

**CITY OF EKURHULENI METROPOLITAN MUNICIPALITY  
ORDINARY COUNCIL MEETING**

**2024.03.28**

**ITEM A-F (21-2024)**

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**SPECIAL ADJUSTMENTS TO THE BUDGET (OPERATING AND CAPITAL) FOR 2023/24 FINANCIAL YEAR DUE TO THE ISSUANCE BY NATIONAL TREASURY OF GOVERNMENT GAZETTE 50318 DATED 20 MARCH 2024**

**1. PURPOSE**

To recommend that Council approves the **special adjustments** to the 2023/24 Capital and Operating Budget. These special adjustments are due to issuance by National Treasury of Government Gazette 50318 dated 20 March 2024 (**Annexure A**).

**2. STRATEGIC PRIORITY**

Promoting good governance.

**3. WARD/S AFFECTED**

All wards are affected.

**4. IDP LINKAGE**

Good governance

**5. EXECUTIVE SUMMARY**

This is a short report so it does not necessitate an executive summary.

**6. BACKGROUND / MOTIVATION / DISCUSSION**

Section 28(1) of the Municipal Finance Management Act 56 of 2003 (MFMA), provides that "A municipality may revise an approved annual budget through an adjustment budget".

Section 28(2)(b) provides that "an adjustment budget **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**. This means that no new projects or programmes may be included in an adjustments budget.

Furthermore, paragraph 23(2) of the Municipal Budget and Reporting Regulations, issued in Government Gazette 32141 dated 17 April 2009, provide that:-

***"Only one adjustments budget referred to in sub-regulation (1) may be tabled in the municipal council during a financial year, except when additional revenues contemplated in section 28(2)(b) of the Act are allocations to a municipality in a national or provincial adjustments budget..."***

Finally, paragraph 23(3) of the abovementioned regulations provide that-

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***“If a national or provincial adjustments budget allocates or transfers additional revenues to a municipality, the mayor of the municipality must, at the next available council meeting, but within sixty (60) days of the approval of the relevant national or provincial adjustments budget, table an adjustment budget referred to in section 28(2)(b) of the Act in the municipal council to appropriate these additional revenues”.***

In a letter dated 12 February 2024, **Annexure B**, National Treasury informed the City of its intention to stop a portion of an allocation of the Urban Settlements Development Grant (USDG), the Neighbourhood Development Partnership Grant (NDPG) and the Public Transport Network Grant (PTNG) due to under performance. The letter required the City to submit written representation regarding the stopping of the allocations in question.

The City duly provided the written representation in a letter dated 15 February 2024 (**Annexure C**). The written representation provided all the required evidence that the grants will be spent by the end of the Financial Year. The representation included commitments made to date, progress reports on affected projects, cash flows and the timelines. Nonetheless, National Treasury published government gazette 50318 on the 20 March 2024 without responding to the representation letter.

The published gazette indicated that the USDG has been reduced by R20m. In the same gazette, the Programme and Project Preparation Support Grant (PPPSG) was increased by R19m and the Informal Settlement Upgrading Partnership Grant (ISUPG) was also increased by R61m.

The table below shows the reductions/additions made for grants adjusted based on grants performance:

<b>Grant Name</b>	<b>Original Allocation</b>	<b>Mid-Year Adjustment (DoRA)</b>	<b>March Adjusted gazette</b>	<b>Total Allocation</b>	<b>Grant Component</b>
Programme and Project Preparation Support Grant (PPPSG)	87 782 000		19 949 000	107 731 000	Opex
Informal Settlement Upgrading Partnership Grant (ISUPG)	761 197 000	(49 788 000)	61 621 000	773 030 000	Capex
Urban Settlements Development Grant (USDG)	1 338 713 000	(90 000 000)	(20 000 000)	1 228 713 000	Capex
<b>Total</b>	<b>2 187 692 000</b>	<b>(139 788 000)</b>	<b>61 570 000</b>	<b>2 109 474 000</b>	

- **PPPSG** – An increase of R19,9 million on Opex.
- **ISUPG** – An increase of R61,6 million on Capex
- **USDG** – A reduction of R20m on Capex

Given the necessity to adjust the budget as a result of the issued gazette and redirection in the grants, the City considered it appropriate and financially prudent to adjust the budget based on performance to date on specific projects.

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Cognisance should also be taken of the requirements as set out in Chapter 4 of the Municipal Budget and Reporting Regulations (Gazette 32141-issued 17 April 2009, B Schedule) which covers the following:

- Section 21: Formats of Adjustment Budget;
- Section 22: Funding of Adjustment Budget;
- Section 23: Timeframes for tabling of Adjustment Budget;
- Section 24: Submission of tabled Adjustment Budget;
- Section 25: Approval of Adjustment Budget;
- Section 26: Publication of approved Adjustment Budget; and
- Section 27: Submission of approved Adjustment Budget.

**SECOND SPECIAL ADJUSTMENTS TO THE OPERATING BUDGET**

**Operating Revenue**

The table below shows an **increase** in the Operating Revenue from R55.539 billion to R55.559 billion, an additional R19.949 million. **Annexure D** shows the details of the adjustments.

The adjustments on transfers and subsidies are as a result of an increase in Programme and Project Preparation Support Grant (PPPSG).

Description	Revised Budget - 2023/24 R	YTD Actual - 2023/24 as at Feb'24 R	% Actuals	Proposed Adjustments R	Budget post Special Adjustments R
<b>Exchange Revenue</b>					
Service charges - electricity revenue	22,881,906,663	13,554,441,037	59%	-	22,881,906,663
Service charges - water revenue	6,552,633,456	4,525,859,632	69%	-	6,552,633,456
Service charges - sanitation revenue	4,687,505,648	2,764,490,837	59%	-	4,687,505,648
Service charges - refuse revenue	1,810,348,336	1,065,291,336	59%	-	1,810,348,336
Sale of Goods and Rendering of Services	187,434,915	204,846,686	109%	-	187,434,915
Interest earned from Receivables	1,015,740,367	692,383,691	68%	-	1,015,740,367
Interest earned from current and Non Current Assets	154,430,989	109,525,018	71%	-	154,430,989
Dividends received	-	25,429	100.00%	-	-
Rental from fixed Assets	144,690,714	105,493,223	73%	-	144,690,714
Operational Revenue	96,580,309	101,454,966	105%	-	96,580,309
<b>Non-Exchange Revenue</b>					
Property rates	8,480,921,428	5,794,643,627	68%	-	8,480,921,428
Fines, penalties and forfeits	814,746,803	185,788,333	23%	-	814,746,803
Licences and permits	325,611,570	231,739,502	71%	-	325,611,570
Transfers and subsidies- Operational	6,271,749,745	4,397,090,748	70%	19,949,000	6,291,698,745
Interest	275,880,610	181,451,920	66%	-	275,880,610
Fuel Levy	1,839,016,000	1,226,010,000	67%	-	1,839,016,000
Other Gains	-	12,428,121	100.00%	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>55,539,197,553</b>	<b>35,152,964,108</b>	<b>63%</b>	<b>19,949,000</b>	<b>55,559,146,553</b>

**Operating Expenditure**

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The table below shows that Operating Expenditure is adjusted from R55.067 billion to R50.087 billion.

Description	Revised Budget - 2023/24 R	YTD Actual - 2023/24 as at Feb'24 R	% Actuals	Proposed Adjustments R	Budget post Special Adjustments R
<b>Expenditure By Type</b>					
Employee related costs	11,583,753,257	6,999,550,178	60%	(2,871,000)	11,580,882,257
Remuneration of councillors	164,361,355	107,651,065	65%	-	164,361,355
Debt impairment	6,083,068,269	3,392,331,480	56%	-	6,083,068,269
Depreciation & asset impairment	3,078,889,307	71,955,428	2%	-	3,078,889,307
Finance charges	1,546,189,557	598,098,604	39%	-	1,546,189,557
Bulk purchases - electricity	17,943,097,118	10,811,012,347	60%	-	17,943,097,118
Inventory consumed	6,277,056,572	3,857,553,691	61%	22,849,000	6,299,905,572
Contracted services	6,101,871,209	3,539,818,061	58%	-	6,101,871,209
Transfers and subsidies	685,601,275	313,532,975	46%	-	685,601,275
Irrecoverable debts written off	12,264,875	28,862,335	235%	-	12,264,875
Other expenditure	1,591,741,350	998,263,510	63%	(29,000)	1,591,712,350
Loss on disposal of PPE	-	1,525,586	100.00%	-	-
Other Losses	-	16,734,801	100.00%	-	-
<b>Total Expenditure</b>	<b>55,067,894,144</b>	<b>30,736,890,062</b>	<b>56%</b>	<b>19,949,000</b>	<b>55,087,843,144</b>

The adjustments are as a result of an increase in Programme and Project Preparation Support Grant (PPPSG) and re-allocation of Expanded Public Works Programme Integrated Grant (EPWP) funded expenditure.

These adjustments are made to ensure that the budget is credible, and that there is efficient and effective allocation of limited resources in a justifiable manner for all Departments and all expenditure items.

**SPECIAL ADJUSTMENTS TO THE CAPITAL BUDGET PER DEPARTMENT**

The table below shows the summary of the Special Adjusted Capital Budget. The detail of the projects is contained in **Annexure E**.

**Special Adjusted Capital Budget per Department**

<b>2023/24 PROPOSED SPECIAL CAPITAL BUDGET ADJUSTMENTS - PER DEPARTMENT</b>					
Department	2023/24 Budget as at 29 February 2024	Actual Expenditure Plus Commitments as at 29 February 2024	% Spent incl comm	Proposed Adjustme nts	2023/24 Budget after Special Adjustment
Disaster & Emergency Management Services	31 169 163	15 030 553	48,22%		31 169 163
Ekurhuleni Housing Company (EHC)	413 717	63 487	15,35%		413 717
Ekurhuleni Metro Police Department	24 210 552	3 478 847	14,37%		24 210 552
Energy	591 010 643	359 363 516	60,80%	41 621 000	632 631 643

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<b>2023/24 PROPOSED SPECIAL CAPITAL BUDGET ADJUSTMENTS - PER DEPARTMENT</b>					
<b>Department</b>	<b>2023/24 Budget as at 29 February 2024</b>	<b>Actual Expenditure Plus Commitments as at 29 February 2024</b>	<b>% Spent incl comm</b>	<b>Proposed Adjustments</b>	<b>2023/24 Budget after Special Adjustment</b>
Environmental Resources & Waste Management	76 502 040	44 198 575	57,77%		76 502 040
ERWAT	135 616 091	52 939 923	39,04%		135 616 091
Health and Social Development	3 500 000	-	0,00%		3 500 000
Human Settlements	374 529 511	144 803 571	38,66%		374 529 511
Information and Communication Technology	226 830 837	106 555 847	46,98%		226 830 837
Real Estate	56 444 474	28 846 447	51,11%		56 444 474
Sport Recreation Arts and Culture	27 075 000	16 162 066	59,69%		27 075 000
Transport Planning & Provision	303 627 999	61 505 425	20,26%		303 627 999
Water and Sanitation	577 000 000	260 271 294	45,11%		577 000 000
<b>Grand Total</b>	<b>2 718 720 150</b>	<b>1 167 645 266</b>	<b>42,95%</b>	<b>41 621 000</b>	<b>2 760 341 150</b>

The effect of the Special Adjustments increases Capital Budget from R2.71 billion to R2.76 billion, a net increase of R41.6 million. These adjustments will ensure that over 95% of the Capital Budget, and close to 100% of Conditional Grants, are spent by the end of the Financial Year.

**Sources of Finance**

<b>2023/24 PROPOSED SPECIAL CAPITAL BUDGET ADJUSTMENTS - PER SOURCES OF FINANCE</b>					
<b>Source of Finance</b>	<b>2023/24 Budget as at 29 February 2024</b>	<b>Actual Expenditure Plus Commitments as at 29 February 2024</b>	<b>% Spent incl comm</b>	<b>Proposed Adjustments</b>	<b>2023/24 Budget after Special Adjustment</b>
Informal Settlement Upgrading Programme Grant (ISUPG)	674 409 000	391 516 440	58,05%	61 621 000	736 030 000
Neighborhood Development Partnership Grant (NDPG)	53 590 000	9 892 190	18,46%		53 590 000
SRAC Provincial Grant	11 823 000	6 982 752	59,06%		11 823 000
Public Transport Network Grant (PTNG)	296 127 999	61 180 272	20,66%		296 127 999
Revenue	442 192 529	204 377 587	46,22%		442 192 529
Urban Settlement Development Grant (USDG)	1 240 577 622	493 696 025	39,80%	(20 000 000)	1 220 577 622
<b>Grand Total</b>	<b>2 718 720 150</b>	<b>1 167 645 266</b>	<b>42,95%</b>	<b>41 621 000</b>	<b>2 760 341 150</b>

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The table above shows the sources of funding for the Special Adjusted Capital Budget. Although the grants were reduced, they still form a significant funding source of the Capital Budget. It shows, amongst others, that;

- USDG is reduced by R20 million;
- ISUPG is increased by R61,6 million.

**LEGAL IMPLICATIONS**

This report ensures compliance with Section 28 of the MFMA.

**COMMUNICATION IMPLICATION**

The Special Adjusted Budget will be communicated to all stakeholders and submitted to relevant organs of state.

**7. COMMENTS FROM RELEVANT DEPARTMENTS**

National Treasury and Management were consulted on the Special Adjustment Budget process.

**8. LIST OF ANNEXURE/S**

- Annexure A: Government Gazette 50318 dated 20 March 2024.**
- Annexure B: National Treasury grant stopping letter.**
- Annexure C: CoE representation on grant stopping.**
- Annexure D: Special adjustments to Operating Budget.**
- Annexure E: Special adjustments to Capital Budget.**
- Annexure F: NT Schedules of reporting**

**9. RECOMMENDATION**

1. **That** the report on the Special Adjustments to the Capital and Operating Budgets for 2023/24 Financial Year, **BE NOTED**.
2. **That** the Special Adjusted Capital and Operating Budgets for 2023/24 Financial Year, **BE APPROVED**.