REPORT TO COUNCIL: 25 AUGUST 2026

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AUTHOR: Executive Mayor (P. Faku)/my

FOURTH ADJUSTMENT BUDGET REPORT FOR THE 2025/2026 FINANCIAL YEAR

1. PURPOSE

The purpose of the report is for Council to **CONSIDER** and **APPROVE** the fourth adjustment budget report of Buffalo City Metropolitan Municipality for the 2025/2026 financial year in terms of section 28 of the MFMA.

2. AUTHORITY

Buffalo City Metropolitan 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

4. BACKGROUND

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."

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

5. <u>EXPOSITION OF FACTS</u>

The fourth adjustment budget is being prepared for the purpose of correcting identified misallocations made during the 2025/2026 financial year. Some of the misallocations were within capital and / operating budget but between expenditure types and votes. It is necessary to correct these misallocations to eliminate unauthorised expenditure that is reported in the Annual Financial Statements.

An intensive process of assessing the transactions allocated to the operating and capital budget was undertaken and such misallocations were detected and are being corrected in line with the requirements of section 28(2) (f) of the MFMA. This process is in line with the Metro's Budget Management Policy, MBRR and MFMA and other National Treasury guidelines such as MFMA Budget Circulars.

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 APPROVED BUDGET	2025/2026 FIRST ADJ. BUDGET	2025/2026 CONDITIONAL GRANT ROLLOVER ADJ. BUDGET	2025/2026 MID-YEAR ADJUSTMENT BUDGET	ADJUSTMENTS	2025/2026 FOURTH ADJUSTMENT BUDGET	2026/2027 FINAL BUDGET	2027/2028 FINAL BUDGET
Total Revenue	10 891 570 033	10 967 399 492	10 967 399 492	10 861 508 237	26 682 913	10 888 191 150	11 394 066 468	11 932 836 036
Total Operating Expenditure Excluding Operating Projects	10 328 319 635	10 328 319 635	10 329 719 636	10 277 873 785	28 352 951	10 306 226 736	10 865 288 182	11 444 968 109
Operating Projects	561 281 998	637 111 455	635 711 455	581 666 051	-1 670 038	579 996 013	526 682 921	485 873 483
Total Operating Expenditure Including Operating Projects	10 889 601 633	10 965 431 092	10 965 431 092	10 859 539 837	26 682 913	10 886 222 749	11 391 971 103	11 930 841 592
Surplus / (Deficit)	1 968 400	1 968 400	1 968 400	1 968 400	0	1 968 400	2 095 365	1 994 444
Total Capital Expenditure	1 159 608 551	1 256 124 748	1 381 650 888	1 549 119 885	-38 121 867	1 510 998 018	1 396 735 154	1 428 248 608
Total Opex and Capex Budget	12 049 210 184	12 221 555 840	12 347 081 980	12 408 659 722	-11 438 954	12 397 220 767	12 788 706 257	13 359 090 200

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

OPERATING AND CAPITAL BUDGET EXPENDITURE	2025/2026 APPROVED BUDGET	2025/2026 FIRST ADJ. BUDGET	2025/2026 CONDITIONAL GRANT ADJ. BUDGET	2025/2026 MID-YEAR ADJUSTMENT BUDGET	ADJUSTMENTS	2025/2026 FOURTH ADJUSTMENT BUDGET	2026/2027 FINAL BUDGET	2027/2028 FINAL BUDGET
Total Revenue	10 953 568 905	11 029 398 364	11 029 398 364	10 923 507 109	26 682 913	10 950 190 022	11 460 359 474	12 003 432 141
Total Operating Expenditure Excluding Operating Projects	10 390 318 523	10 390 318 525	10 391 718 525	10 339 872 674	28 352 951	10 368 225 625	10 931 581 188	11 515 564 214
Operating Projects	561 281 998	637 111 455	635 711 455	581 666 051	-1 670 038	579 996 012	526 682 921	485 873 483
Total Operating Expenditure Including Operating Projects	10 951 600 521	11 027 429 980	11 027 429 980	10 921 538 725	26 682 913	10 948 221 637	11 458 264 109	12 001 437 697
Surplus /(Deficit)	1 968 384	1 968 384	1 968 384	1 968 384	0	1 968 384	2 095 365	1 994 444
Total Capital Expenditure	1 159 708 535	1 256 224 748	1 381 750 888	1 549 219 886	-38 121 867	1 511 098 019	1 397 435 154	1 428 975 008
Total Opex and Capex Budget	12 111 309 056	12 283 654 728	12 409 180 868	12 470 758 610	-11 438 954	12 459 319 656	12 855 699 263	13 430 412 705

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

Table of Contents

LIST OF TABLES

LIST OF FIGURES

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 2025/2026 fourth adjustment emanates from the re-alignment of budgetary provision (funding sources, transfers, misallocations and reallocation between votes), which could not be foreseen during the financial year.

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

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

OPERATING AND CAPITAL BUDGET EXPENDITURE	2025/2026 APPROVED BUDGET	2025/2026 FIRST ADJ. BUDGET	2025/2026 CONDITIONAL GRANT ADJ. BUDGET	2025/2026 MID-YEAR ADJUSTMENT BUDGET	ADJUSTMENTS	2025/2026 FOURTH ADJUSTMENT BUDGET	2026/2027 FINAL BUDGET	2027/2028 FINAL BUDGET
Total Revenue	10 953 568 905	11 029 398 362	11 029 398 362	10 923 507 107	26 682 913	10 950 190 020	11 460 359 474	12 003 432 141
Total Operating Expenditure	10 951 600 521	11 027 429 980	11 027 429 980	10 921 538 725	26 682 913	10 948 221 638	11 458 264 109	12 001 437 697
(Surplus) / Deficit	1 968 384	1 968 382	1 968 382	1 968 382	0	1 968 382	2 095 365	1 994 444
Total Capital Expenditure	1 159 708 535	1 256 224 748	1 381 750 887	1 549 219 884	-38 121 867	1 511 098 017	1 397 435 154	1 428 975 008
Total Opex and Capex Budget	12 111 309 056	12 283 654 728	12 409 180 867	12 470 758 609	-11 438 954	12 459 319 655	12 855 699 263	13 430 412 705

5.2 COUNCIL RESOLUTIONS

On 28 May 2025 the Council of Buffalo City Metropolitan Municipality met to consider, approve and adopt the 2025/26 MTREF Budget. Council further met on 22 August 2025 to consider and approve the roll-over adjustment budget. On 15th December Council considered and approved the conditional grants rollover adjustment budget. On 25 February 2026, BCMM Council met to consider the 2025/2026 mid-year 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 Fourth Adjustment Budget as follows:

   i. The adjustment from R10 861 508 237 to R10 888 191 150 of the BCMM 2025/2026 Operating Revenue Budget.
   ii. The adjustment from R10 859 539 837 to R10 886 222 749 of the BCMM 2025/2026 Operating Expenditure Budget.
   iii. The adjustment from R1 549 119 884 to R1 510 998 018 of the BCMM 2025/2026 Capital Budget.

B. The consolidated adjusted budget for the 2025/2026 Fourth Adjustment Budget as follows:

   i. The adjustment from R10 923 507 109 to R10 950 190 022 to the consolidated 2025/2026 Operating Revenue Budget.
   ii. The adjustment from R10 921 538 725 to R10 948 221 637 of the consolidated 2025/2026 Operating Expenditure Budget.
   iii. The adjustment from R1 549 219 884 to R1 511 098 019 of the consolidated 2025/2026 Capital Budget.

C. Council **notes** that, in order to improve operational efficiency, the consolidated detailed schedules of operating projects and capital 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).

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P. FAKU
EXECUTIVE MAYOR
BUFFALO CITY METROPOLITAN MUNICIPALITY
MXOLISI YAWA/ SP

DATE

ANNEXURES:

Annexure 1: Schedule of Operating Projects per Programme/Project
Annexure 1.1: Detailed Schedule of Operating Projects
Annexure 2: Schedule of Capital Projects per Programme/Project
Annexure 2.1: Detailed Schedule of Capital Projects
Annexure 3: National Treasury B Schedules (Parent Municipality)
Annexure 4: National Treasury B Schedules (Consolidated)

5.3 EXECUTIVE SUMMARY

BCMM continues to take a more conservative approach in the manner in which it approaches the budgeting including this fourth adjustment budget. The 2025/2026 fourth adjustment emanates from the re-alignment of budgetary provision (funding sources, transfers, misallocations and reallocation between votes), which could not be foreseen during the financial year. This process also assists in improving the City's expenditure performance.

The operating revenue budget has increased by R26 682 913 from R10 923 507 109 to R10 950 190 022 (refer to section 5.4 below for details). The operating expenditure budget has also increased by R26 682 913 from R10 921 538 725 to R10 948 221 637 (refer to section 5.5 below for details). The capital budget has reduced by R38 121 867 from R1 549 219 886 to R1 511 098 019 (refer to section 5.6 below for details).

5.3.1 Budget Adjustment Summary

The main reason for this adjustment budget is to effect realignments and misallocations in the 2025/2026 annual budget. The table below indicates the summary of the 2025/2026 fourth adjustment budget.

Table 2: 2025/2026 Consolidated Fourth Adjustment Budget Summary

OPERATING AND CAPITAL BUDGET EXPENDITURE	2025/2026 APPROVED BUDGET	2025/2026 FIRST ADJ. BUDGET	2025/2026 CONDITIONAL GRANT ADJ. BUDGET	2025/2026 MID-YEAR ADJUSTMENT BUDGET	ADJUSTMENTS	2025/2026 FOURTH ADJUSTMENT BUDGET	2026/2027 FINAL BUDGET	2027/2028 FINAL BUDGET
Total Revenue	10 953 568 905	11 029 398 364	11 029 398 364	10 923 507 109	26 682 913	10 950 190 022	11 460 359 474	12 003 432 141
Total Operating Expenditure Excluding Operating Projects	10 390 318 523	10 390 318 525	10 391 718 525	10 339 872 674	28 352 951	10 368 225 625	10 931 581 188	11 515 564 214
Operating Projects	561 281 998	637 111 455	635 711 455	581 666 051	-1 670 038	579 996 012	526 682 921	485 873 483
Total Operating Expenditure Including Operating Projects	10 951 600 521	11 027 429 980	11 027 429 980	10 921 538 725	26 682 913	10 948 221 637	11 458 264 109	12 001 437 697
Surplus /(Deficit)	1 968 384	1 968 384	1 968 384	1 968 384	0	1 968 384	2 095 365	1 994 444
Total Capital Expenditure	1 159 708 535	1 256 224 748	1 381 750 888	1 549 219 886	-38 121 867	1 511 098 019	1 397 435 154	1 428 975 008
Total Opex and Capex Budget	12 111 309 056	12 283 654 728	12 409 180 868	12 470 758 610	-11 438 954	12 459 319 656	12 855 699 263	13 430 412 705

5.4 OPERATING REVENUE FRAMEWORK

The following table (table 3) depicts an adjustment to the operating revenue budget per source. The increase in the budget for operating revenue of R26 682 913 is resulting from the following transactions:

i. An increase of R3 173 549 on Urban Settlement Development Grant, this funding has been transferred from Capital projects to Operating projects to cover over-expenditure;

ii. A reduction of R4 516 on Infrastructure Skills Development Grant (ISDG), this is funding is transferred to Capital Projects to cover over-expenditure;

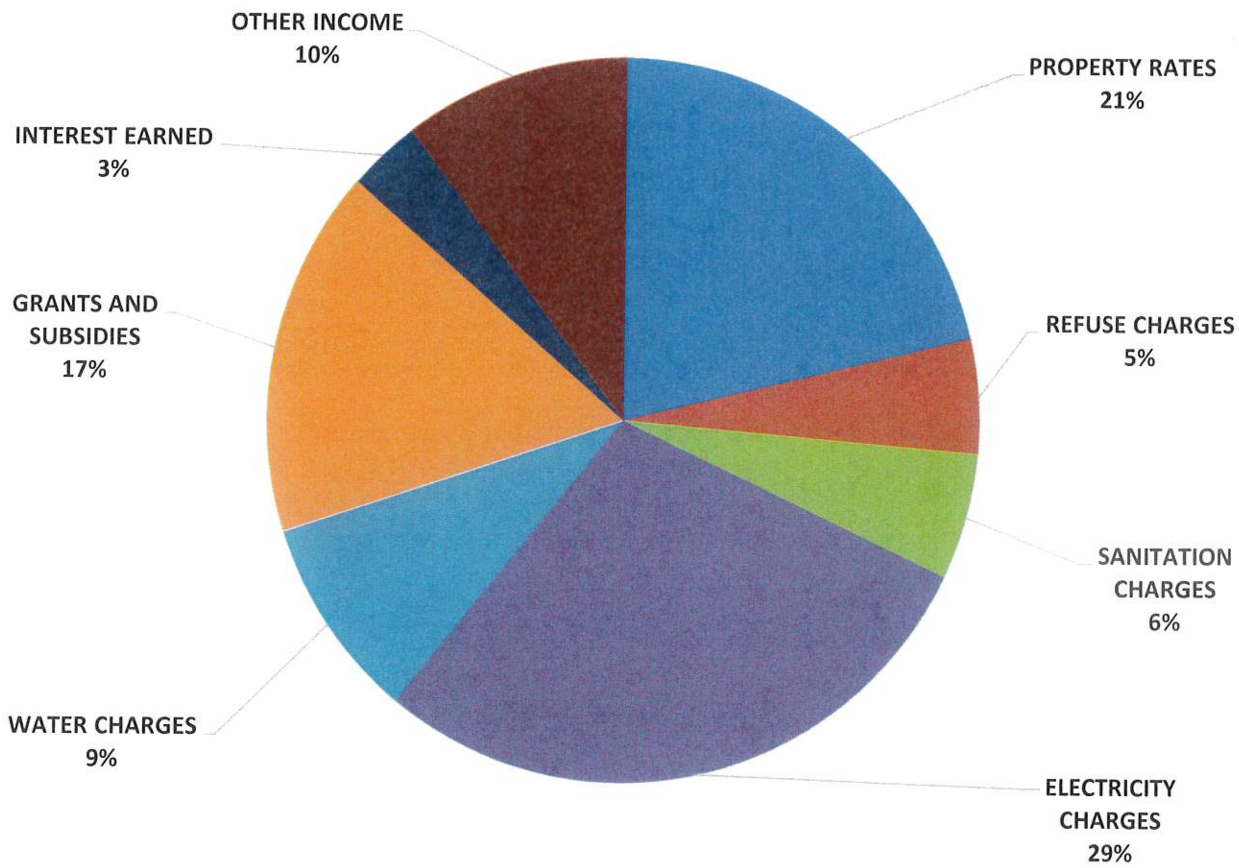
iii. An increase of R24 883 049 received from National Treasury for the Duncan Village Buy-back Centre;

Table 3: 2025/2026 Fourth Adjusted Revenue per Source

2025/2026 FOURTH ADJUSTMENT BUDGET REVENUE FRAMEWORK	2025/2026 MID- YEAR ADJUSTMENT BUDGET	ADJUSTMENTS	2025/2026 FOURTH ADJUSTMENT BUDGET
Revenue by Source			
Exchange Revenue			
Service charges - Electricity	3 162 327 364	0	3 162 327 364
Service charges - Water	996 670 474	0	996 670 474
Service charges - Waste Water Management	614 841 577	0	614 841 577
Service charges - Waste Management	561 493 849	0	561 493 849
Sale of Goods and Rendering of Services	133 271 489	0	133 271 489
Agency services	29 388 510	0	29 388 510
Interest earned from Receivables	281 577 690	0	281 577 690
Interest earned from Current and Non-Current Assets	71 133 589	0	71 133 589
Rental from Fixed Assets	25 305 993	0	25 305 993
Operational Revenue	63 930 633	0	63 930 633
Non-Exchange Revenue			
Property rates	2 328 401 183	0	2 328 401 183
Fines, penalties and forfeits	10 107 957	0	10 107 957
Licences or permits	12 953 029	0	12 953 029
Transfer and subsidies - Operational	1 771 061 770	26 682 913	1 797 744 683
Interest	6 500 000	0	6 500 000
Fuel Levy	798 042 000	0	798 042 000
Operational Revenue	56 500 000	0	56 500 000
TOTAL OPERATING REVENUE	**10 923 507 107**	**26 682 913**	**10 950 190 020**

The pie chart (figure 1) below depicts operating revenue budget per source. In terms of service revenue, 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%. Property rates revenue totals 22% of the total Municipal revenue. The municipality receives grants and subsidies totalling 17% of the total revenue, interest earned is 3% of the total revenue. Other revenue contributes 10% of the total revenue.

Figure 1: 2026/2025 Operating Revenue per Source



5.5 OPERATING EXPENDITURE FRAMEWORK

The following table (table 3) depicts an adjustment to the operating revenue budget per source. An increase in the budget for operating revenue of R26 682 914 is resulting from the following adjustments:

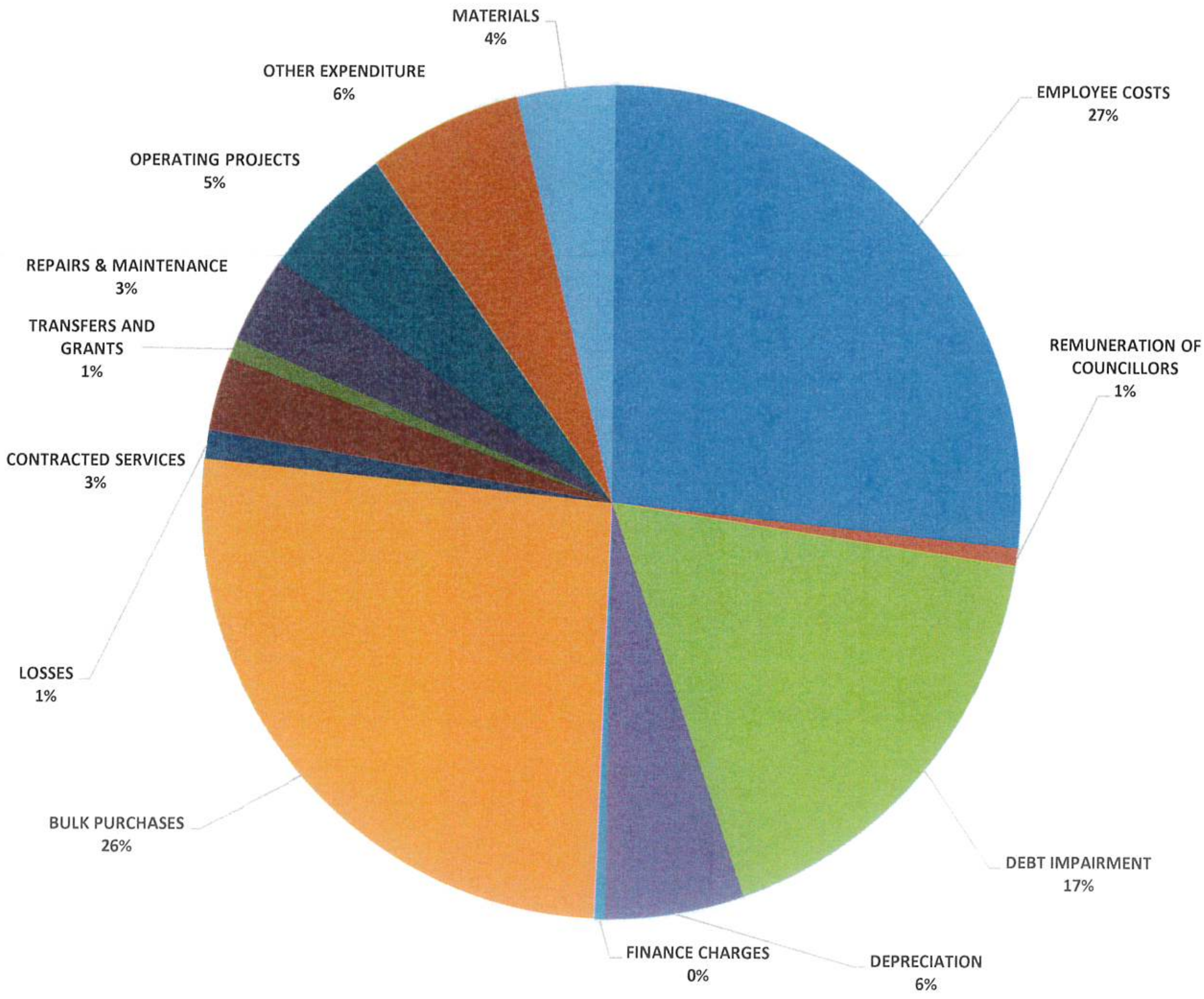
a) An increase of R22 652 869 to the Employee Related costs;
b) A reduction of R6 126 801 to Remuneration of Councillors;
c) An increase of R24 099 999 to Finance charges;
d) A reduction of R210 809 123 to Electricity Bulk Purchases;
e) An increase of R28 048 460 to Contracted Services;
f) An increase of R16 736 969 to Transfers & Grants;
   - ✓ This increase also includes an amount of R24 883 049 received from National Treasury for the Duncan Village Buy-back Centre;
g) A reduction of R64 600 873 to Repairs & Maintenance;
h) An increase of R71 500 172 to Other Expenditure;
i) An increase of R145 203 013 to Other Materials;
j) An increase of R1 648 268 to the Disposal of Fixed and Intangible Assets
k) A reduction of R1 670 038 to Operating Projects due to the following:
   - ✓ An increase of R3 173 549 on Urban Settlement Development Grant, this funding is transferred from Capital projects;
   - ✓ A reduction of R4 516 to Infrastructure Skills Development Grant (ISDG), this is funding is transferred to Capital Projects;
   - ✓ Own funds amounting to R4 839 072 has been reallocated from Operating projects to the Operating budget to cover over-expenditure.

Table 4: 2025/2026 Fourth Adjusted Expenditure Budget per Category

2025/2026 FOURTH ADJUSTMENT BUDGET EXPENDITURE FRAMEWORK	2025/2026 MID- YEAR ADJUSTMENT BUDGET	ADJUSTMENTS	2025/2026 FOURTH ADJUSTMENT BUDGET
Expenditure Per Category			
Employee related costs	2 899 007 564	22 652 869	2 921 660 433
Remuneration of councillors	81 577 908	-6 126 801	75 451 107
Debt impairment	1 891 898 218	0	1 891 898 218
Depreciation & asset impairment	599 663 205	0	599 663 205
Finance charges	21 551 234	24 099 999	45 651 233
Electricity Bulk Purchases	3 065 657 281	-210 809 123	2 854 848 158
Contracted services	282 229 464	28 048 460	310 277 924
Transfers and grants	68 829 177	16 736 969	85 566 146
Repairs and Maintenance	436 352 640	-64 600 873	371 751 767
Operating projects	581 666 051	-1 670 038	579 996 013
Other expenditure	589 958 449	71 500 172	661 458 621
Losses	121 371 444	0	121 371 444
Other materials	281 776 087	145 203 013	426 979 100
Disposal of Fixed and Intangible Assets	0	1 648 268	1 648 268
TOTAL OPERATING EXPENDITURE	**10 921 538 722**	**26 682 914**	**10 948 221 636**

The pie chart (figure 2) below depicts split of operating expenditure budget per category. Employee Costs and Electricity Bulk Purchases represent the largest cost of the municipality at 27% and 26% of the total operating expenditure respectively. Depreciation totals 6% of the total cost base for the institution. This represents the proportional funding requirements for the replacement of existing infrastructure assets. General Expenses/Other Expenditure account is 6% of the total operating budget. Operating Projects and Repairs and Maintenance each account for 5% and 3% of the total operating budget respectively. Contracted Services accounts for 3% and Other Materials accounts for 4% of the total operating expenditure budget respectively. Debt Impairment accounts for 17% for the total operating budget. Remuneration of Councillors and Transfers and Grants account for 1%.

Figure 2: 2025/2026 Operating Expenditure per Type



5.5.1 Fourth Adjustment Budget on Operating Projects

The following tables (table 5 and 6) tabulate adjustments to the operating projects expenditure budget per funding source and per directorate respectively.

Table 5: 2025/2026 Fourth Adjustments to Operating Projects - Funding Source

FUNDING SOURCE	2025/2026 MID-YEAR ADJUSTMENT	ADJUSTMENTS	2025/2026 FOURTH ADJUSTMENT BUDGET
OWN FUNDING	203 267 400	-4 839 072	198 428 328
TOTAL OWN FUNDING	**203 267 400**	**-4 839 072**	**198 428 328**
CITY OF OLDENBURG C/O	935 398	0	935 398
URBAN SETTLEMENT DEVELOPMENT GRANT	55 124 874	3 173 549	58 298 423
FINANCE MANAGEMENT GRANT	1 000 000	-0	1 000 000
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT	23 992 076	-0	23 992 076
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	8 800 000	-4 516	8 795 484
PROGRAMME AND PROJECT PREPARATION SUPPORT GRANT (PPPSG)	16 000 000	0	16 000 000
EXPANDED PUBLIC WORKS PROGRAMME	2 434 000	0	2 434 000
HUMAN SETTLEMENTS DEVELOPMENT GRANT	167 611 947	-0	167 611 947
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	22 500 000	0	22 500 000
DoT C/O	71 888 104	0	71 888 104
SETA C/O	3 717 955	0	3 717 955
SETA	4 394 297	0	4 394 297
TOTAL GRANTS	**378 398 651**	**3 169 033**	**381 567 684**
TOTAL OPERATING PROJECTS BUDGET	**581 666 051**	**-1 670 038**	**579 996 012**

Table 6: 2025/2026 Fourth Adjustments to Operating Projects – Directorate

DIRECTORATE	2025/2026 MID-YEAR ADJUSTMENT	ADJUSTMENTS	2025/2026 FOURTH ADJUSTMENT BUDGET
EXECUTIVE SUPPORT SERVICES	21 935 398	-5 268 261	16 667 137
CITY MANAGER'S OFFICE	44 810 224	-3 170 537	41 639 688
CORPORATE SERVICES	34 250 000	-22 535 437	11 714 563
SPATIAL PLANNING & DEVELOPMENT	13 414 886	-3 234 489	10 180 397
ECONOMIC DEVELOPMENT & AGENCIES	50 269 823	-18 161 652	32 108 171
FINANCE SERVICES	12 871 900	12 986 645	25 858 545
PUBLIC SAFETY & EMERGENCY SERVICES	3 900 000	-1 425 635	2 474 365
HUMAN SETTLEMENTS	186 221 637	-289 658	185 931 979
INFRASTRUCTURE SERVICES	134 351 095	-2 016 432	132 334 663
SPORTS, RECREATION & COMMUNITY DEVELOPMENT	3 450 000	-871 234	2 578 766
SOLID WASTE & ENVIRONMENTAL MANAGEMENT	76 191 087	42 316 651	118 507 738
TOTAL OPERATING PROJECTS	**581 666 051**	**-1 670 038**	**579 996 012**

The adjustments show a total net decrease of R1 670 038 resulting from the following:

1. An increase of R3 173 549 on Urban Settlement Development Grant, this funding is transferred from Capital projects;
2. A reduction of R4 516 to Infrastructure Skills Development Grant (ISDG), this is funding is transferred to Capital Projects;
3. Own funds amounting to R4 839 072 has been reallocated from Operating projects to the Operating budget to cover over-expenditure.

Various adjustments as detailed in table 6 above were made between directorates within same funding sources in order to improve overall performance within operating projects.

Detailed schedule of operating projects is attached as **Annexure 1.**

5.6 CAPITAL EXPENDITURE FRAMEWORK

The tables (table 7 and 8) below indicate adjustments to the capital expenditure budget per funding source and per directorate respectively.

Table 7:2025/2026 Fourth Adjustments to Capital Expenditure Budget –Funding

CAPITAL BUDGET PER FUNDING	2025/2026 MID-YEAR ADJUSTMENT BUDGET	ADJUSTMENTS	2025/2026 FOURTH ADJUSTMENT BUDGET
OWN FUNDING	359 675 957	0	359 675 957
OWN FUNDING C/O	87 748 731	0	87 748 732
TOTAL OWN FUNDING	**447 424 688**	**0**	**447 424 689**
URBAN SETTLEMENT DEVELOPMENT GRANT	504 119 131	-11 000 550	493 118 581
URBAN SETTLEMENT DEVELOPMENT GRANT C/O	26 186 107	0	26 186 107
CITY OF OLDERNBURG	3 155 797	0	3 155 797
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT	294 365 937	-18 495 000	275 870 937
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	10 000 000	-10 000 000	0
MUNICIPAL DISASTER RESPONSE GRANT C/O	27 996 397	0	27 996 396
MUNICIPAL DISASTER RECOVERY GRANT C/O	71 343 636	0	71 343 636
METRO TRADING SERVICES FUNDING	164 428 200	1 369 168	165 797 368
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	200 000	4 516	204 516
TOTAL GRANTS	**1 101 795 206**	**-38 121 867**	**1 063 673 339**
TOTAL CAPITAL BUDGET	**1 549 219 894**	**-38 121 867**	**1 511 098 027**

Table 8: 2025/2026 Fourth Adjustments to Capital Expenditure Budget – Directorate

CAPITAL BUDGET PER DIRECTORATE	2025/2026 MID-YEAR ADJUSTMENT BUDGET	ADJUSTMENTS	2025/2026 FOURTH ADJUSTMENT BUDGET
EXECUTIVE SUPPORT SERVICES	2 500 000	92 721	2 592 721
CITY MANAGER'S OFFICE	25 850 000	-127 241	25 722 759
CORPORATE SERVICES	28 123 196	-4 613 812	23 509 384
SPATIAL PLANNING & DEVELOPMENT	61 615 487	-3 847 854	57 767 633
ECONOMIC DEVELOPMENT & AGENCIES	42 561 079	-1 767 589	40 793 490
FINANCE SERVICES	88 745 049	7 876 803	96 621 852
PUBLIC SAFETY & EMERGENCY SERVICES	51 004 711	-595 067	50 409 643
HUMAN SETTLEMENTS	191 375 925	-14 755 806	176 620 119
INFRASTRUCTURE SERVICES	890 863 997	7 143 304	898 007 301
DIRECTORATE OF SPORTS, RECREATION & COMMUNITY DEVELOPMENT	56 539 159	-13 449 171	43 089 988
DIRECTORATE OF SOLID WASTE & ENVIRONMENTAL MANAGEMENT	103 691 291	-14 078 154	89 613 137
TOTAL CAPITAL BUDGET: BCMM	**1 542 869 894**	**-38 121 866**	**1 504 748 028**
BCMDA	100 000	0	100 000
ASSET REPLACEMENTS	6 250 000	0	6 250 000
TOTAL CAPITAL: CONSOLIDATED	**1 549 219 894**	**-38 121 867**	**1 511 098 027**

The adjustments reflect a net decrease of R38 121 897 which is made up of the following:

1. A reduction of R11 000 550 to the Urban Settlement Development Grant;
   - ✓ R3 173 549 of this amount has been reallocated to Operating projects to cover over-expenditure.
   - ✓ The USDG budget is also being reduced R7 827 001 because the USDG funding transferred by National Treasury to the City was lesser than gazetted.
2. A reduction of R18 495 000 to the Informal Settlements Upgrading Partnership Grant;
   - ✓ The ISUPG budget is also being reduced R18 495 000 because the ISUPG funding transferred by National Treasury to the City was lesser than gazetted.
3. A reduction of R10 000 000 to the Neighbourhood Development Partnership Grant;

- ✓ The NDPG budget is also being reduced R10 000 000 because the NDPG funding transferred by National Treasury to the City was lesser than gazetted.

4. An increase of R1 369 168 to the Metro Trading Services Grant due to funding that has been transferred from the operating budget to cover over-expenditure;
5. An increase of R4 516 to the Infrastructure Skills Development Grant due to funding that has been transferred from the operating projects budget to cover over-expenditure;

Various adjustments as detailed in table 8 above were made between directorates within same funding sources in order to improve overall performance within capital projects.

Detailed schedule of capital projects is attached as **Annexure 2**.

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 new allocations or grants made by the municipality.

6.3. ADJUSTMENTS TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

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 projects that are already in the IDP and SDBIP and therefore it has not been necessary revise these documents.

7. CHALLENGES

None.

8. STAFF IMPLICATIONS

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

9. FINANCIAL IMPLICATIONS

The 2025/2026 Fourth Adjustment Budget does not have an impact on tariffs as these are funded from current operating revenue that was already approved by Council, conditional grants and own funding reserves. The effects of the adjustments to the 2025/2026 Capital and Operating Budget are outlined below:

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

   i. The adjustment from R10 861 508 237 to R10 888 191 150 of the BCMM 2025/2026 Operating Revenue Budget.
   ii. The adjustment from R10 859 539 837 to R10 886 222 749 of the BCMM 2025/2026 Operating Expenditure Budget.
   iii. The adjustment from R1 549 119 884 to R1 510 998 018 of the BCMM 2025/2026 Capital Budget.

B. The consolidated adjusted budget for the 2025/2026 Fourth Adjustment Budget as follows:

   i. The adjustment from R10 923 507 109 to R10 950 190 022 to the consolidated 2025/2026 Operating Revenue Budget.
   ii. The adjustment from R10 921 538 725 to R10 948 221 637 of the consolidated 2025/2026 Operating Expenditure Budget.
   iii. The adjustment from R1 549 219 884 to R1 511 098 019 of the consolidated 2025/2026 Capital Budget.

10. <u>OTHER PARTIES CONSULTED</u>

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 M. M. YAWA

City Manager of Buffalo City Metropolitan Municipality (BUF)

Signature

Date 12/08/2026