

REPORT TO COUNCIL: 29 JANUARY 2026

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UNAUTHORISED EXPENDITURE ADJUSTMENT BUDGET REPORT FOR THE 2024/2025 FINANCIAL YEAR

1. PURPOSE

The purpose of the report is for Council to consider and approve the unauthorised expenditure adjustment budget of Buffalo City Metropolitan Municipality for the 2024/2025 financial year as reported and disclosed in the 2024/2025 Audited Annual Financial Statements.

2. AUTHORITY

Buffalo City Metropolitan Council.

3. LEGAL / STATUTORY REQUIREMENTS

- 3.1 The Constitution of the Republic of South Africa, 1996
- 3.2 Municipal Finance Management Act No 56, 2003
- 3.3 Municipal Budget and Reporting Regulations, 2009

4. BACKGROUND

Unauthorised expenditure is defined in section 1 of the MFMA as follows: “unauthorised expenditure”, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes —

- (a) overspending of the total amount appropriated in the municipality’s approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;

- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act.

In terms of regulation 23(6)(b) of the MBRR, council may authorise unauthorised expenditure in a special adjustments budget tabled in council when the mayor tables the annual report in terms of section 127(2) of the MFMA. This special adjustment budget “may only deal with unauthorised expenditure from the previous financial year which the council is being requested to authorise in terms of section 32(2) (a) (i) of the Act.” This special adjustment budget therefore deals with:

- i. unauthorised expenditure that occurred in the second half of the previous financial year (2023/2024), and
- ii. any unauthorised expenditure identified by the Auditor-General during the annual audit process.

According to the Municipal Budget and Reporting Regulations (MBRR), 2009, (Reg. 21)

“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 follows the legislative requirements of the Municipal Budget and Reporting Regulations (Schedule B format).

5. EXPOSITION OF FACTS

Unauthorised expenditure was disclosed as legislatively required in terms of MFMA Circular 68 in note 61 of the Annual Financial Statements (AFS) and was due to overspending on the appropriated amounts of some of the expenditure types in the approved budget.

The consolidated unauthorised expenditure of R643 565 756 per expenditure type relates to the following:

- a) Debt impairment (R56 212 014) due to the following:
 - Low collection rate, the target was 77% as at 30 June 2025, and 70% was achieved.
 - There was an increase in non-purchases in prepayment electricity, an indication of increased meter tampering, which affects revenue collection.
 - There has been an increase in Electricity and Water losses. Meter Tampering has significantly increased year-on-year, which causes any suspension of services to be ineffective.
 - For 2024/25: 5,134 less customers made payments as compared to 2023/24 financial year, an indication of economic decline, inflation, possible meter tampering etc.
- b) Inventory consumed and bulk purchases relates to secondary costing journals passed: R18 936 104
- c) Finance charges (Interest) due to non-cash accrued interest in respect of the Landfill Provision: R35 502 068
- d) Depreciation & Amortisation is due to asset impairment: R532 915 570

Table 1 below tabulates the consolidated unauthorised expenditure per expenditure type that has been disclosed in the AFS:

Table 1: Unauthorized expenditure disclosed in 2024/2025 Consolidated AFS (Per Expenditure type)

UNAUTHORISED EXPENDITURE	2024/2025	2023/2024
	R	R
Opening balance	368 454 149	0
Expenditure condoned by Council in terms of section 32 of the MFMA.	(368 454 149)	0
Unauthorised expenditure for the year	643 565 756	368 454 149
Closing balance	643 565 756	368 454 149

Table 2 below tabulates the consolidated unauthorised expenditure per directorate that has been disclosed in the AFS:

Table 2: Unauthorized expenditure disclosed in 2024/2025 Consolidated AFS (Per Directorate)

UNAUTHORISED EXPENDITURE	2024/2025	2023/2024
Infrastructure Services	404 086 267	230 157 920
Spatial Planning & Development	41 387 944	0
Public Safety & Emergency Services	142 762 924	0
Solid Waste & Environmental Management	0	36 092 597
Sports, Recreation & Community Development	7 224 204	0
Closing balance	595 461 338	266 250 517

Table 3 & 4 below tabulate the parent unauthorised expenditure that has been disclosed in the AFS:

Table 3: Unauthorized expenditure disclosed in 2024/2025 BCMM Parent AFS (Per Expenditure type)

The Parent unauthorised expenditure of R646 822 778 per expenditure type relates to the following:

- a) Debt impairment (R56 212 014) due to the following:
 - Low collection rate, the target was 77% as at 30 June 2025, and 70% was achieved.
 - There was an increase in non-purchases in prepayment electricity, an indication of increased meter tampering, which affects revenue collection.
 - There has been an increase in Electricity and Water losses. Meter Tampering has significantly increased year-on-year, which causes any suspension of services to be ineffective.
 - For 2024/25: 5,134 less customers made payments as compared to 2023/24 financial year, an indication of economic decline, inflation, possible meter tampering etc.
- b) Inventory consumed and bulk purchases relates to secondary costing journals passed: R22 187 279.
- c) Finance charges (Interest) due to non-cash accrued interest in respect of the Landfill Provision: R35 484 631
- d) Depreciation & Amortisation is due to asset impairment: R532 938 854

UNAUTHORISED EXPENDITURE	2024/2025	2023/2024
	R	R
Opening balance	403 496 432	0
Expenditure condoned by Council in terms of section 32 of the MFMA.	(403 496 432)	0
Unauthorised expenditure for the year	646 822 778	403 496 432
Closing balance	646 822 778	0

Table 4: Unauthorized expenditure disclosed in 2024/2025 BCMM Parent AFS (Per Directorate)

UNAUTHORISED EXPENDITURE	2024/2025	2023/2024
Infrastructure Services	404 086 267	230 157 920
Spatial Planning & Development	41 387 944	0
Economic Development & Agencies	0	37 391 353
Public Safety & Emergency Services	142 762 924	0
Solid Waste & Environmental Management	0	36 092 597
Sports, Recreation & Community Development	7 224 204	0
Closing balance	595 461 338	303 641 870

5.1 REASONS FOR UNAUTHORISED EXPENDITURE

5.1.1 CONSOLIDATED UNAUTHORISED EXPENDITURE

A. The unauthorised expenditure incurred (**R643 565 756**) has been as a result of over-spending of the total amount appropriated to the following **expenditure category**:

- a) Debt impairment (R56 212 014) due to the following:
 - Low collection rate, the target was 77% as at 30 June 2025, and 70% was achieved.
 - There was an increase in non-purchases in prepayment electricity, an indication of increased meter tampering, which affects revenue collection.
 - There has been an increase in Electricity and Water losses. Meter Tampering has significantly increased year-on-year, which causes any suspension of services to be ineffective.
 - For 2024/25: 5,134 less customers made payments as compared to 2023/24 financial year, an indication of economic decline, inflation, possible meter tampering etc.
- b) Inventory consumed and bulk purchases relates to secondary costing journals passed: R18 936 104

- c) Finance charges (Interest) due to non-cash accrued interest in respect of the Landfill Provision: R35 502 068
- d) Depreciation & Amortisation is due to asset impairment: R532 915 570

As reflected in the above explanation, the unauthorised expenditure was not caused by negligence on the actions of any personnel. Each financial year, quarterly reports are prepared for each quarter to assess Unauthorised expenditure and quarterly the City reports to National Treasury on unauthorised expenditure.

B. The unauthorised expenditure incurred (**R595 461 338**) has been as a result of over-spending of the total amount appropriated to the following **directorates**:

- i. Infrastructure Services – R404 086 266
- ii. Spatial Planning & Development - R41 387 944
- iii. Public Safety & Emergency Services - R142 762 924
- iv. Sports, Recreation & Community Development – R7 224 204

Table 5 and 6 below provide a breakdown of the consolidated unauthorised expenditure as disclosed on the 2024/2025 Consolidated Annual Financial Statements.

Table 5: Breakdown of the 2024/2025 consolidated unauthorised expenditure per Expenditure type

Expenditure Type	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure
Employee costs	2 937 653 875	(109 992 221)	2 827 661 654	2 780 894 285	0
Remuneration of Councillors	77 685 849	(7 312 539)	70 373 310	70 373 310	0
Depreciation and amortisation	2 001 862 441	(171 925 127)	1 829 937 314	2 362 852 884	(532 915 570)
Interest	8 966 469	(321)	8 966 148	44 468 216	(35 502 068)
Inventory consumed and bulk purchases	3 112 589 989	(147 381 705)	2 965 208 284	2 984 144 388	(18 936 104)
Transfers and subsidies	142 580 580	(8 844 266)	133 736 314	102 001 039	0
Other expenditure	1 600 794 994	(379 337 054)	1 980 132 048	1 750 790 702	0
Debt impairment	1 681 728 272	249 655 441	1 931 383 713	1 987 595 727	(56 212 014)
Total Expenditure	11 563 862 469	183 536 316	11 747 398 785	12 083 120 553	(643 565 756)

Table 6: Breakdown of the 2024/2025 consolidated unauthorised expenditure per Directorate

Directorate	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure
Directorate - Executive Support Services	281 778 222	-22 440 039	259 338 183	258 820 521	
Directorate - Municipal Manager	158 070 272	16 109 438	174 179 710	174 056 763	
Directorate - Human Settlement	197 194 173	53 186 332	250 380 505	140 453 314	
Directorate - Chief Financial Officer	1 155 337 772	49 998 100	1 205 335 872	1 136 938 383	
Directorate - Corporate Services	242 879 538	-207 280	242 672 258	239 627 860	
Directorate - Infrastructure Services	7 026 335 924	-13 414 603	7 012 921 321	7 417 007 588	-404 086 267
Directorate - Spatial Planning And Development	414 661 741	-84 424 816	330 236 925	371 624 868	-41 387 944
Directorate - Health / Public Safety & Emergency Services	546 229 614	-59 935 296	486 294 319	629 057 243	-142 762 924
Directorate - Economic Development & Agencies	271 674 103	-13 555 393	258 118 710	183 148 318	
Directorate - Solid Waste And Environmental Management	764 476 685	208 502 874	972 979 559	972 195 954	
Directorate - Sport, Recreation & Community Development	505 224 425	49 716 998	554 941 423	562 165 627	-7 224 204
Total Expenditure by Vote	11 563 862 469	183 536 316	11 747 398 785	12 085 096 440	-595 461 338

5.1.2 BCMM UNAUTHORISED EXPENDITURE (PARENT)

A. The Parent unauthorised expenditure incurred (**R646 822 778**) has been as a result of over-spending of the total amount appropriated to the following expenditure category:

- Debt impairment (R56 212 014) due to the following:
 - Low collection rate, the target was 77% as at 30 June 2025, and 70% was achieved.
 - There was an increase in non-purchases in prepayment electricity, an indication of increased meter tampering, which affects revenue collection.
 - There has been an increase in Electricity and Water losses. Meter Tampering has significantly increased year-on-year, which causes any suspension of services to be ineffective.
 - For 2024/25: 5,134 less customers made payments as compared to 2023/24 financial year, an indication of economic decline, inflation, possible meter tampering etc.
- Inventory consumed and bulk purchases relates to secondary costing journals passed: R22 187 279.

- c) Finance charges (Interest) due to non-cash accrued interest in respect of the Landfill Provision: R35 484 631
- d) Depreciation & Amortisation is due to asset impairment: R532 938 854

As reflected in the above explanation, the unauthorised expenditure was not caused by negligence on the actions of any personnel.

B. The unauthorised expenditure incurred (**R595 461 338**) has been as a result of over-spending of the total amount appropriated to the following directorates:

- i. Infrastructure Services – R404 086 266
- ii. Spatial Planning & Development - R41 387 944
- iii. Public Safety & Emergency Services - R142 762 924
- iv. Sports, Recreation & Community Development – R7 224 204

Table 7 and 8 below provide a breakdown of the parent unauthorised expenditure as disclosed on the 2024/2025 BCMM Annual Financial Statements.

Table 7: Breakdown of the 2024/2025 BCMM unauthorised expenditure per Type (Parent)

Expenditure Type	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure
Employee costs	2 888 237 670	(109 992 221)	2 784 431 158	2 752 943 266	0
Remuneration of Councillors	77 685 849	(7 312 539)	70 373 310	70 373 310	0
Depreciation and amortisation	2 001 344 233	(171 925 127)	1 829 289 106	2 362 227 960	(532 938 854)
Interest	8 964 052	(321)	8 964 050	44 448 681	(35 484 631)
Inventory consumed and bulk purchases	3 109 421 815	(147 381 705)	2 961 957 109	2 984 144 388	(22 187 279)
Transfers and subsidies	142 580 580	(8 844 266)	133 286 314	102 001 039	0
Other expenditure	1 565 014 492	379 337 054	1 936 182 328	1 735 789 033	0
Debt impairment	1 681 728 272	249 655 441	1 931 383 713	1 987 595 727	(56 212 014)
Total Expenditure	11 474 976 963	183 536 316	11 655 867 088	12 039 523 405	(646 822 778)

Table 8: Breakdown of the 2024/2025 BCMM unauthorised expenditure per Directorate (Parent)

Directorate	Original Budget	Budget Adjustments (I.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure
Directorate - Executive Support Services	281 778 222	(22 440 039)	259 338 183	258 820 521	0
Directorate - Municipal Manager	158 070 272	16 109 438	174 179 710	174 056 763	0
Directorate - Human Settlement	197 194 173	53 186 332	250 380 505	140 453 314	0
Directorate - Chief Financial Officer	1 155 337 772	49 998 100	1 205 335 872	1 136 938 383	0
Directorate - Corporate Services	242 879 538	(207 280)	242 672 258	239 627 860	0
Directorate - Infrastructure Services	7 026 335 924	(13 414 603)	7 012 921 321	7 417 007 588	(404 086 267)
Directorate - Spatial Planning & Development	414 661 741	(84 424 816)	330 236 925	371 624 868	(41 387 944)
Directorate - Health / Public Safety & Emergency Services	546 229 614	(59 935 295)	486 294 319	629 057 243	(142 762 924)
Directorate - Economic Development & Agencies	182 788 597	(16 201 584)	166 587 013	139 551 170	0
Directorate - Solid Waste & Environmental Management	764 476 685	208 502 874	972 979 559	972 195 954	0
Directorate - Sport, Recreation & Community Development	505 224 425	49 716 998	554 941 423	562 165 627	(7 224 204)
Total Expenditure by Vote	11 474 976 963	180 890 125	11 655 867 088	12 041 499 292	(595 461 338)

5.1.3 REMEDIAL ACTIONS TO PREVENT UNAUTHORISED EXPENDITURE

- Monthly monitoring of unauthorised expenditure is performed through Section 71 reports and non-cash items are reviewed during in-year budget monitoring processes.
- Prior-year actuals and interim financial information are being considered more consistently during budgeting and adjustment budget preparation. However, the effectiveness of these measures has not yet been fully realised as under-provisioning for depreciation and amortisation, finance costs relating to provisions and debt impairment persisted in the 2024/25 financial year.
- Further strengthening of forecasting and mid-year adjustments will be done to prevent unauthorised expenditure.

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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

5.2 EXECUTIVE MAYOR'S REPORT

The unauthorised budget adjustment is being prepared as informed by the 2024/2025 audited Annual Financial Statements (AFS) and in terms of the Municipal Finance Management Act (MFMA), and the Municipal Budget and Reporting Regulations (MBRR).

The main reason for this adjustment budget is the over-spending on some of the expenditure types in the municipality's approved budget. This adjustment budget report covers the 2024/2025 financial year.

Table 9 below provides a high-level consolidated summary of the Operating and Capital Budget adjustments for the 2024/2025 financial year. The table also indicates that there has been no change in the overall total budget for the operating revenue as no extra revenue was realised. It also reflects that there is no change in the overall total capital budget, however there is a proposed change of R492 111 271 to the total operating expenditure budget due to the unauthorised expenditure identified in 2024/2025 financial year.

Table 9: High-level consolidated summary of the 2024/2025 Operating and Capital Budget Adjustment

OPERATING AND CAPITAL BUDGET EXPENDITURE	2024/2025	2024/2025	2024/2025	2024/2025	2024/2025	ADJUSTMENTS	2024/2025	2025/2026	2026/2027
	APPROVED BUDGET	FIRST ADJ. BUDGET	MID-YEAR ADJ. BUDGET	THIRD ADJ. BUDGET	FOURTH ADJ. BUDGET		UNAUTHORISED EXP.	ADJUSTED BUDGET	PRELIMINARY BUDGET
Total Revenue	10 134 811 291	10 176 917 150	10 265 206 291	10 301 758 619	10 318 347 595	0	10 318 347 595	11 029 398 364	11 392 477 331
Total Operating Expenditure	10 129 615 356	10 171 721 215	10 260 010 356	10 296 562 707	10 313 151 683	492 111 271	10 805 262 954	11 027 429 980	11 390 475 498
Surplus / (Deficit)	5 195 935	5 195 935	5 195 935	5 195 912	5 195 912	-492 111 271	-486 915 359	1 968 384	2 001 833
Total Capital Expenditure	1 231 114 811	1 321 603 871	1 433 733 872	1 426 182 752	1 412 239 964	0	1 412 239 964	1 381 750 886	1 177 308 509
Total Opex and Capex Budget	11 360 730 167	11 493 325 086	11 693 744 228	11 722 745 459	11 725 391 647	492 111 271	12 217 502 918	12 409 180 866	12 567 784 007

5.3 **COUNCIL RESOLUTIONS**

On 31 May 2024 the Council of Buffalo City Metropolitan Municipality met to consider, approve and adopt the 2024/25 MTREF Budget. The Council further met on 22 August 2024 to consider and approve the roll-over adjustment budget. On 26 February 2025, BCMM Council met to consider the 2024/2025 mid-year adjustment budget. On 30 April 2025 the Council met to consider and approve the 2024/2025 Third adjustment budget. Council also met on the 22nd August to consider and approve the 2024/2025 Fourth adjustments 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 2024/2025 Unauthorised expenditure Adjustment Budget as follows:
 - i. The unauthorised expenditure of the Parent Municipality of R646 822 778 incurred in the 2024/2025 Financial year.
 - ii. The transfer of the savings identified from the following items to address the unauthorised expenditure as disclosed in the 2024/2025 BCMM Annual Financial Statements (Parent).
 - a) Transfer of R29 885 429 from Employee Related costs
 - b) Transfer of R56 212 014 to Debt impairment to address unauthorised expenditure identified
 - c) Transfer of R40 845 083 to Depreciation & Asset impairment to address unauthorised expenditure identified.
 - d) Transfer of R35 484 629 to Finance charges to address unauthorised expenditure identified.
 - e) Transfer of R30 809 388 from Electricity Bulk Purchases

- f) Transfer of R55 923 445 from Repairs & Maintenance (In the Unauthorised Expenditure reporting, repairs & maintenance is not classified as a standalone item, it is included in Other expenditure).
 - g) Transfer of R37 966 143 from Other Expenditure
 - h) Transfer of R31 033 823 from Losses
 - i) Transfer of R53 076 502 to Other Materials to address identified unauthorised expenditure
- iii. The adjusted Operating Revenue Budget of the Parent for the 2024/2025 financial year that remains unchanged as R10 226 816 be approved by Council.
- iv. An increase of R492 111 271 to the adjusted Operating Expenditure Budget of the Parent for the 2024/2025 financial year to address the identified unauthorised expenditure.
- v. The adjusted Capital Budget of the Parent for the 2024/2025 financial year that remains unchanged as R1 411 989 964 be approved by Council.

B. The Consolidated adjusted budget of BCMM for the 2024/2025 Unauthorised Expenditure Adjustment Budget as follows:

- i. The Consolidated unauthorised expenditure of R643 565 756 incurred in the 2024/2025 Financial year.
- ii. The transfer of the savings identified from the following items to address the unauthorised expenditure as disclosed in the 2024/2025 Consolidated BCMM Annual Financial Statements.
 - a) Transfer of R29 885 429 from Employee Related costs
 - b) Transfer of R56 212 014 to Debt impairment to address unauthorised expenditure identified
 - c) Transfer of R40 845 083 to Depreciation & Asset impairment to address unauthorised expenditure identified.
 - d) Transfer of R35 484 629 to Finance charges to address unauthorised expenditure identified.
 - e) Transfer of R30 809 388 from Electricity Bulk Purchases

- f) Transfer of R55 923 445 from Repairs & Maintenance (In the Unauthorised Expenditure reporting, repairs & maintenance is not classified as a standalone item, it is included in Other expenditure and this expenditure type does not have unauthorised expenditure in the 2024/2025 AFS).
- g) Transfer of R37 966 143 from Other Expenditure
- h) Transfer of R31 033 823 from Losses
- i) Transfer of R53 076 502 to Other Materials to address identified unauthorised expenditure

- iii. The adjusted Consolidated Operating Revenue Budget for the 2024/2025 financial year that remains unchanged as R10 318 347 595 be approved by Council.
- iv. An increase of R492 111 271 to the consolidated adjusted Operating Expenditure Budget for the 2024/2025 financial year to address the identified unauthorised expenditure.
- v. The adjusted Consolidated Capital Budget for the 2024/2025 financial year that remains unchanged as R1 412 239 964 be approved by Council.

C. The National Treasury B Schedules that have been adjusted in line with the above are herewith enclosed as Annexure 3 and Annexure 4.

D. The fifth and final 2024/2025 financial year adjusted budget be approved by Council.


P. FAKU
EXECUTIVE MAYOR

BUFFALO CITY METROPOLITAN MUNICIPALITY

MXOLISI YAWA / VP

7/01/2026
DATE

ANNEXURES:

- Annexure 1: Operating Projects/Programmes – 2024/2025
- Annexure 2: Capital Projects/Programmes – 2024/2025
- Annexure 3: Parent National Treasury B Schedules – 2024/2025
- Annexure 4: Consolidated National Treasury B Schedules – 2024/2025

5.4 EXECUTIVE SUMMARY

The Buffalo City Metropolitan Municipality is striving to excel in its governance responsibility. One of the fundamental pillars of achieving governance excellence is ensuring full compliance with applicable legislations. This unauthorised expenditure adjustment budget report is responding to the Municipal Finance Management Act (MFMA) and the Municipal Budget and Reporting Regulations (MBRR) requirements which prescribe that the unauthorised expenditure may be authorised through a special budget adjustment tabled in council when the mayor tables the annual report in terms of section 127(2) of the MFMA.

BCMM undertook an analysis of unauthorised expenditure that has been incurred and disclosed in its consolidated 2024/2025 AFS. The analysis which has been reported in section 5.1 above of this report revealed that the incurred unauthorised expenditure of R643 565 756 has been a result of the following; R56 212 014 relates to Debt impairment, R35 502 069 relates to Finance charges (Interest) due to non-cash accrued interest in respect of the Landfill Provision, R532 915 570 relates to depreciation and R18 936 104 relates to inventory due to secondary costing journals passed.

A budget adjustment is therefore tabled at Council to authorise the unauthorised expenditure of R643 565 756 that is disclosed in the Consolidated 2024/2025 AFS. Savings of R154 808 294 have been identified to transfer to the expenditure types with the unauthorised expenditure. As the savings identified are not sufficient to address the unauthorised expenditure there is also a proposed increase of R492 111 271 to the Operating Expenditure Budget to address the rest of the unauthorised expenditure incurred. It is therefore necessary that the adjustment budget for 2024/2025 financial year be tabled at Council for its consideration and approval.

The total consolidated operating revenue budget for the 2024/2025 financial year has not been adjusted and remains R10 318 347 595. There is a proposed increase of R492 111 271 to the consolidated operating expenditure budget for the 2024/2025 financial year as the savings identified to address the unauthorised expenditure were not sufficient to cover the unauthorised expenditure incurred in

the 2024/2025 Financial year. There has been no adjustment made in the capital budget of 2024/2025 financial year and remains R1 412 239 964 (Refer to section 5.7 below for details).

5.4.1 OPERATING AND CAPITAL BUDGET ADJUSTMENT

Table 10 below provides a high-level summary of the Operating and Capital Budget adjustments for the 2024/2025 financial year. The table also indicates that there has been no change in the overall total budget for the consolidated operating revenue. It also reflects that there is no change in the overall total capital budget, however there is a proposed increase of R492 111 271 to the overall total operating expenditure budget due to the unauthorised expenditure identified in the 2024/2025 financial year.

Table 10: High-level summary of the 2024/2025 Operating and Capital Budget Adjustment

OPERATING AND CAPITAL BUDGET EXPENDITURE	2024/2025	2024/2025	2024/2025	2024/2025	2024/2025	ADJUSTMENTS	2024/2025	2025/2026	2026/2027
	APPROVED BUDGET	FIRST ADJ. BUDGET	MID-YEAR ADJ. BUDGET	THIRD ADJ. BUDGET	FOURTH ADJ. BUDGET		UNAUTHORISED EXP. ADJ. BUDGET	ADJUSTED BUDGET	PRELIMINARY BUDGET
Total Revenue	10 134 811 291	10 176 917 150	10 265 206 291	10 301 758 619	10 318 347 595	0	10 318 347 595	11 029 398 364	11 392 477 331
Total Operating Expenditure Excluding Operating Projects	9 764 063 615	9 764 063 615	9 730 686 353	9 775 397 965	9 802 049 901	492 111 271	10 294 161 172	10 390 318 523	10 859 725 741
Operating Projects	365 551 741	407 657 600	529 324 003	521 164 742	511 101 782	0	511 101 782	637 111 457	530 749 757
Total Operating Expenditure Including Operating Projects	10 129 615 356	10 171 721 215	10 260 010 356	10 296 562 707	10 313 151 683	492 111 271	10 805 262 954	11 027 429 980	11 390 475 498
Surplus / (Deficit)	5 195 910	5 195 910	5 195 910	5 195 910	5 195 912	-492 111 271	-486 915 359	1 968 384	2 001 833
Total Capital Expenditure	1 231 114 811	1 321 603 871	1 433 733 872	1 426 182 752	1 412 239 964	0	1 412 239 964	1 381 750 886	1 177 308 509
Total Opex and Capex Budget	11 360 730 167	11 493 325 086	11 693 744 228	11 722 745 459	11 725 391 647	492 111 271	12 217 502 918	12 409 180 866	12 567 784 007

5.5 OPERATING REVENUE FRAMEWORK

The following table depicts that no adjustments have been made to the operating revenue budget per source for the 2024/2025 financial year.

Table 11: 2024/25 Adjusted Revenue per Source

REVENUE BY SOURCE	2024/2025 APPROVED BUDGET	2024/2025 FIRST ADJUSTMENT BUDGET	2024/2025 MID-YEAR YEAR ADJUSTMENT BUDGET	2024/2025 THIRD ADJUSTMENT BUDGET	2024/2025 FOURTH ADJUSTMENT BUDGET	ADJUSTMENTS	2024/2025 UNAUTHORISED EXPENDITURE ADJUSTMENT BUDGET
Exchange Revenue							
Service charges - Electricity	2 835 813 816	2 835 813 816	2 835 813 816	2 835 813 816	2 835 813 816	0	2 835 813 816
Service charges - Water	911 567 707	911 567 707	911 567 707	911 567 707	911 567 707	0	911 567 707
Service charges - Waste Water Management	603 379 368	603 379 368	603 379 368	603 379 368	603 379 368	0	603 379 368
Service charges - Waste Management	535 776 573	535 776 573	535 776 573	535 776 573	535 776 573	0	535 776 573
Sale of Goods and Rendering of Services	153 109 768	153 109 768	153 109 768	153 109 768	153 109 768	0	153 109 768
Agency services	28 176 903	28 176 903	28 176 903	28 176 903	28 176 903	0	28 176 903
Interest earned from Receivables	222 299 092	222 299 092	222 299 092	222 299 092	222 299 092	0	222 299 092
Interest earned from Current and Non-Current Assets	25 655 547	25 655 547	25 655 547	71 136 052	72 197 339	0	72 197 339
Rental from Fixed Assets	24 262 696	24 262 696	24 262 696	24 262 696	24 262 696	0	24 262 696
Operational Revenue	88 261 110	88 261 110	88 261 110	88 261 110	88 261 110	0	88 261 110
Non-Exchange Revenue							
Property rates	2 269 496 542	2 269 496 542	2 269 496 542	2 269 496 542	2 269 496 542	0	2 269 496 542
Fines, Penalties and forfeits	9 691 234	9 691 234	9 691 234	9 691 234	9 691 234	0	9 691 234
Licences or permits	14 022 111	14 022 111	14 022 111	14 022 111	14 022 111	0	14 022 111
Transfer and subsidies - Operational	1 636 166 824	1 678 272 683	1 766 561 824	1 757 633 647	1 773 161 336	0	1 773 161 336
Fuel Levy	777 132 000	777 132 000	777 132 000	777 132 000	777 132 000	0	777 132 000
TOTAL OPERATING REVENUE	10 134 811 291	10 176 917 150	10 265 206 291	10 301 758 619	10 318 347 595	0	10 318 347 595

5.6 OPERATING EXPENDITURE FRAMEWORK

The following table (table 12) reflects downwards adjustments made from the expenditure types with savings and the upward adjustments made to expenditure types with unauthorised expenditure. Also included in the adjustments on the table below is the proposed upward adjustments of R492 111 271 to the total operating expenditure budget to address the unauthorised expenditure.

Table 12: 2024/2025 Adjusted Operating Expenditure per Type

EXPENDITURE TYPE	2024/2025 APPROVED BUDGET	2024/2025 FIRST ADJUSTMENT BUDGET	2024/2025 MID-YEAR ADJUSTMENT BUDGET	2024/2025 THIRD ADJUSTMENT BUDGET	2024/2025 FOURTH ADJUSTMENT BUDGET	ADJUSTMENTS	2024/2025 UNAUTHORISED EXPENDITURE ADJUSTMENT BUDGET
Employee related costs	2 900 668 489	2 900 668 489	2 667 286 683	2 667 287 036	2 790 623 231	-29 885 429	2 760 737 802
Remuneration of councillors	77 685 850	77 685 850	77 685 850	77 685 849	70 373 312	0	70 373 312
Debt Impairment	1 681 728 272	1 681 728 272	1 754 846 892	1 754 846 890	1 939 298 190	56 212 014	1 995 510 204
Depreciation & asset impairment	567 615 359	567 615 359	567 615 359	577 826 942	387 775 757	532 956 354	920 732 111
Finance charges	8 966 469	8 966 469	8 966 469	8 966 469	8 966 150	35 484 629	44 450 779
Electricity Bulk Purchases	2 832 585 844	2 832 585 844	2 832 585 844	2 832 585 844	2 662 352 454	-30 809 388	2 631 543 066
Contracted services	193 323 715	193 323 715	257 156 846	272 256 506	300 102 214	0	300 102 214
Transfers and grants	100 950 580	100 950 580	102 850 580	102 850 580	97 338 162	0	97 338 162
Repairs and Maintenance	525 069 817	525 069 817	487 456 161	507 456 162	435 321 673	-55 923 445	379 398 228
Operating projects	365 551 741	407 657 600	529 324 003	521 164 742	511 101 782	0	511 101 782
Other expenditure	490 735 934	490 735 934	593 066 010	592 066 027	666 920 441	-37 966 143	628 954 298
Losses	114 998 963	114 998 963	114 998 963	114 998 964	147 013 220	-31 033 823	115 979 397
Other materials	269 734 323	269 734 323	266 170 696	266 570 696	295 985 096	53 076 502	349 041 598
Total Direct Operating Expenditure	10 129 615 356	10 171 721 215	10 260 010 356	10 296 562 707	10 313 151 682	492 111 271	10 805 262 953

a) The adjustments column on the table above indicates the adjustments to be made to address the unauthorised expenditure incurred.

- A downward adjustment of R29 885 429 has been made to Employee Related costs.
- An upward adjustment of R56 212 014 has been made to Debt impairment.
- An upward adjustment of R532 956 354 has been made to Depreciation & asset impairment.
- An upward adjustment of R35 484 629 has been made to Finance charges.
- A downward adjustment of R30 809 388 has been made to Electricity bulk purchases.

- vi. A downward adjustment of R55 923 445 has been made to Repairs & Maintenance.
- vii. A downward adjustment of R37 966 143 has been made to Other Expenditure.
- viii. A downward adjustment of R31 033 823 has been made to Losses.
- ix. An upward adjustment of R53 076 502 has been made to Other Materials.

Table 13 below indicates the downwards adjustment made from other directorates with savings to address the unauthorised expenditure incurred at directorate level.

Table 13: 2024/2025 Adjusted Operating Expenditure per Directorate

PER DIRECTORATE	2024/2025 APPROVED BUDGET	2024/2025 FIRST ADJUSTMENT BUDGET	2024/2025 MID-YEAR ADJUSTMENT BUDGET	2024/2025 THIRD ADJUSTMENT BUDGET	2024/2025 FOURTH ADJUSTMENT BUDGET	ADJUSTMENTS	2024/2025 UNAUTHORISED EXPENDITURE ADJUSTMENT BUDGET
EXECUTIVE SUPPORT SERVICES	278 584 132	278 694 132	279 918 339	279 918 339	256 144 093	-517 662	255 626 431
CITY MANAGER'S OFFICE	153 045 272	153 045 272	167 775 722	167 775 722	169 154 710	-46 545	169 108 165
CORPORATE SERVICES	242 879 537	242 879 537	230 492 864	230 492 864	242 672 257	-719 290	241 952 967
SPATIAL PLANNING & DEVELOPMENT	280 762 798	280 762 798	264 329 628	262 322 640	196 337 982	33 034 039	229 372 021
ECONOMIC DEVELOPMENT & AGENCIES	271 674 103	271 329 103	270 175 976	263 550 595	258 118 710		258 118 710
FINANCE SERVICES	1 129 337 772	1 129 337 772	1 149 581 886	1 159 054 994	1 179 335 872	-30 751 260	1 148 584 612
PUBLIC SAFETY & EMERGENCY SERVICES	546 229 614	546 229 614	542 952 314	547 652 314	486 294 319	1 491 601	487 785 920
HUMAN SETTLEMENTS	197 194 173	249 535 031	254 348 621	249 848 621	250 380 505	-154 660	250 225 845
INFRASTRUCTURE SERVICES	5 867 858 058	5 857 858 058	5 913 488 366	5 953 699 955	5 854 443 455	454 465 042	6 308 908 497
SOLID WASTE & ENVIRONMENTAL MANAGEMENT	722 701 936	722 701 936	777 493 158	772 793 158	931 204 810	35 310 006	966 514 816
SPORTS, RECREATION & COMMUNITY DEVELOPMENT	439 347 986	439 347 986	409 453 505	409 453 505	489 064 984	0	489 064 984
TOTAL DIRECT OPERATING EXPENDITURE	10 129 615 356	10 171 721 216	10 260 010 356	10 296 562 707	10 313 151 683	492 111 271	10 805 262 969

a) The adjustments column on the table above indicates the adjustments to be made to address the unauthorised expenditure incurred at directorate level:

- i. A downward adjustment to Executive Support Services of R517 662.
- ii. A downward adjustment to City Manager's Office of R46 545.
- iii. A downward adjustment to Corporate Services of R719 290.
- iv. A downward adjustment to Spatial Planning & Development of R33 034 039.
- v. A downward adjustment of R30 751 260 to Finance Services.
- vi. An upward adjustment of R1 491 601 to Public Safety & Emergency Services.

- vii. A downward adjustment of R154 660 to Human Settlements.
- viii. An upward adjustment of R454 465 042 to Infrastructure Services.
- ix. An upward adjustment of R35 310 006 to Solid Waste & Environmental Management.

5.6.1 2024/2025 Budget Adjustment on Operating Projects

The following (Table 14 & 15), tabulates the operating projects expenditure budget for the 2024/2025 financial year per directorate and the funding sources respectively. These tables reflect that there are no proposed adjustments to the operating projects budget for the 2024/2025 unauthorised expenditure adjustment budget. Refer to Annexure 1 for details.

Table 14: 2024/2025 Adjusted Operating Projects per Directorate

FUNDING SOURCE	2024/2025 APPROVED OPEX BUDGET	2024/2025 FIRST ADJUSTMENTS BUDGET	2024/2025 MID-YEAR ADJUSTMENTS BUDGET	2024/2025 THIRD ADJUSTMENTS BUDGET	2024/2025 FOURTH ADJUSTMENTS BUDGET	ADJUSTMENTS	2024/2025 UNAUTHORISED ADJUSTMENT BUDGET
TOTAL OWN FUNDING	84 597 617	84 597 617	117 974 879	118 743 795	94 738 047	0	94 738 047
URBAN SETTLEMENT DEVELOPMENT GRANT	46 710 950	36 710 950	45 710 950	50 710 950	61 372 847	0	61 372 847
FINANCE MANAGEMENT GRANT	885 000	885 000	1 000 000	973 108	981 406	0	981 406
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT	24 767 799	24 767 799	26 467 799	19 960 811	23 233 404	0	23 233 404
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	10 800 000	10 800 000	10 800 000	10 800 000	10 800 000	0	10 800 000
PROGRAMME AND PROJECT PREPARATION SUPPORT GRANT (PPPSG)	15 000 000	15 000 000	15 000 000	15 000 000	15 000 000	0	15 000 000
EXPANDED PUBLIC WORKS PROGRAMME	2 314 000	2 314 000	2 314 000	2 314 000	2 314 000	0	2 314 000
HUMAN SETTLEMENTS DEVELOPMENT GRANT	125 000 000	125 000 000	127 224 141	127 224 141	127 224 141	0	127 224 141
HUMAN SETTLEMENTS DEVELOPMENT GRANT C/O	0	52 340 858	52 340 858	52 340 858	52 340 858	0	52 340 858
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	36 000 000	35 655 000	35 655 000	35 655 000	35 655 000	0	35 655 000
SETA	19 476 375	19 476 375	19 476 375	12 082 078	12 082 078	0	12 082 078
CITY OF OLDENBURG	0	110 000	360 000	360 000	360 000	0	360 000
DEPARTMENT OF TRANSPORT	0	0	75 000 000	75 000 000	75 000 000	0	75 000 000
TOTAL GRANTS	280 954 124	323 059 982	411 349 123	402 420 946	416 363 734	0	416 363 734
TOTAL OPERATING PROJECTS BUDGET	365 551 741	407 657 599	529 324 002	521 164 741	511 101 782	0	511 101 782

Table 15: 2024/2025 Adjusted Operating Projects per Funding Source

DIRECTORATE	2024/2025 APPROVED OPEX BUDGET	2024/2025 FIRST ADJUSTMENTS BUDGET	2024/2025 MID-YEAR ADJUSTMENTS BUDGET	2024/2025 THIRD ADJUSTMENTS BUDGET	2024/2025 FOURTH ADJUSTMENTS BUDGET	ADJUSTMENTS	2024/2025 UNAUTHORISED ADJUSTMENT BUDGET
EXECUTIVE SUPPORT SERVICES	10 000 000	10 110 000	10 360 000	10 360 000	7 495 380	0	7 495 380
CITY MANAGER'S OFFICE	38 822 567	38 822 567	43 072 567	43 072 567	34 979 839	0	34 979 839
CORPORATE SERVICES	12 800 000	12 800 000	12 800 000	12 800 000	12 885 900	0	12 885 900
SPATIAL PLANNING & DEVELOPMENT	10 434 249	10 434 249	8 934 249	6 927 261	7 005 658	0	7 005 658
ECONOMIC DEVELOPMENT & AGENCIES	39 226 375	38 881 375	36 793 985	30 168 604	29 141 171	0	29 141 171
FINANCE SERVICES	11 185 000	11 185 000	19 210 190	19 183 298	20 912 257	0	20 912 257
PUBLIC SAFETY & EMERGENCY SERVICES	2 750 000	2 750 000	4 050 000	4 050 000	1 087 880	0	1 087 880
HUMAN SETTLEMENTS	145 583 550	197 924 408	201 151 555	196 651 555	199 107 454	0	199 107 454
INFRASTRUCTURE SERVICES	53 300 000	43 300 000	132 600 000	137 600 000	137 172 487	0	137 172 487
SPORTS, RECREATION & COMMUNITY DEVELOPMENT	6 600 000	6 600 000	6 900 000	6 900 000	4 236 851	0	4 236 851
SOLID WASTE & ENVIRONMENTAL MANAGEMENT	34 850 000	34 850 000	53 451 457	53 451 457	57 076 907	0	57 076 907
TOTAL OPERATING PROJECTS	365 551 741	407 657 599	529 324 003	521 164 742	511 101 782	0	511 101 784

5.7 CAPITAL EXPENDITURE FRAMEWORK

There have been no adjustments made in the 2024/2025 capital budget. The tables (table 16 and 17) below indicates that no adjustments have been made to the capital expenditure budget in the 2024/2025 Unauthorised expenditure adjustment budget. (Refer to annexure 2 for details)

Table 16: 2024/2025 Adjusted Capital Expenditure Budget per Directorate

CAPITAL BUDGET PER FUNDING	2024/2025 APPROVED CAPITAL BUDGET	2024/2025 FIRST ADJUSTMENT CAPITAL BUDGET	2024/2025 MID-YEAR ADJUSTMENT CAPITAL BUDGET	2024/2025 THIRD ADJUSTMENT CAPITAL BUDGET	2024/2025 FOURTH ADJUSTMENT CAPITAL BUDGET	ADJUSTMENTS	2024/2025 UNAUTHORISED ADJUSTMENT BUDGET
TOTAL OWN FUNDING	442 551 560	523 040 620	523 040 621	511 040 621	511 040 621	0	511 040 621
URBAN SETTLEMENT DEVELOPMENT GRANT	488 654 050	498 654 050	489 654 050	574 654 050	563 992 153	0	563 992 153
FINANCE MANAGEMENT GRANT	115 000	115 000	0	26 892	18 594	0	18 594
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT	279 939 201	279 939 201	278 239 201	215 661 189	212 388 596	0	212 388 596
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	19 655 000	19 655 000	20 000 000	2 000 000	2 000 000	0	2 000 000
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	200 000	200 000	200 000	200 000	200 000	0	200 000
MUNICIPAL DISASTER RESPONSE GRANT	0	0	44 600 000	44 600 000	44 600 000	0	44 600 000
DISASTER RECOVERY GRANT	0	0	78 000 000	78 000 000	78 000 000	0	78 000 000
TOTAL GRANTS	788 563 251	798 563 251	910 693 251	915 142 131	901 199 343	0	901 199 343
TOTAL CAPITAL BUDGET	1 231 114 811	1 321 603 871	1 433 733 872	1 426 182 752	1 412 239 964	0	1 412 239 964

Table 17: 2024/2025 Adjusted Capital Expenditure Budget Per Funding

CAPITAL BUDGET PER DIRECTORATE	2024/2025 APPROVED CAPITAL BUDGET	2024/2025 FIRST ADJUSTMENT CAPITAL BUDGET	2024/2025 MID-YEAR ADJUSTMENT CAPITAL BUDGET	2024/2025 THIRD ADJUSTMENT CAPITAL BUDGET	2024/2025 FOURTH ADJUSTMENT CAPITAL BUDGET	ADJUSTMENTS	2024/2025 UNAUTHORISED ADJUSTMENT BUDGET
EXECUTIVE SUPPORT SERVICES	500 000	500 000	1 040 000	1 040 000	1 040 000	0	1 040 000
CITY MANAGER'S OFFICE	9 650 000	10 075 674	18 075 674	18 075 674	10 140 977	0	10 140 977
CORPORATE SERVICES	16 700 000	19 052 214	18 625 149	18 625 149	17 940 734	0	17 940 734
SPATIAL PLANNING & DEVELOPMENT	81 907 810	82 557 813	82 182 813	82 182 813	86 365 938	0	86 355 938
ECONOMIC DEVELOPMENT & AGENCIES	42 888 554	48 764 518	44 631 928	31 853 218	32 489 176	0	32 489 176
FINANCE SERVICES	78 058 365	80 084 361	98 577 415	98 604 307	121 713 374	0	121 713 374
PUBLIC SAFETY & EMERGENCY SERVICES	18 050 000	46 696 746	45 696 746	45 696 746	27 063 861	0	27 063 861
HUMAN SETTLEMENTS	225 926 643	225 926 643	227 226 643	205 547 836	212 451 592	0	212 451 592
INFRASTRUCTURE SERVICES	650 863 439	684 638 191	801 060 434	829 066 287	815 971 164	0	815 971 164
SPORTS, RECREATION & COMMUNITY DEVELOPMENT	25 850 000	29 009 407	35 109 407	33 983 059	37 539 134	0	37 539 134
SOLID WASTE & ENVIRONMENTAL MANAGEMENT	80 470 000	94 048 305	61 257 664	61 257 664	49 284 015	0	49 284 015
TOTAL CAPITAL BUDGET: BCMM	1 230 864 811	1 321 353 872	1 433 483 873	1 425 932 753	1 411 989 964	0	1 411 989 964
BCMDA	250 000	250 000	250 000	250 000	250 000	0	250 000
TOTAL CAPITAL: CONSOLIDATED	1 231 114 811	1 321 603 872	1 433 733 873	1 426 182 753	1 412 239 964	0	1 412 239 964

PART 2 – 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

This adjustment budget is in respect of activities, projects and programmes that were already in the IDP and SDBIP and therefore it has not been necessary to revise these documents.

6.4 CHALLENGES

None.

6.5 STAFF IMPLICATIONS

None.

6.6 FINANCIAL IMPLICATIONS

The unauthorised expenditure adjustments to the 2024/2025 budget does not have an impact on tariffs as these are funded from current operating revenue, grants & subsidies and own funding reserves. The effects of the 2024/2025 adjustments to the Operating and Capital Budget are outlined below:

- A. The adjusted budget of the Parent municipality (BCMM) for the 2024/2025 Unauthorised expenditure Adjustment Budget as follows:
 - i. The unauthorised expenditure of the Parent Municipality of R646 822 778 incurred in the 2024/2025 Financial year.
 - ii. The transfer of the savings identified from the following items to address the unauthorised expenditure as disclosed in the 2024/2025 BCMM Annual Financial Statements (Parent).
 - a) Transfer of R29 885 429 from Employee Related costs
 - b) Transfer of R56 212 014 to Debt impairment to address unauthorised expenditure identified
 - c) Transfer of R40 845 083 to Depreciation & Asset impairment to address unauthorised expenditure identified.
 - d) Transfer of R35 484 629 to Finance charges to address unauthorised expenditure identified.
 - e) Transfer of R30 809 388 from Electricity Bulk Purchases
 - f) Transfer of R55 923 445 from Repairs & Maintenance (In the Unauthorised Expenditure reporting, repairs & maintenance is not classified as a standalone item, it is included in Other expenditure and this expenditure type does not have unauthorised expenditure in the 2024/2025 AFS).
 - g) Transfer of R37 966 143 from Other Expenditure
 - h) Transfer of R31 033 823 from Losses
 - i) Transfer of R53 076 502 to Other Materials to address identified unauthorised expenditure

- iii. The adjusted Operating Revenue Budget of the Parent for the 2024/2025 financial year that remains unchanged as R10 226 816 be approved by Council.
- iv. An increase of R492 111 271 to the adjusted Operating Expenditure Budget of the Parent for the 2024/2025 financial year to address the identified unauthorised expenditure.
- v. The adjusted Capital Budget of the Parent for the 2024/2025 financial year that remains unchanged as R1 411 989 964 be approved by Council.

B. The Consolidated adjusted budget of BCMM for the 2024/2025 Unauthorised Expenditure Adjustment Budget as follows:

- i. The Consolidated unauthorised expenditure of R643 565 756 incurred in the 2024/2025 Financial year.
- ii. The transfer of the savings identified from the following items to address the unauthorised expenditure as disclosed in the 2024/2025 Consolidated BCMM Annual Financial Statements.
 - a) Transfer of R29 885 429 from Employee Related costs
 - b) Transfer of R56 212 014 to Debt impairment to address unauthorised expenditure identified
 - c) Transfer of R40 845 083 to Depreciation & Asset impairment to address unauthorised expenditure identified.
 - d) Transfer of R35 484 629 to Finance charges to address unauthorised expenditure identified.
 - e) Transfer of R30 809 388 from Electricity Bulk Purchases
 - f) Transfer of R55 923 445 from Repairs & Maintenance (In the Unauthorised Expenditure reporting, repairs & maintenance is not classified as a standalone item, it is included in Other expenditure and this expenditure type does not have unauthorised expenditure in the 2024/2025 AFS).
 - g) Transfer of R37 966 143 from Other Expenditure
 - h) Transfer of R31 033 823 from Losses

- i) Transfer of R53 076 502 to Other Materials to address identified unauthorised expenditure
- iii. The adjusted Consolidated Operating Revenue Budget for the 2024/2025 financial year that remains unchanged as R10 318 347 595 be approved by Council.
- iv. An increase of R492 111 271 to the consolidated adjusted Operating Expenditure Budget for the 2024/2025 financial year to address the identified unauthorised expenditure.
- v. The adjusted Consolidated Capital Budget for the 2024/2025 financial year that remains unchanged as R1 412 239 964 be approved by Council.

6.7 OTHER PARTIES CONSULTED

All Directorates.

6.8 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 adjustment budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name Mxolisi Yawa

City Manager of Buffalo City Metropolitan Municipality (BUF)

Signature

Abaido (Acting CM)
A.S. NATALOO

Date

7/01/2026