,000.00	-	- 1,000,000.00	-
3x Falcon slashers/15 x Brush cutters/2 x JD 1445 Ride on mowers	Revenue	Community Services	800,000.00	800,000.00	-		800,000.00
Installation of Water Storage Tanks	Revenue	Energy & Mechanical	500,000.00	500,000.00	-	- 500,000.00	-
Mobile Toilet	Revenue	Community Services	288,000.00	288,000.00	-		288,000.00
Furniture and Equipment (Speaker)	Revenue	Executive & Council	200,000.00	200,000.00	-		200,000.00
Furniture & Equipment (Corporate Services)	Revenue	Corporate Services	100,000.00	100,000.00	-	37,000.00	137,000.00
Furniture & Equipment (MM's Office)	Revenue	Executive & Council	100,000.00	100,000.00	186,667.56	90,000.00	190,000.00
Furniture & Equipment (Community Services)	Revenue	Community Services	100,000.00	100,000.00	14,550.00		100,000.00
Furniture and Equipment (RMs)	Revenue	Executive & Council	100,000.00	100,000.00	-		100,000.00
Procurement of books	Revenue	Community Services	100,000.00	100,000.00	-	- 100,000.00	-
Furniture & Equipment (Financial Services)	Revenue	Finance	100,000.00	100,000.00	318,598.81	300,000.00	400,000.00
Furniture & Equipment (Energy)	Revenue	Energy & Mechanical	100,000.00	100,000.00	-		100,000.00
Furniture & Equipment (Civil)	Revenue	Civil & Engineering	100,000.00	100,000.00	52,816.63		100,000.00
Furniture & Equipment (Planning and Development)	Revenue	PED	100,000.00	100,000.00	97,110.00	300,000.00	400,000.00
Furniture & Equipment (Executive and Council)	Revenue	Executive & Council	100,000.00	100,000.00	-		100,000.00
Lebohang Stadium Phase 1	Revenue	Civil & Engineering	-	-	2,630,359.35	2,630,359.35	2,630,359.35
Cleaning of GMM Reservoirs (Water Quality Improvement)	Revenue	Civil & Engineering	-	-	1,086,750.00	1,100,000.00	1,100,000.00
Furniture & Equipment (Facilities 0403)	Revenue	Energy & Mechanical	-	-	198,375.00	200,000.00	200,000.00
Workshop Modernisation	Revenue	Energy & Mechanical	-	-	2,971,157.88	3,000,000.00	3,000,000.00
Replacement of Ac Pipes	Revenue	Civil & Engineering	-	-	434,722.49	440,000.00	440,000.00
Mobile devices for IGS Data collection	Revenue	Corporate Services	-	-	-	200,000.00	200,000.00
Breden Village Electrification	Revenue	Energy & Mechanical				3,700,000.00	3,700,000.00
Kinross waste treatment plant	Revenue	Civil & Engineering	-	-	3,746,732.84	5,000,000.00	5,000,000.00
Total			**216,314,250.00**	**218,568,530.23**	**125,776,014.27**	**1,972,377.75**	**220,540,907.98**

An Adjustment on Capital expenditure budget is the approved rollover of R1 972 377.75 from Water Service Infrastructure Grant.