

SPECIAL COUNCIL MEETING

3rd ADJUSTMENT BUDGET 2024/2025 FINANCIAL YEAR

Directorate : DIRECTORATE FINANCE
Date : 28 FEBRUARY 2025
Author : CHIEF FINANCIAL OFFICER
Delegated authority : COUNCIL

PURPOSE OF REPORT/ DOEL VAN DIE VERSLAG

Is to submit the third (3RD) Adjustment budget for 2024/25 financial year.

BACKGROUND/ DISCUSSION/ AGTERGROND/BESPREKINGS

Stipulations in section 23 of the Municipal Budget Regulations (MBRR) –Timeframes for tabling of adjustments budget stipulates as follows:

“23. (5) An adjustments budget referred to in section 28(2)(e), of the Act may only be tabled after the end of the financial year to which the roll-overs relate and must be approved by the municipal council by 25 Augusts of the financial year, following the financial year to which the roll-overs relate”. The municipality received its roll-over approval letter only on 19 August 2024 and is allowed to approve its adjustment budget for roll-overs, at the next available council meeting.

The adjusted budget tabled in council here today was compiled after consideration of stipulations of section 72 of the MFMA, Act 56 of 2003. The adjustment budget consists of rectification of errors, that has been identified in the original budget, and the provision of critical services delivery projects.

The errors that were corrected in the adjustment budget is as follows:

- MIG to amount of R7.630mil (VAT Excluded), deducting the five (5%) PMU, equals R7.248mil was included in Table A4 at transfer and subsidies – operation, in the original budget, it should have been included in Table A4 at transfer and subsidies – capital (monetary allocations). If the MIG amount is moved as mentioned above the operations surplus as in Table A4 of R5.722mil,

will result in an operation deficit of R 1.909mil before capital transfer and subsidies.

- Provision has now been made in adjustment budget for traffic fines to the amount of R8mil, whereby the provision for debt impairment is R6.8mil. The balance was calculated as follows (R62mil Traffic Fines in AFS for 2023/2024 minus R54mil to be written-off, is per council resolution, which leaves a balance of R8mil). The balance is now being provided in the adjustment budget. In the original budget it was only budgeted for R 537 500, provision for debt impairment was R 328 000, which was incorrect and will result in unauthorized expenditure.
- In the original budget the equitable share for 2025/2026 to the amount of R31.231mil was included, while it should have been the equitable share of 2024/2025 to the amount of R30.299mil.
- No provision was made in the original budget for post – retirement benefits, and provision for these benefits to the amount R873 740 was made in the adjustment budget.
- Provision for actuarial profit and deficits to amount of R1.00mil was made in the adjustment budget, to avoid unauthorized expenditure on these line-items.
- Provision made for indigent bad debt only amounted to R1.177mil in the original budget, while the actual write-offs to date amounts to R3.795mil, an increase by R2.618mil, this is now corrected in the adjustment budget, to avoid unauthorized expenditure.
- Provision on the rehabilitation of the landfill site only amounted to R 267 500 in the original budget, whereby the actual expenditure in 2021/2022 amount to R 1.926mil, 2022/2023 amounts to R2.091mil and 2023/2024 amounts to R2.280mil. In the adjustment budget provision is now made for R2.485mil.

Provision for critical service delivery projects in the adjustment budget is as follows:

Capital Provisions:

- Provision is made in the adjustment budget for the upgrading of Odendaal Sport field to the amount of R350 000, funded out of own funds.

- Provision is made in the adjustment budget for community park borehole to the amount of R170 000, funded out of own funds.
- Provision is made in the adjustment budget for the landfill fire control to the amount of R250 000, funded out of own funds.
- The total provision made to complete the new municipal building, at the Thusong center amounts to R788 425, which the funding is split between savings identified on own funds in the capital budget to the amount of R638 425 and own funding of R150 000.
- Provision of own funding to the amount of R250 000 is made, to move the solar panels at the financial building to the traffic department and to install the already purchased new solar panels on the new building, at the Thusong center.
- Provision is made to the amount of R500 000 for the purchase and installation of smart or prepaid meters, which was fund by Provincial Treasury's Intervention Grant.
- Provision is made to the amount of R257 000 for the final supply, installation background and detection of groundwater monitoring boreholes, funded by the Department of Environmental Affairs and Planning.

Operational Provisions:

- Provision is made in the adjustment budget for grant in aid to the amount of R200 000, funded out of own funds.
- Provision is made in the adjustment budget for external bursaries to the amount of R150 000, funded out of own funds.
- Provision is made in the adjustment budget for external bursaries to the amount of R200 000, funded by the Western Cape Financial Management Capability Grant.
- Provision is made in the adjustment budget for upgrading of informal Settlements Klaarstroom – Feasibility Study to the amount of R180 000, funded out of own funds.
- Provision is made in the adjustment budget for additional funding to the amount of R20 000 from Central Karoo District Municipality on the Community Safety Grant.

- Provision is made in the adjustment budget for electrical connections to the amount of R300 000, if any electricity emergency work needs to be conducted, funded out of own funds.

Salary Adjustment/ Cost of Employment Adjustment:

- Provision is made in the adjustment budget for the Manager Financial Services Position in the Financial Directorate. This position is critical to all municipalities, as stipulations in Chapter 9 of the MFMA, Act 56 of 2003, section 80-83 compel municipalities to have a municipal budget and treasury office. Failure to adhere to this chapter could lead to the municipality's equitable share of R30mil be withheld, also it will have a potential audit query, which will affect the municipality negatively. The 2025 TIME report, as attached also highlight the importance that Prince Albert Municipality establish a Budget and Treasury Office.
- Provision is made in the adjustment budget for Fixed Transport Allowances for Senior Managers and Managers on T14 – T17 Task Level.
- Provision is made in the adjustment budget to increase the overtime budget as follows:

Vote no					ADJB	ORGB		
					2353 678,00	1340 200,00	1 013 478,00	
13201170120	3201	Oortyd		-	312 620,00	170 200,00	142 420,00	4.5 - Traffic Control
13205170120	3205	Oortyd		-	778 766,00	450 000,00	328 766,00	5.5 - Public Works
14101170120	4101	Oortyd			129 025,00	50 000,00	79 025,00	5.1 - Electricity Services
14202170120	4202	Oortyd			393 662,00	220 000,00	173 662,00	5.2 - Water Services
14302170120	4302	Oortyd			498 398,00	250 000,00	248 398,00	5.3 - Sewerage
14403170120	4403	Oortyd			241 207,00	200 000,00	41 207,00	5.4 - Refuse

The below table indicates the effect of the adjustments budget on the operating revenue, expenditure budget and capital transfers for 2024/25:

Type	Budget Year 2024/25 R '000	3rd Adjustment Budget R '000
Revenue	105 582	102 476
Expenditure	99 893	112 326
Capital Transfer	18 971	18 971

The below table indicates the adjusted capital budget for the 2024/2025 financial year.

mSCOAConf	mSCOAConfigDescription	Budget Original	Feb Adjustments	Adjusted Budget
71203000618	Office Furniture and Electronic Equipment (Chairs, Laptop, P	52 174,00		52 174,00
74101000593	CCR - High Mast Lights : Co - Funding (Klaarstroom)	266 861,00	(266 861,00)	-
74101000594	CCR - High Mast Lights : Co - Funding (Leeu Gamka)	266 861,00	(266 861,00)	-
71203000614	CRR: Computer equipment and software	217 391,00		217 391,00
71203000617	CRR - Vehicle (Sedan) - Financial Services	217 391,00		217 391,00
72106000616	CRR - Office furniture and equipment	86 957,00		86 957,00
72106180193	CRR - Tools and equipment (Community Services)	43 478,00		43 478,00
72109000601	PT - Fire Services Truck	1 113 043,00		852 174,00
72109000602	CRR - Fire Services Truck	-		260 869,00
72115000602	PT - Upgrading of Municipal Libraries	217 391,00		217 391,00
72205000621	CRR- Upgrading of Klaarstroom Sport Field	434 783,00		434 783,00
72205000622	CRR - Vehicle (Truck) - Sport and Recreation	391 304,00		391 304,00
73205180158	CRR - Vehicles (Bakkies) - Public Works	695 652,00		824 541,00
73205193405	MIG - Upgrading of Klaarstroom Gravel Roads	-		2 391 354,00
73205193409	CRR: Upgrading of municipal roads	2 608 696,00		2 608 696,00
73205193410	MIG: Specialised Waste Vehicles (Yellowfleet)	1 213 783,00		-
73205193422	CRR - Upgrading of sidewalks in Prince Albert	434 783,00		434 783,00
74101000587	PT - Emergency Municipal Load-Shedding Relief Grant	-		-
74101000591	CRR - Emergency Municipal Load-Shedding Relief Grant	-		-
74101000588	MIG: New High Mast Light (Klaarstroom)	1 792 913,00		1 461 792,00
74101000589	MIG - High Mast Lights (Prince Albert)	3 348 892,00		2 002 023,00
74101000590	MIG - High Mast Lights (Leeu-Gamka)	920 548,00		774 177,00
74101000592	CRR - High Mast Lights Prince Albert (Co-funding)	266 861,00	(104 703,30)	33 268,70
74101180164	PT (ERG) - PV Plant Study	347 826,00		347 826,00
74202000610	CRR - Smart Water Meters	217 391,00		217 391,00
74202000611	WSIG: Water & Sanitation Infrastructure Leeu-Gamka	13 043 478,00		13 043 478,00
74202000612	MIG - Upgrading of Klaarstroom Water Treatment Plant	920 603,00		-
74202180222	PT - Construction of flood protection measures	869 565,00		2 035 855,00
	RSEP (Streek en socio ekonomiese Projek - New Municipal Office) (Move from other projects)		638 425,30	638 425,30
	RSEP (Streek en socio ekonomiese Projek - New Municipal Office) (Additional funding)		150 000,00	150 000,00
	Move solar and upgrade interior electricity (Additional funding)		250 000,00	250 000,00
	Final supply and install background and detection groundwater monitoring boreholes		257 000,00	257 000,00
	Installation Smart meters		500 000,00	500 000,00
	Upgrading of Odendaal Sport Field		350 000,00	350 000,00
	Community Park Borehole		170 000,00	170 000,00
	Landfill Fire Control		250 000,00	250 000,00

RELEVANT LEGISLATIONS/ POLICIES

Stipulations in section 16 and 28 of Municipal Finance Management Act, 2003.

Municipal Budget and Reporting Regulations (Schedule B)

MFMA Circulars 10, 12, 13, 14, 19, 28, 31, 45,48,51,54,55,58,66,67,70, 72, 74, 75, 79, 89, 91, 93 and 94.98 and 99, 108, 112, 115, 122 and 123.

Council budget related policy.

COMMENTS FROM DEPARTMENTS:

Acting Director Technical Services:

Support Recommendation.

ANNEXURES

Tables and other supporting annexures submitted under separate cover.

RECOMMENDATIONS BY THE MAYOR

- (1) That it be noted that an adjustment budget is necessary in accordance with Section 23(5) of the Municipal Budget and reporting regulations and because of the mid-year assessment for the 2024/25 financial year.
- (2) That the third (3rd) Annual Adjustments Budget of Prince Albert Municipality for the Financial year 2024/2025, as set-out in the schedules contained in Section 4, be approved as contained in the following prescribed budget tables.
 - (i.) Table B1: Adjustments budget summary
 - (ii.) Table B2: Adjustments Budget Financial Performance (expenditure by standard classification)
 - (iii.) Table B3: Adjustments Budget Financial Performance (expenditure by municipal vote)
 - (iv.) Table B4: Adjustments Budget Financial Performance (revenue by source)
 - (v.) Table B5 to B10 as well as supporting tables SB1 to SB19
- (3) That adjustments permitted in terms of Sections 28(2)(e) of the Municipal Finance Management Act as reflected in the tables referred to in resolution (2) above be approved.
- (4) That Council approves that Unauthorised, Irregular, Fruitless and Wasteful Expenditure Reduction Strategy and Plan first be workshop during the 2025/2026 MTREF Budget process, approved as a draft on or before 31 March 2025 and finally approved on or before 31 May 2025, for implementation from 01 July 2025.
- (5) That Council take note of the attached 2025 TIME (Technical Integrated Municipal Engagement Report), on the mid-year assessment for 2024/2025 financial year.