

REPORT TO COUNCIL: 4 DECEMBER 2025

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CONDITIONAL GRANT ROLLOVER ADJUSTMENT BUDGET REPORT FOR THE 2025/2026 FINANCIAL YEAR

1. PURPOSE

The purpose of the report is for Council to **consider** and **approve** the Conditional grant rollover adjustment budget of Buffalo City Metropolitan Municipality for the 2025/2026 financial year.

2. AUTHORITY

Council.

3. LEGAL / STATUTORY REQUIREMENTS

The Constitution of the Republic of South Africa, 1996

Municipal Finance Management Act No 56, 2003 Chapter 4, Section 28

Municipal Budget and Reporting Regulations, 2009

Division of Revenue Act, 2024, Section 21(2)

Municipal Finance Management Act Circular No. 130

4. BACKGROUND / REASONING

In terms of Section 28, of the Municipal Finance Management Act No. 56, 2003, Chapter 4, the following applies: -

(1) *"A municipality may revise an approved annual budget through an adjustment 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 or 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 except 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.”

Furthermore, the Municipal Budget and Reporting Regulations (MBRR), 2009, (Reg. 23) (3) stipulates the following:

“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 60 days of the approval of the relevant national or provincial adjustments budget, table an adjustments budget referred to in section 28(2)(b) of the Act in the municipal council to appropriate these additional revenues.

“An adjustment budget and supporting documentation of a municipality must be in the format specified in Schedule B and include all the required tables, charts and explanatory information taking into account any guidelines issued by the Minister in terms of S168(1) of the Act” (MFMA).

This report responds to the above sections of MFMA (28(2)(b) and follows the legislative requirements of the Municipal Budget and Reporting Regulations (Schedule B format).

5. EXPOSITION OF FACTS

BCMM applied to National Treasury for the rollover of R126 050 732 on the following unspent conditional grants from the 2024/2025 financial year:

- i. Urban Settlement Development Grant (USDG) - R26 186 107
- ii. Municipal Disaster Recovery Grant (DRG) – R71 343 636
- iii. Municipal Disaster Response Grant (MDRG) – R27 996 396
- iv. Neighbourhood Development Partnership Grant (NDPG) – R389 222
- v. Infrastructure Skills Development Grant (ISDG) – R135 370

National Treasury has only granted approval of R125 526 140 of the requested amount. This approval is in respect of the Urban Settlement Development Grant (R26 186 107), Municipal Disaster Recovery Grant (R71 343 636) and the Municipal Disaster Response Grant (R27 996 396). The Neighbourhood Development Partnership Grant (NDPG) and Infrastructure Skills Development Grant (ISDG) were not approved by National Treasury to be rolled over.

This adjustment budget is being prepared to incorporate the unspent conditional grant rollovers that have been approved by National Treasury into the 2025/2026 budget and to ensure that the approved rollovers are also adopted by Council for spending

as soon as possible so as to minimise the possibility of underspending. This process is in line with the legislative requirements of section 28 of the MFMA and Municipal Budget and Reporting Regulations for submitting a municipal rollover budget to Council for adoption.

A. The following table provides a high-level summary of the Operating and Capital Budget Adjustments for the Parent Municipality (BCMM):

OPERATING AND CAPITAL BUDGET EXPENDITURE	2025/2026	2025/2026	ADJUSTMENTS	2025/2026	2026/2027	2027/2028
	APPROVED	FIRST		CONDITIONAL	FINAL	FINAL
	BUDGET	ADJ. BUDGET		GRANT ROLLOVER ADJ. BUDGET	BUDGET	BUDGET
Total Revenue	10 891 570 033	10 967 399 492	0	10 967 399 492	11 355 396 062	11 946 378 691
Total Operating Expenditure Excluding Operating Projects	10 328 319 635	10 328 319 635		10 328 319 635	10 822 644 460	11 379 742 554
Operating Projects	561 281 998	637 111 456	0	637 111 456	530 749 757	564 383 219
Total Operating Expenditure Including Operating Projects	10 889 601 633	10 965 431 092	0	10 965 431 092	11 353 394 217	11 944 125 773
Surplus / (Deficit)	1 968 400	1 968 400	0	1 968 400	2 001 845	2 252 918
Total Capital Expenditure	1 159 608 551	1 256 124 763	125 526 140	1 381 650 903	1 177 208 522	1 214 040 452
Total Opex and Capex Budget	12 049 210 184	12 221 555 854	125 526 140	12 347 081 994	12 530 602 739	13 158 166 225

B. The following table provides a high-level summary of the Consolidated Operating and Capital Budget Adjustments:

OPERATING AND CAPITAL BUDGET EXPENDITURE	2025/2026	2025/2026	ADJUSTMENTS	2025/2026	2026/2027	2027/2028
	APPROVED	FIRST		CONDITIONAL	FINAL	FINAL
	BUDGET	ADJ. BUDGET		GRANT ROLLOVER ADJ. BUDGET	BUDGET	BUDGET
Total Revenue	10 953 568 905	11 029 398 364	0	11 029 398 364	11 392 477 331	11 985 100 454
Total Operating Expenditure Excluding Operating Projects	10 390 318 523	10 390 318 523	0	10 390 318 523	10 859 725 741	11 418 464 323
Operating Projects	561 281 998	637 111 457	0	637 111 457	530 749 757	564 383 219
Total Operating Expenditure Including Operating Projects	10 951 600 521	11 027 429 980	0	11 027 429 980	11 390 475 498	11 982 847 542
Surplus / (Deficit)	1 968 384	1 968 384	0	1 968 384	2 001 833	2 252 912
Total Capital Expenditure	1 159 708 535	1 256 224 746	125 526 140	1 381 750 886	1 177 308 509	1 214 140 446
Total Opex and Capex Budget	12 111 309 056	12 283 654 726	125 526 140	12 409 180 866	12 567 784 007	13 196 987 988

Further details on exposition of facts are detailed below for the Consolidated adjustments in the prescribed format

TABLE OF CONTENTS

REPORT TO COUNCIL: 4 DECEMBER 2025.....	1
1. PURPOSE	1
2. AUTHORITY	1
3. LEGAL / STATUTORY REQUIREMENTS	1
4. BACKGROUND.....	1
5. EXPOSITION OF FACTS.....	3
LIST OF TABLES	6
LIST OF FIGURES	6
ABBREVIATIONS AND ACRONYMS	7
PART 1 – ADJUSTMENT BUDGET	9
5.1 EXECUTIVE MAYOR’S REPORT	9
5.2 COUNCIL RESOLUTIONS.....	12
5.3 EXECUTIVE SUMMARY	14
5.4 OPERATING REVENUE FRAMEWORK.....	15
5.5 OPERATING EXPENDITURE FRAMEWORK	18
5.6 CAPITAL EXPENDITURE FRAMEWORK	21
PART 2 – SUPPORTING DOCUMENTATION	25
6. SUPPORTING DOCUMENTATION	25
6.1 ADJUSTMENT TO BUDGET ASSUMPTIONS	25
6.2 ADJUSTMENTS TO ALLOCATIONS OR GRANTS MADE BY THE MUNICIPALITY	25
6.3 ADJUSTMENTS TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP) 25	
7. CHALLENGES	25
8. STAFF IMPLICATIONS.....	26
9. FINANCIAL IMPLICATIONS.....	26
10. OTHER PARTIES CONSULTED.....	26
11. CITY MANAGER’S QUALITY CERTIFICATE.....	27

LIST OF TABLES

Table 1: High Level Summary of Consolidated Operating and Capital Budget Adjustments	9
Table 2: 2025/2026 Conditional Grant rollover Adjustment Budget Summary	15
Table 3: 2025/2026 Conditional Grant rollover Adjustment Budget	16
Table 4: 2025/2026 Conditional Grant rollover Adjusted Expenditure Budget	18
Table 5: 2025/2026 Operating Projects Per Funding Source Second Adjustment Budget.....	20
Table 6: 2025/2026 Operating Projects Adjustments Per Directorate	20
Table 7: 2025/2026 Capital Budget Adjustment Per Funding	Error! Bookmark not defined.
Table 8: 2025/2026 Capital Budget Adjustments per Directorate.....	24

LIST OF FIGURES

Figure 1: Operating Revenue per Source	17
Figure 2: 2025/2026 Operating Expenditure per Type	19

ABBREVIATIONS AND ACRONYMS

AMR	Automated Meter Reading	EU	European Union
ASGISA	Accelerated and Shared Growth Initiative South Africa	ELIDZ	East London Industrial Development Zone
BCMM	Buffalo City Metropolitan Municipality	FBS	Free Basic Services
BCMDA	Buffalo City Development Agency	FMG	Finance Management Grant
BEPP	Built Environment Performance Plan	GAMAP	Generally Accepted Municipal Accounting Practice
BSC	Budget Steering Committee	GDP	Gross Domestic Product
CBD	Central Business District	GFS	Government Financial Statistics
CFO	Chief Financial Officer	GRAP	Generally Recognized Accounting Practice
CM	City Manager	HR	Human Resources
CoGTA	Cooperative Government & Traditional Affairs	HSDG	Human Settlement Development Grant
CPI	Consumer Price Index	HSRC	Human Science Research Council
CRRF	Capital Replacement Reserve Fund	ICDG	Integrated City Development Grant
DBSA	Development Bank South Africa	IDP	Integrated Development Plan
DEDEAT	Department of Economic Development, Environmental Affairs and Tourism	INEP	Integrated National Electrification Programme
DoRA	Division of Revenue Act	IT	Information Technology
DRDLR	Department of Rural Development and Land Reform	ISUPG	Informal Settlements Upgrading Partnership Grant
DTI	Department of Trade & Industry	KPI	Key Performance Indicator
DWA	Department of Water Affairs	kℓ	Kilolitre
ECDC	Easter Cape Development Corporation	KFA	Key Focus Area
EE	Employment Equity	Km	Kilometre
EEDSM	Energy Efficiency Demand Side Management	KPA	Key Performance Area
EM	Executive Mayor	kWh	Kilowatt hour

EPWP	Expanded Public Works Programme	ℓ	Litre
ECPTA	Eastern Cape Parks & Tourism	LED	Local Economic Development
MBRR	Municipal Budgeting and Reporting Regulations	PPP	Public Private Partnership
MDGS	Metro Growth and Development Strategy	PT	Provincial Treasury
MEC	Member of the Executive Committee	PMS	Performance Management System
MFMA	Municipal Finance Management Act	PTIS	Public Transport Infrastructure System
MIG	Municipal Infrastructure Grant	SALGA	South African Local Government Association
MMC	Member of Mayoral Committee	SAT	South African Tourism
MPRA	Municipal Property Rates Act	SDBIP	Service Delivery Budget Implementation Plan
MSA	Municipal Systems Act	SDF	Spatial Development Framework
MTEF	Medium-term Expenditure Framework	SMME	Small Micro and Medium Enterprises
MTREF	Medium-term Revenue and Expenditure Framework	TRAs	Temporary Relocation Areas
NDPG	Neighbourhood Development Partnership Grant	UK	United Kingdom
NERSA	National Electricity Regulator South Africa	US	United States
NGO	Non-Governmental Organisations	USDG	Urban Settlement Development Grant
NKPIs	National Key Performance Indicators	VAT	Value Added Tax
NT	National Treasury	WSA	Waster Services Authority
OP	Operational Plan	WSDP	Water Services Development Plan
PPE	Property, Plant and Equipment		

PART 1 – ADJUSTMENT BUDGET

5.1 EXECUTIVE MAYOR'S REPORT

The primary reason for the recommendation to consider and approve the conditional grant rollover adjustment budget during December 2025 emanates from the approval by National Treasury to rollover the 2024/2025 Unspent conditional grants into the 2025/2026 financial year.

The second adjustment budget is being tabled at Council in terms of the Section 28(2)(b) of the MFMA and Regulation 23(3) of the Municipal Budget and Reporting Regulations.

The following table provides a high-level summary of the Consolidated Operating and Capital Budget adjustments:

Table 1: High Level Summary of Consolidated Operating and Capital Budget Adjustments

OPERATING AND CAPITAL BUDGET EXPENDITURE	2025/2026	2025/2026	ADJUSTMENTS	2025/2026	2026/2027	2027/2028
	APPROVED	FIRST		CONDITIONAL GRANTS ROLLOVER	FINAL	FINAL
	BUDGET	ADJ. BUDGET		ADJ. BUDGET	BUDGET	BUDGET
Total Revenue	10 953 568 905	11 029 398 364	0	11 029 398 364	11 392 477 331	11 985 100 454
Total Operating Expenditure Excluding Operating Projects	10 390 318 523	10 390 318 523	0	10 390 318 523	10 859 725 741	11 418 464 323
Operating Projects	561 281 998	637 111 457	0	637 111 457	530 749 757	564 383 219
Total Operating Expenditure Including Operating Projects	10 951 600 521	11 027 429 980	0	11 027 429 980	11 390 475 498	11 982 847 542
Surplus / (Deficit)	1 968 384	1 968 384	0	1 968 384	2 001 833	2 252 912
Total Capital Expenditure	1 159 708 535	1 256 224 746	125 526 140	1 381 750 886	1 177 308 509	1 214 140 446
Total Opex and Capex Budget	12 111 309 056	12 283 654 726	125 526 140	12 409 180 866	12 567 784 007	13 196 987 988

Section 21 (2) of the 2024 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, provincial treasury and transferring national officer proves to National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.

The following factors were taken into cognisance when applying to National Treasury for the rollover of 2024/2025 Unspent Conditional grants:

- a) A formal letter, signed by the accounting officer addressed to the National Treasury requesting the rollover of unspent conditional grants in terms of Section 21(2) of the 2024 DoRA;
- b) A list of all the projects that are linked to the unspent conditional grants and a breakdown of how much was allocated, spent and the balance per project;
- c) The following evidence indicating that work on each of the projects has commenced, as applicable to the specific rollover(s):
 - i. Proof that the service provider was appointed for delivery of the project before 31 March 2025; or
 - ii. Proof of project tender and tender submissions published and closed before 31 March 2025 or with the appointment of contractor or service provider for delivery of service before 30 June 2025 in cases where additional funding was allocated during the course of the financial year of the project;
 - iii. Incorporation of the Appropriation Statement; and
 - iv. Evidence that all projects linked to an allocation will be fully utilised by 30 June 2025 (attach cash flow projection for the applicable grant).
- d) A progress report (also reflecting percentages) on the status of each project's implementation that includes an attached legible implementation plan);
- e) The value of the committed project funding and the conditional allocation from the funding source;

- f) Reasons why the grants were not fully spent during the year on the original allocation per the DoRA;
- g) Rollover of rollovers will not be considered. Municipalities must therefore not include previous year's unspent conditional grants as rollover request;
- h) An indication of the time period within which the funds are to be spent if the rollover is approved; and
- i) Proof that the Municipal Manager and Chief Financial Officer are permanently appointed.

Approval has been granted by National Treasury for Buffalo City Metropolitan Municipality to retain R125 526 140. The City continues to budget for a surplus and produce a funded budget which is in line with National Treasury requirements.

The net effect of the increase in Conditional Grant allocations is Nil on the budgeted surplus. Therefore, the net effect of the consolidated Metro's budget after the conditional grant rollover adjustment remains constant at a surplus of R1 968 400 before capital transfers recognised.

5.2 COUNCIL RESOLUTIONS

On 28 May 2025 the Council of Buffalo City Metropolitan Municipality met to consider, approve and adopt the 2025/2026 MTREF Budget. The Council further met on 22 August 2025 to consider and approve the roll-over adjustment budget. In terms of Chapter 4, Section 28 (1) to (7) of the Municipal Finance Management Act No. 56 of 2003, "A municipality may adjust an approved budget through an adjustment budget."

It is therefore recommended that the BCMM Council **considers** and **approves**:

A. The adjusted budget of the Parent municipality (BCMM) for the 2025/2026

Conditional grant rollover Adjustment Budget as follows:

- i. There is no adjustment to the BCMM 2025/2026 Operating Revenue Budget of R10 967 399 492.
- ii. There is no adjustment to the BCMM 2025/2026 Operating Expenditure Budget of R10 965 431 092.
- iii. The adjustment from R1 256 124 763 to R1 381 650 903 of the BCMM 2025/2026 Capital Budget.

B. The consolidated adjusted budget for the 2025/2026 Conditional grant rollover Adjustment budget is as follows:

- i. There is no adjustment to the consolidated 2025/2026 Operating Revenue Budget of R11 029 398 364.
- ii. There is no adjustment to the consolidated 2025/2026 Operating Expenditure Budget of R11 027 429 980.
- iii. The adjustment from R1 256 224 746 to R1 381 750 886 of the consolidated 2025/2026 Capital Budget.

C. Council **NOTE** that, in order to improve operational efficiency, the detailed consolidated schedules of capital projects and operating projects that are attached as annexure 1 and 2 respectively have been rolled up to project and or programme level to allow budget transfers between vote/account numbers

that make up that particular project or programme to be managed at administrative level rather than being treated as a virement or an adjustment budget (annexure 1.1 and 2.1 are provided for information only).



P. FAKU

EXECUTIVE MAYOR

BUFFALO CITY METROPOLITAN MUNICIPALITY

MXOLISI YAWA/ VP

17/11/2025

DATE

ANNEXURES:

Annexure 1: Detailed Schedule of Operating Projects (Rolled-up)

Annexure 1.1: Detailed Schedule of Operating Projects

Annexure 2: Detailed Schedule of Capital Projects (Rolled-up)

Annexure 2.1: Detailed Schedule of Capital Projects

Annexure 3: National Treasury B Schedules (Parent Municipality)

Annexure 4: National Treasury B – Consolidated Schedules

5.3 EXECUTIVE SUMMARY

BCMM continues to take a more conservative approach in the manner in which it approaches budgeting including this first adjustment budget. This approach involved an intensive internal process of assessing and determining whether the unspent funding that is requested to be rolled over is committed to identifiable projects. This process is in line with the process followed by National Treasury for approval of conditional grants roll-overs.

The consolidated operating revenue budget remains stagnant at R11 029 398 364. The consolidated operating expenditure budget also remains stagnant at R11 027 429 980. This is because there were no rollover requests to National Treasury relating to Operating projects.

The reasons for the increase and decrease are detailed in section 5.4 and 5.5 of the report. The consolidated overall operating surplus before capital transfers recognised remains constant at R1 968 384.

The consolidated capital expenditure budget is increasing by R125 526 140 from R1 256 224 746 to R1 381 750 887. These are detailed in section 5.6 of the report.

5.3.1 Budget Adjustment Summary

The reasons for this adjustment budget is to incorporate the National Treasury approved Conditional grant rollovers in the BCMM budget.

The table below indicates the summary of the 2025/2026 conditional grant rollover adjustment budget.

Table 2: 2025/2026 Conditional Grant rollover Adjustment Budget Summary

OPERATING AND CAPITAL BUDGET EXPENDITURE	2025/2026	2025/2026	ADJUSTMENTS	2025/2026	2026/2027	2027/2028
	APPROVED	FIRST		CONDITIONAL	FINAL	FINAL
	BUDGET	ADJ. BUDGET		GRANT ROLLOVER ADJ. BUDGET	BUDGET	BUDGET
Total Revenue	10 953 568 905	11 029 398 364	0	11 029 398 364	11 392 477 331	11 985 100 454
Total Operating Expenditure Excluding Operating Projects	10 390 318 523	10 390 318 523	0	10 390 318 523	10 859 725 741	11 418 464 323
Operating Projects	561 281 998	637 111 457	0	637 111 457	530 749 757	564 383 219
Total Operating Expenditure Including Operating Projects	10 951 600 521	11 027 429 980	0	11 027 429 980	11 390 475 498	11 982 847 542
Surplus / (Deficit)	1 968 384	1 968 384	0	1 968 384	2 001 833	2 252 912
Total Capital Expenditure	1 159 708 535	1 256 224 746	125 526 140	1 381 750 886	1 177 308 509	1 214 140 446
Total Opex and Capex Budget	12 111 309 056	12 283 654 726	125 526 140	12 409 180 866	12 567 784 007	13 196 987 988

5.4 OPERATING REVENUE FRAMEWORK

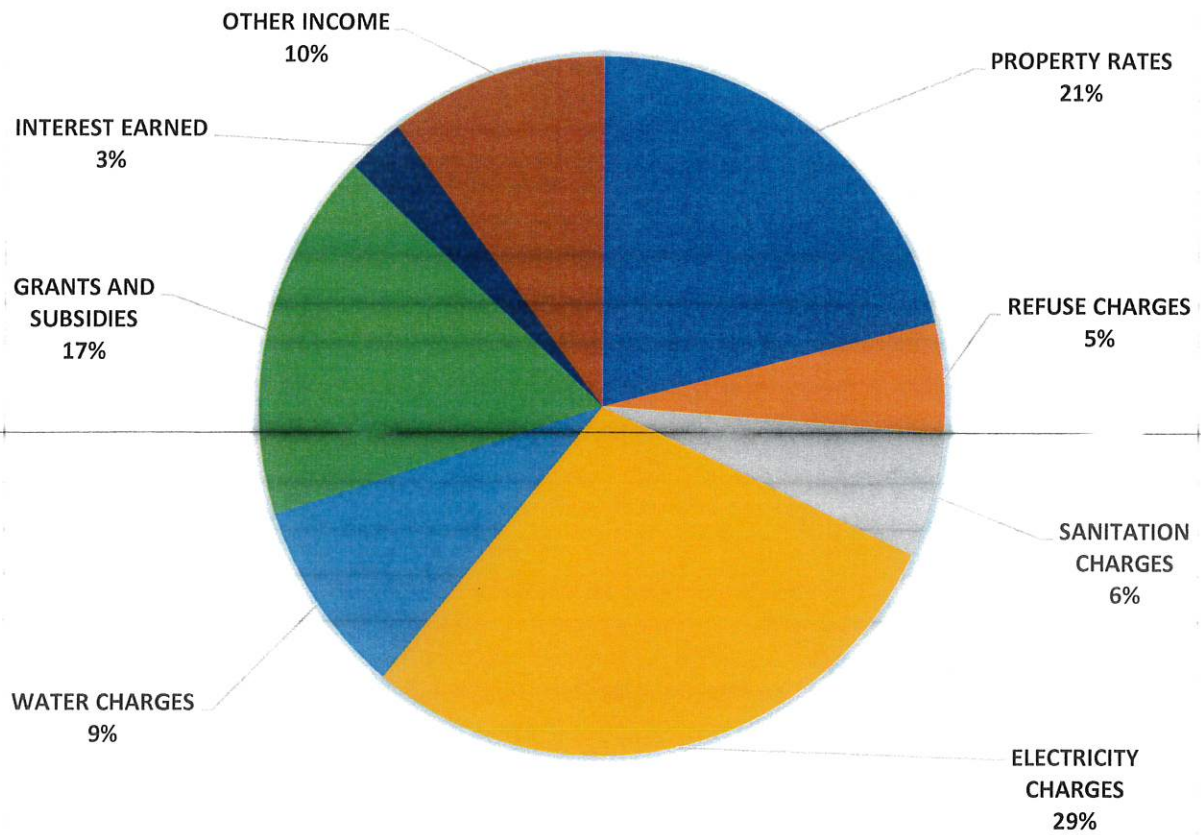
The following table depicts a nil adjustment to the consolidated operating budget per revenue source. This is because there were no rollover requests to National Treasury relating to the operating budget.

Table 3: 2025/2026 Conditional Grant rollover Adjustment Budget**Revenue per Source**

2025/2026 CONDITIONAL GRANT ROLLOVER ADJUSTMENT BUDGET REVENUE FRAMEWORK	2025/2026 APPROVED BUDGET	2025/2026 FIRST ADJUSTMENT BUDGET	ADJUSTMENTS	2025/2026 CONDITIONAL GRANT ROLLOVER ADJUSTMENT BUDGET	2026/2027 BUDGET	2027/2028 BUDGET
Revenue by Source						
Exchange Revenue						
Service charges - Electricity	3 197 096 496	3 197 096 496	0	3 197 096 496	3 368 460 868	3 576 968 595
Service charges - Water	1 000 901 342	1 000 901 342	0	1 000 901 342	1 066 360 290	1 136 100 253
Service charges - Waste Water Management	632 341 577	632 341 577	0	632 341 577	662 061 632	691 192 342
Service charges - Waste Management	561 493 849	561 493 849	0	561 493 849	587 884 060	613 750 958
Sale of Goods and Rendering of Services	159 693 489	159 693 489	0	159 693 489	167 039 387	174 389 123
Agency services	29 388 510	29 388 510	0	29 388 510	30 740 381	32 082 957
Interest earned from Receivables	231 857 954	231 857 954	0	231 857 954	242 523 418	253 194 450
Interest earned from Current and Non Current Assets	71 133 589	71 133 589	0	71 133 589	74 220 328	77 562 306
Rental from Fixed Assets	25 305 993	25 305 993	0	25 305 993	26 470 066	27 634 750
Operational Revenue	92 056 338	92 056 338	0	92 056 338	96 290 929	100 527 730
Non-Exchange Revenue						
Property rates	2 328 401 183	2 328 401 183	0	2 328 401 183	2 435 507 639	2 542 669 976
Fines, penalties and forfeits	10 107 957	10 107 957	0	10 107 957	10 572 922	11 038 133
Licences or permits	14 625 060	14 625 060	0	14 625 060	15 297 820	15 970 918
Transfer and subsidies - Operational	1 801 123 568	1 876 953 027	0	1 876 953 027	1 786 128 591	1 884 089 963
Fuel Levy	798 042 000	798 042 000	0	798 042 000	822 919 000	847 918 000
TOTAL REVENUE	10 953 568 905	11 029 398 364	0	11 029 398 364	11 392 477 331	11 985 100 454

The figure below provides a split of consolidated operating revenue budget per source. In terms of revenue services, electricity continues to be the main contributor to the revenue of the municipality by generating 29% of the total revenue. This is followed by water tariffs at 9%, sanitation tariff at 6% and refuse tariff at 5%. The implementation of valuations roll continues to have a positive impact on the property rates revenue which totals 21% of the total municipal revenue. The municipality receives grants and subsidies totalling 17% of the total revenue. Other revenue contributes 10% and interest earned 3% of the total revenue.

Figure 1: Operating Revenue per Source



5.5 OPERATING EXPENDITURE FRAMEWORK

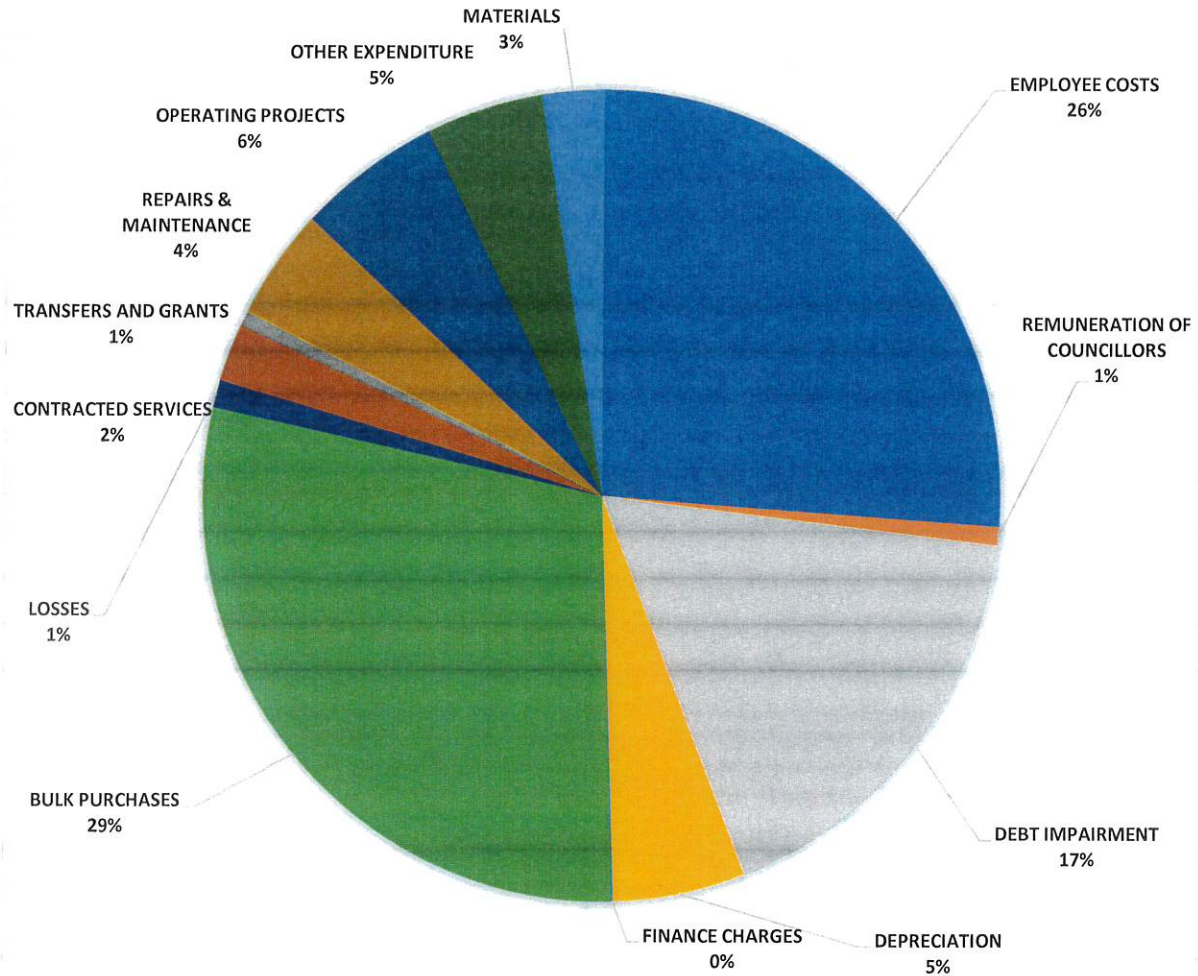
The following table depicts a nil adjustment to the consolidated operating budget per expenditure type. This is because there were no rollover requests to National Treasury relating to the operating budget.

Table 4: 2025/2026 Conditional Grant rollover Adjusted Expenditure Budget per Category

2025/2026 CONDITIONAL GRANT ROLLOVER ADJUSTMENT BUDGET EXPENDITURE FRAMEWORK	2025/2026 APPROVED BUDGET	2025/2026 FIRST ADJUSTMENT BUDGET	ADJUSTMENTS	2025/2026 CONDITIONAL GRANT ROLLOVER ADJUSTMENT BUDGET	2025/2026 BUDGET	2026/2027 BUDGET
Expenditure Per Category						
Employee related costs	2 887 875 886	2 887 875 886	0	2 887 875 886	3 088 495 760	3 255 074 315
Remuneration of councillors	81 577 908	81 577 908	0	81 577 908	85 942 330	90 798 070
Debt impairment	1 891 898 218	1 891 898 218	0	1 891 898 218	1 823 861 544	1 834 379 066
Depreciation & asset impairment	595 663 205	595 663 205	0	595 663 205	746 254 815	822 500 355
Finance charges	6 551 234	6 551 234	0	6 551 234	4 669 070	3 286 116
Electricity Bulk Purchases	3 193 457 281	3 193 457 281	0	3 193 457 281	3 364 626 591	2 476 103 892
Contracted services	252 230 714	252 230 714	0	252 230 714	107 957 276	1 214 577 265
Transfers and grants	66 529 177	66 529 177	0	66 529 177	117 527 085	123 365 062
Repairs and Maintenance	487 456 162	487 456 162	0	487 456 162	509 969 096	532 409 866
Operating projects	561 281 998	637 111 457	0	637 111 457	530 749 757	564 383 219
Other expenditure	525 370 783	525 370 783	0	525 370 783	573 849 910	602 288 101
Losses	121 371 444	121 371 444	0	121 371 444	129 309 135	137 765 953
Other materials	280 336 511	280 336 511	0	280 336 511	307 263 129	325 916 262
Total Direct Operating Expenditure	10 951 600 521	11 027 429 980	0	11 027 429 980	11 390 475 498	11 982 847 542

The figure below gives the split of consolidated operating expenditure budget per category. Employee costs represent the largest cost of the municipality and totals 26% of the total operating expenditure. Bulk Purchases for Electricity also represents 29% of the total costs. Operating projects contribute 6% of total operating expenditure. Depreciation totals 5% of the total cost base for the institution. This represents the proportional funding requirements for the replacement of existing infrastructure assets. Repairs and Maintenance totals 4% and Other Expenditure accounts for 5% of the total operating budget. Debt impairment account for 17%. Contracted Services and Other materials account for 2% and 3% of the total operating budget respectively. Remuneration of Councillors, Losses and Transfers and Grants each account for 1% of the total expenditure.

Figure 2: 2025/2026 Operating Expenditure per Type



5.5.1 Conditional Grant rollover Adjustment on Operating Projects

The following tables (table 5 and 6) tabulates adjustments to the operating projects expenditure budget per funding source and per directorate respectively. It shows that there are nil adjustments to operating projects in this Conditional Grant rollover adjustment budget:

Table 5: 2025/2026 Operating Projects Per Funding Source Second Adjustment Budget

FUNDING SOURCE	2025/2026 APPROVED FINAL OPEX BUDGET	2025/2026 FIRST ADJUSTMENT OPEX BUDGET	ADJUSTMENTS	2025/2026 CONDITIONAL GRANT ROLLOVER ADJUSTMENT OPEX BUDGET
OWN FUNDING	134 651 751	134 651 751	0	134 651 751
TOTAL OWN FUNDING	134 651 751	134 651 751	0	134 651 751
CITY OF OLDENBURG C/O	0	223 398	0	223 398
URBAN SETTLEMENT DEVELOPMENT GRANT	55 124 874	55 124 874	0	55 124 874
FINANCE MANAGEMENT GRANT	885 000	885 000	0	885 000
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT	23 992 076	23 992 076	0	23 992 076
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	8 800 000	8 800 000	0	8 800 000
PROGRAMME AND PROJECT PREPARATION SUPPORT GRANT (PPPSG)	16 000 000	16 000 000	0	16 000 000
EXPANDED PUBLIC WORKS PROGRAMME	2 434 000	2 434 000	0	2 434 000
HUMAN SETTLEMENTS DEVELOPMENT GRANT	289 500 000	289 500 000	0	289 500 000
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	22 500 000	22 500 000	0	22 500 000
SETA	7 394 297	7 394 297	0	7 394 297
SETA C/O	0	3 717 955	0	3 717 955
DEPARTMENT OF TRANSPORT	0	71 888 104	0	71 888 104
TOTAL GRANTS	426 630 247	502 459 704	0	502 459 704
TOTAL OPERATING PROJECTS BUDGET	561 281 998	637 111 455	0	637 111 455

Table 6: 2025/2026 Operating Projects Adjustments Per Directorate

DIRECTORATE	2025/2026 APPROVED FINAL OPEX BUDGET	2025/2026 FIRST ADJUSTMENTS OPEX BUDGET	ADJUSTMENTS	2025/2026 CONDITIONAL GRANT ROLLOVER ADJUSTMENT OPEX BUDGET
EXECUTIVE SUPPORT SERVICES	10 000 000	10 223 398	0	10 223 398
CITY MANAGER'S OFFICE	35 704 575	35 704 575	0	35 704 575
CORPORATE SERVICES	9 250 000	9 250 000	0	9 250 000
SPATIAL PLANNING & DEVELOPMENT	13 414 886	13 414 886	0	13 414 886
ECONOMIC DEVELOPMENT & AGENCIES	45 201 868	48 919 823	0	48 919 823
FINANCE SERVICES	11 146 900	11 146 900	0	11 146 900
PUBLIC SAFETY & EMERGENCY SERVICES	3 900 000	3 900 000	0	3 900 000
HUMAN SETTLEMENTS	308 109 690	308 109 690	0	308 109 690
INFRASTRUCTURE SERVICES	62 462 991	134 351 095	0	134 351 095
SPORTS , RECREATION & COMMUNITY DEVELOPMENT	4 050 000	4 050 000	0	4 050 000
SOLID WASTE & ENVIRONMENTAL MANAGEMENT	58 041 087	58 041 087	0	58 041 087
TOTAL OPERATING PROJECTS	561 281 998	637 111 455	0	637 111 455

In order to improve operational efficiency, the detailed schedule of operating projects that is attached as **Annexure 1** has been rolled up to the project level to allow budget transfers between votes/account numbers that make up that particular project to be managed at administrative level rather than being treated as a virement or an adjustment budget. **Annexure 1.1** has also been attached for information only, it contains the detailed mSCOA breakdown of the rolled-up operating projects.

5.6 CAPITAL EXPENDITURE FRAMEWORK

The tables (table 7 and 8) below indicate adjustments to the consolidated capital expenditure budget per funding source and per directorate respectively. It shows a total increase of R125 526 140 which is made of the approved conditional grant rollovers. Urban Settlement Development Grant (USDG) is increasing by R26 186 107, Municipal Disaster Recovery Grant (DRG) is increasing by R71 343 636 and the Municipal Disaster Response Grant (MDRG) is increasing by R27 996 396.

In order to improve operational efficiency, the detailed schedule of capital projects that is attached as **Annexure 2** of this report has been rolled up to the project level to allow budget transfers between votes/account numbers that make up that particular project to be managed at administrative level rather than being treated as a virement or an adjustment budget. **Annexure 2.1** has also been attached for information only, it contains the detailed mSCOA breakdown of the rolled-up capital projects. The following summarises the identifiable projects on which the requested roll-over funding is committed:

Summary of Capital Projects Adjustments:

5.6.1 Grant Funding: R125 526 140

5.6.1.1 Urban Settlements Development Grant (USDG): R26 186 107

Directorate of Spatial Planning & Development: R7 180 829

- a) Bridge Designs & Implementation (Midlands): R6 637 217
- b) Taxi Rank Infrastructure (Roads & Ablution): R543 612

Directorate of Human Settlements: R4 596 929

- a) Reeston Phase 3 Stage 2: R 4 596 929

Directorate of Infrastructure Services: R14 408 349

- a) Electrification Programme: R4 672 487
- b) Umzonyana Dam & East Coast Water Supply Upgrade: R9 735 862

5.6.1.2 Municipal Disaster Recovery Grant: R71 343 636

Directorate of Infrastructure Services: R71 343 636

- a) Kwelera/Tuba/Zozo/Botha Storm Damage: R3 500 000
- b) Unit P Roads & Stormwater Upgrade : R3 500 000
- c) Zwelitsha Zone 9 Stormwater Upgrade : R1 113 719
- d) Smythelands Road Culvert Crossing (Nahoon River): R10 000 000
- e) Sunrise on Sea Road & Stormwater Upgrade: R2 500 000
- f) Amalinda/Morningside Roads & Culvert Rehabilitation: R4 500 000
- g) Tikinikini Culvert Upgrade: R1 500 000
- h) Cambridge Township Road Rehabilitation: R2 000 000
- i) Potsdam Roads & Culvert Rehabilitation: R1 500 000
- j) Zwelitsha Zone 8 Stormwater Upgrade: R1 684 071
- k) Nord Ave Culvert Rehabilitation: R3 434 880
- l) Galway Road Culvert Upgrade: R9 944 289
- m) Nompumelelo: R1 674 519
- n) Nu 2 Culvert Upgrade: R2 921 772
- o) Gonubie Access Road to the Quenera w/water Treatment Plant: R5 240 144
- p) NU 13 Stormwater Upgrade: R1 500 000
- q) NU 14 Culvert Upgrade: R3 000 000
- r) NU 14 Stormwater Upgrade: R1 500 000
- s) Esplanade Sidewalk Rehabilitation: R3 000 000
- t) Scenery Park Stormwater Upgrade: R2 877 832

- u) Cambridge Roads Rehabilitation: R2 952 411
- v) NU 16 Stormwater Upgrade: R1 500 000

5.6.1.3 Municipal Disaster Response Grant: R27 996 396

Directorate of Infrastructure Services: R27 996 396

- a) Roads Rehabilitation & Culvert Rehabilitation: R2 500 000
- b) Roads Rehabilitation & Stormwater Upgrade in Robbie Del: 719 999
- c) Stormwater Rehabilitation & Upgrade: R508 803
- d) Roads Rehabilitation & Stormwater Upgrade (Westbank): R2 327 989
- e) Roads Rehabilitation & Stormwater Upgrade (Ducats South): R1 900 383
- f) Roads Rehabilitation & Stormwater Rehabilitation: R1 500 000
- g) Mdantsane Unit 1 Pipe Culvert Instillation & Upgrade & 200m of Roads Rehabilitation: R500 400
- h) Mdantsane Unit 6 Culvert Rehabilitation (Ward 48): R2 317 012
- i) Mdantsane Unit 6: Culvert Rehabilitation: R1 527 669
- j) Culvert Rehabilitation & Gabions: R2 000 000
- k) Portal Culvert Rehabilitation & Road Rehabilitation: R751 032
- l) Road Rehab. & Stormwater Upgrade Mdoda St Ginsberg: R443 175
- m) Dimbaza Stormwater Drainage Upgrade: R367 519
- n) Stormwater Upgrade Joubert St (Qonce): R1 407 864
- o) Upgrade of Pipe Culvert Crossing Damaged by Flooding: R1 937 600
- p) Upgrade Stormwater Drainage & Road Rehabilitation: R1 477 408
- q) Stormwater Drainage Upgrade: R558 714
- r) Stormwater Drainage Upgrade John Nash Cres & Falkland Rd: R1 431 853
- s) Mdantsane Unit 3 Culvert Upgrade: R1 221 069
- t) Stormwater Drainage Upgrade & Gravel Road Rehabilitation: R1 597 907
- u) Stormwater Drainage Upgrade & Roads Rehabilitation: R1 000 000

Table 7: 2025/2026 Capital Budget Adjustment Per Funding

CAPITAL BUDGET PER FUNDING	2025/2026 APPROVED CAPITAL BUDGET	2025/2026 FIRST ADJUSTMENT CAPITAL BUDGET	ADJUSTMENTS	2025/2026 CONDITIONAL GRANS ROLLOVER ADJUSTMENT CAPITAL BUDGET
OWN FUNDING	350 908 477	350 908 477	0	350 908 477
OWN FUNDING C/O	0	96 516 212	0	96 516 212
TOTAL OWN FUNDING	350 908 477	447 424 689	0	447 424 689
URBAN SETTLEMENT DEVELOPMENT GRANT	504 119 129	504 119 129	0	504 119 129
URBAN SETTLEMENT DEVELOPMENT GRANT C/O	0	0	26 186 107	26 186 107
FINANCE MANAGEMENT GRANT	115 000	115 000	0	115 000
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT	294 365 929	294 365 930	0	294 365 930
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	10 000 000	10 000 000	0	10 000 000
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	200 000	200 000	0	200 000
MUNICIPAL DISASTER RECOVERY GRANT C/O	0	0	71 343 636	71 343 636
MUNICIPAL DISASTER RESPONSE GRANT C/O	0	0	27 996 396	27 996 396
TOTAL GRANTS	808 800 058	808 800 058	125 526 140	934 326 198
TOTAL CAPITAL BUDGET	1 159 708 535	1 256 224 747	125 526 140	1 381 750 887

Table 8: 2025/2026 Capital Budget Adjustments per Directorate

CAPITAL BUDGET PER DIRECTORATE	2025/2026 APPROVED CAPITAL BUDGET	2025/2026 FIRST ADJUSTMENT CAPITAL BUDGET	ADJUSTMENTS	2025/2026 CONDITIONAL GRANS ROLLOVER ADJUSTMENT CAPITAL BUDGET
EXECUTIVE SUPPORT SERVICES	2 500 000	2 500 000	0	2 500 000
CITY MANAGER'S OFFICE	3 750 000	3 750 000	0	3 750 000
CORPORATE SERVICES	10 900 000	13 123 196	0	13 123 196
SPATIAL PLANNING & DEVELOPMENT	54 434 656	54 434 656	7 180 829	61 615 485
ECONOMIC DEVELOPMENT & AGENCIES	59 467 130	59 467 130	0	59 467 130
FINANCE SERVICES	58 015 000	95 110 049	0	95 110 049
PUBLIC SAFETY & EMERGENCY SERVICES	52 500 000	66 190 404	0	66 190 404
HUMAN SETTLEMENTS	182 007 464	182 007 464	4 596 929	186 604 393
INFRASTRUCTURE SERVICES	555 442 873	570 221 640	113 748 382	683 970 022
SPORTS, RECREATION & COMMUNITY DEVELOPMENT	62 650 620	76 539 159	0	76 539 159
SOLID WASTE & ENVIRONMENTAL MANAGEMENT	117 940 792	132 781 048	0	132 781 048
TOTAL CAPITAL BUDGET	1 159 608 535	1 256 124 747	125 526 140	1 381 650 887
BCMDA	100 000	100 000	0	100 000
TOTAL CAPITAL BUDGET	1 159 708 535	1 256 224 747	125 526 140	1 381 750 887

PART 2 – SUPPORTING DOCUMENTATION

6. SUPPORTING DOCUMENTATION

6.1 ADJUSTMENT TO BUDGET ASSUMPTIONS

The budget assumptions have not been adjusted as a result this adjustment budget does not have an impact on tariffs.

6.2 ADJUSTMENTS TO ALLOCATIONS OR GRANTS MADE BY THE MUNICIPALITY

There have been no adjustments to allocations or grants made by the municipality.

6.3 ADJUSTMENTS TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

Section 54 (1) of the MFMA 56 of 2003 states: On receipt of a statement or report submitted by the accounting officer of the municipality in terms of section 71 or 72, the mayor must –

(c) consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery targets and performance indicators in the plan may only be made with the approval of the council following approval of an adjustments budget.

This adjustment budget is in respect of roll-overs for projects that are already in the IDP and SDBIP and therefore it has not been necessary to revise these documents. A mid-year performance assessment will be done later in the financial year to inform the revision of the approved SDBIP.

7. CHALLENGES

None.

8. STAFF IMPLICATIONS

The adjustment budget is linked to the Performance Plans of Head of Directorates and are therefore responsible to implement the revised budget.

9. FINANCIAL IMPLICATIONS

The Conditional grant rollover adjustments budget to the consolidated 2025/2026 budget do not have an impact on tariffs as these are funded from conditional grants rollover funding from 2024/2025 financial year. The effects of the adjustments to the consolidated 2025/2026 Operating and Capital Budget are outlined below:

A. The adjusted budget of the Parent municipality (BCMM) for the 2025/2026 Conditional grant rollover Adjustment Budget as follows:

- i. There is no adjustment to the BCMM 2025/2026 Operating Revenue Budget of R10 967 399 492.
- ii. There is no adjustment to the BCMM 2025/2026 Operating Expenditure Budget of R10 965 431 092.
- iii. The adjustment from R1 256 124 763 to R1 381 650 903 of the BCMM 2025/2026 Capital Budget.

A. The consolidated adjusted budget for the 2025/2026 Conditional grant rollover Adjustment budget is as follows:

- i. There is no adjustment to the consolidated 2025/2026 Operating Revenue Budget of R11 029 398 364.
- ii. There is no adjustment to the consolidated 2025/2026 Operating Expenditure Budget of R11 027 429 980.
- iii. The adjustment from R1 256 224 746 to R1 381 750 886 of the consolidated 2025/2026 Capital Budget.

10. OTHER PARTIES CONSULTED

All Directorates.

11. CITY MANAGER'S QUALITY CERTIFICATE

I Mxolisi Yawa, City Manager of Buffalo City Metropolitan Municipality, hereby certify that the adjusted 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 adjusted budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name A.S. NAILOO

City Manager of Buffalo City Metropolitan Municipality (BUF)

Signature A. S. Naidoo (Acting C.M.)

Date 11/11/2025

