MUSINA
LOCAL MUNICIPALITY

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REPORT ON THE 2nd SPECIAL ADJUSTMENT BUDGET FOR THE 2025/2026, 2026/27 AND 2027/28 MEDIUM TERM REVENUE EXPENDITURE FRAMEWORK (MTREF)

Report by the Chief Financial Officer

1. In terms of Section 28(2)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and Section 23(3) of the Municipal Budget and Reporting Requirements (MBRR), municipalities must adjust their 2025/26MTREF budgets to account for the income and expenditure that were under budgeted or over budgeted.

2. The adjustment budget must be divided into a Capital and Operational Budget in accordance with international best practice and must be scheduled in a prescribed format:

- Setting out realistically anticipated revenue for the budget year from each source
- Appropriating expenditure for the budget year under the different votes/data strings of the council
- Setting out indicative revenue per revenue source and projected expenditure by vote/type/data strings for the two financial years following the budget year.
- Setting out estimated revenue and expenditure by vote/data strings for the current year and actual revenue and expenditure by vote for the financial years preceding the current year.
- As a statement containing any other information required by section 215 (3) of the constitution or as prescribed.

3. The adjustment budget may only be funded from:

- Realistically anticipated revenue to be collected
- Cash back accumulated funds from previous year's surplus not committed for other purposes
- Borrowed funds, but only for the Capital Budget referred to in Section 17 of the MFMA.

4. The adjustment budget herewith presented is a credible operating and capital budget which is going for council approval.

- That funds only activities which are consistent with the revised IDP.
- That contains revenue and expenditure projections that are consistent current and past performances.
- That ensures that the financial position is improved to favourable and maintained so that obligations over the short, medium and long term are met,(Working Capital Management)
- That ensures the service delivery and performance targets are met.

5. The adjustment budget consists of (1) main Schedule of documentation prescribed by legislation: B Schedule of municipal Adjustment Budgets.

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BACKGROUND:

(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)

DISCUSSION:

(a) The municipal council approved its February adjustment budget, but since then, we have been allocated a further **R5** million from department of Cooperative Govenmance for the Municipal Disaster Response Grant.

(b) The capital budget financed from grants will move upwards by R5 million from **R50 242** million to **R55 242** million.
(c) The overall capital budget will move upward from **R162 015** million to **R167 015** million.
(d) **The specific project targeted for this allocation is as follows: -**

- Repair of Bileni, Supply and installation of reinforced concrete culvert pipes or box culvert units, Construction of reinforced concrete headwalls and wing walls.

The above report by the CFO is attached as the narrative of the 2ND Adjustment Budget of 2025/2026 is submitted for your consideration and approval.