



# CEDERBERG MUNICIPALITY ADJUSTMENT BUDGET NOVEMBER 2024

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# **1 Part 1: Adjustment Budget**

## **1.1 Mayor's Report**

The Mayor's budget speech for the 2024/25 November 2024 Adjustment Budget is circulated separately and will be presented by the Executive Mayor, Dr. R. Richards during the council meeting.

## 1.2 Legislative Background:

In terms of Chapter 4, Section 28 of the MFMA;

- (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 form.
- (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 of frequency.
- (5) When an adjustments budget is tabled, it must be accompanied by –
  - (a) an explanation how the adjustments 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.
- (6) Municipal tax and tariffs may not be increased during a financial year excepts when required in terms of a financial recovery plan.

- (7) Sections 22(b), 23(3) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustments budget.

Municipal Budget and Reporting Regulations further provides:

A. Timeframes for tabling of adjustments budgets

- An adjustments budget referred to in Chapter 4, section 28(2)(b), (d) and (f) of the Act may be tabled in Municipal Council at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year;
- Only one adjustments budget referred to in sub regulation (1) may be tabled in the municipal council during a financial year, except when the additional revenues contemplated in Chapter 4, section 28(2)(b) of the Act are allocations to a Municipality in a National or Provincial adjustments budget, in which case sub regulation (3) applies. If a National or Provincial adjustments budget allocates or transfer additional revenue to a Municipality, the Mayor of the Municipality must, at the next available meeting, but within 60 days of the approval of the relevant National or Provincial adjustments budget, table an adjustments budget referred to in Chapter 4, section (28(2) (b) of the Act in the Municipal council to appropriate these additional.
- The roll-overs relate only to Grant Funding. MFMA circular 72 para 6.6 dictates the process for Grant Funding roll-overs.
- “Municipalities may not rollover unspent conditional grant spending in terms of Chapter 4, section 28(2)(e) of the MFMA (read together with regulation 23(5) of the Municipal Budget and Reporting Regulations) because they are national / provincial funds. The applicable rollover process is then given effect through the municipal adjustments budget in January / February each year for all the cash / transfers that had already been transferred to the bank accounts of municipalities prior to the end of the financial year. In this regard refer to MFMA Budget Circular No. 51 for more information.
- Chapter 3, Section 21 of the 2013 Division of Revenue Act requires that any conditional grants which are not spent at the end of the municipal financial year must revert to the National Revenue Fund, unless the receiving officer proves to the satisfaction of National

Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.”

### **1.3 Council Resolutions**

That in respect of the 2024-2025 Adjustments Budget – November 2024

It is recommended that:

1. Council approves the Adjustments Budget for 2024/25 financial year, amendments to income, operational and capital expenditure projections as set out in the following:
  - Municipal Budget tables B1 – B10
  - Municipal Budget Supporting Documentation SB1 – SB19
2. Council notes that the Service Delivery Budget Implementation Plan be amended in line with these adjustments.

## **1.4 Executive Summary**

The purpose of this adjustment budget is to adjust the Municipal Infrastructure Grant due to an error in the formula used when the total grant was allocated to the Municipality. This error has been corrected, resulting in a corresponding change in allocation. Additionally, the municipality has received responses from both the National and Provincial Treasury regarding its request to roll over funds from the previous financial year.

### Municipal Infrastructure Grant:

The result of the error effected a downward adjustment with R 56 000 to the total allocation.

### Roll-over outcome National Treasury:

National Treasury approved the roll-over of the Municipal Disaster Response Grant to the amount of R7.5 million.

### Roll-Over outcome: Provincial Treasury

The Western Cape Provincial Treasury has granted approval to roll-over the unspent amounts as follows:

- R1 000 000 for Western Cape Municipal Financial Recovery Services Grant
- R26 530 for Title Deeds Restoration Grant
- R151 000 for Community Development Workers (CDW) Operational Support Grant
- R118 932 for Thusong Services Centre Grant
- R3 931 698 for Municipal Water Resilience Grant

More detail will follow in sections 1.4.2, 1.4.3 and 1.4.4 below.

### 1.4.1 Overall effect of the adjustments budget

The collection rate remained at a realistic rate of 92% to enable continued service delivery.

**Table 1: Consolidated overview of the Adjustment Budget**

Description	Budget Year 2024/25		
	Original Budget	Adjustment Budget 1	Difference
Total Operating Revenue	451 489 659,00	465 983 223,00	14 493 564,00
Total Operating Expenditure	451 160 155,00	465 925 617,00	14 765 462,00
<i>Surplus/(Deficit)</i>	<b>329 504,00</b>	<b>57 606,00</b>	- <b>271 898,00</b>
Capital Transfers and Subsidies (Monetary allocations)	60 734 349,00	58 921 700,00	- 1 812 649,00
Capital Transfers and Subsidies (Allocations in-kind)	-	-	-
<i>Surplus/ (Deficit) for the year</i>	<b>61 063 853,00</b>	<b>58 979 306,00</b>	- <b>2 084 547,00</b>
Total Capital Expenditure	80 568 025,00	78 755 376,00	- 1 812 649,00

The budget has been adjusted as follows from the original budget:

- The Operating revenue has been adjusted upwards by R 14.494 million
- Total Operating Expenditure has been adjusted upwards by R 14.765 million
- Capital Expenditure has decreased by R 1.813 million
- The operating deficit decreased by R 272 thousand to R58 thousand (before capital transfers)



## 1.4.2 Operating Revenue Framework

**Table 2: Operating Revenue by Source**

WC012 Cederberg - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 11 November 2024			
Description	Budget Year 2024/25		
	Original Budget	Adjusted Budget 1	Difference
<b>R thousands</b>			
<b>Revenue</b>			
<b>Exchange Revenue</b>			
Service charges - Electricity	135 874	135 874	-
Service charges - Water	33 443	33 443	-
Service charges - Waste Water Management	15 305	15 305	-
Service charges - Waste management	14 436	14 436	-
Agency services	4 465	4 465	-
Interest	-	-	-
Interest earned - outstanding debtors	1 150	1 150	-
Interest earned - external investments	6 698	6 698	-
Dividends	-	-	-
Rent on Land	-	-	-
Rental from Fixed Assets	784	784	-
Licence and permits	12	12	-
Operational Revenue	527	527	-
<b>Non-Exchange Revenue</b>			
Property rates	75 998	75 998	-
Surcharges and Taxes	1	1	-
Fines, penalties and forfeits	34 907	34 907	-
Licence and permits	-	-	-
Transfers and subsidies - Operational	94 462	108 955	(14 494)
Interest	4 353	4 353	-
Fuel Levy	-	-	-
Operational Revenue	4 601	4 601	-
Gains on disposal of Assets	-	-	-
Other Gains	19 549	19 549	-
Discontinued Operations	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>451 490</b>	<b>465 983</b>	<b>(14 494)</b>

Overall, the operating revenue increased by R 14.494 million due to the following:

**Transfers and Subsidies – Operational:** The substantial increase in this category is due to the nature of INEP grant changing from capital to operational and accounting for the operating portion of the approved roll-over grants.

### 1.4.3 Operating Expenditure Framework

**Table 3: Operating Expenditure Framework**

WC012 Cederberg - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 11 November 2024			
Description	Budget Year 2024/25		
	Original Budget	Adjusted Budget 1	Difference
<b>Expenditure By Type</b>			
Employee related costs	149 110	149 077	(33)
Remuneration of councillors	6 502	6 502	-
Bulk purchases - electricity	113 900	113 900	-
Inventory consumed	11 172	12 195	1 023
Debt impairment	54 088	54 088	-
Depreciation and amortisation	31 439	31 439	-
Interest	11 926	11 926	-
Contracted services	27 732	41 906	14 174
Transfers and subsidies	220	220	-
Irrecoverable debts written off	-	-	-
Operational costs	37 712	37 313	(399)
Losses on Disposal of Assets	-	-	-
Other Losses	7 360	7 360	-
<b>Total Expenditure</b>	<b>451 160</b>	<b>465 926</b>	<b>14 765</b>

The Operating Expenditure increased by R 14.765 million from the original budget due to the following:

**Employee Related Costs:** The decrease in ERC is to align the allocation to the PMU Business Plan

**Inventory consumed:** The increase is mainly due to the approval of the Smart Meter Grant.

**Contracted Services:** The increase is mainly due to the INEP grant moving from capital to operational. This is accounted for under contracted services, as the municipality is building the line on behalf of Eskom.

**Operational costs:** the increases in this category are due to virements and additional funds allocated to pre-paid commission as more electricity is sold.

#### 1.4.4 Capital Expenditure Framework

**Table 4: Capital Expenditure - Functional Classification**

WC012 Cederberg - Table B5 Adjustments Capital Expenditure Budget by vote and funding - 11 November 2024			
Description	Budget Year 2023/24		
	Original Budget	Adjusted Budget 1	Difference
Executive and council	-	-	-
Finance and administration	-	-	-
Internal audit	1 471	1 471	-
Community and social services	10 153	10 122	(31)
Sport and recreation	-	-	-
Public safety	460	460	-
Housing	5 936	5 936	-
Health	-	-	-
Planning and development	500	500	-
Road transport	2 000	2 957	957
Environmental protection	-	-	-
Energy sources	15 432	7 015	(8 417)
Water management	20 389	24 214	3 825
Waste water management	21 726	23 581	1 855
Waste management	2 500	2 500	-
Other	-	-	-
<b>Total Capital Expenditure - Functional</b>	<b>80 568</b>	<b>78 756</b>	<b>(1 812)</b>

**Table 5: Capital Expenditure Funding**

	Original Budget	Adjustment Budget 1	Difference
<b>Grants</b>	60 734 349	58 921 700	- 1 812 649
<b>Internally Generated Funds</b>	19 833 676	19 833 676,00	-
<b>Total</b>	<b>80 568 025,00</b>	<b>78 755 376,00</b>	<b>- 1 812 649,00</b>

The capital budget has been decreased by R 1.813 million in comparison to the Original Budget. The increase is the net effect of the movements between the approved roll-overs and the shift of INEP, from capital to operational.

## **1.5 Adjustment Budget Tables**

The tables are included in Annexure A & B.

## **2 Part 2: Supporting Documentation**

### **2.1 Supporting Budget Tables**

Supporting Table SB 1 to SB 19 are included in Annexure A & B.

## 2.2 Municipal Manager's quality certificate

### Municipal Manager Quality Certificate

I, **Riaan de Ridder**, Acting Municipal Manager of CEDERBERG MUNICIPALITY, hereby Certify that the adjustment budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the adjustment budget and supporting documents are consistent with the Integrated Development Plan of the Municipality,

Print Name: **Riaan de Ridder**

Acting Municipal Manager of **CEDERBERG MUNICIPALITY**

Signature:



Date: **11 November 2024**