City of Johannesburg Council 2025-05-29

COJ : MAYORAL COMMITTEE 2025-05-23

GROUP FINANCE

4 SPECIAL ADJUSTMENT OF THE OPERATING AND CAPITAL BUDGETS FOR THE 2024/25 FINANCIAL YEAR AS A RESULT OF NATIONALGOVERNMENT GRANT REVIEW

1. STRATEGIC THRUST

Good Governance

Financial Sustainability

2. OBJECTIVE

The purpose of the report is to obtain approval to adjust the current approved budget for the 2024/25 financial year.

3. SUMMARY

In terms of Section 28 of the Municipal Finance Management Act 56 of 2003 (MFMA), a municipality may revise an approved budget through an adjustments budget. Only the Mayor may table an adjustments budget in the municipal council and may only be tabled within prescribed limitations as to timing or frequency.

In terms of Regulation 23(2) of the Municipal Budget and Reporting Regulations, only one adjustment budget may be tabled in Council during the financial year, except when additional revenues contemplated in section 28(2)(b) of the Act are allocated to a municipality in a national or provincial adjustment budget.

Regulation 23(3) of the Municipal Budget and Reporting Regulations states "If a national or provincial adjustment 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 adjustment budget, table an adjustment budget referred to in section 28(2)(b) of the Act in the municipal council to appropriate these additional revenues".

On 25 March 2025, a Government Gazette was issued (no. 52381) by the Minister of Finance whereby existing grant allocations were adjusted in terms of section 18 and 19 of the Division of Revenue Act. The following grant allocations have been adjusted for the City of Johannesburg:

- Infrastructure Skills Development Grant increased by R500 000 (operating budget);
- Urban Settlements Development Grant decreased by R33 794 000 (capital budget);
- Neighbourhood Development Partnership Grant (public employment grant) increases by R3 972 000 (operating budget);

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- Programme and Project Preparation Support Grant increases by R26 000 000 (operating budget); and
- Public Transport Network Grant decreased by R258 000 000 (operating budget reduction R49 451 000 and capital budget reduction R208 549 000).

OPERATING ADJUSTMENT BUDGET FOR 2024/25

The table below reflects the high-level summary of the adjusted revenue and expenditure budgets of the City.

	Approved Budget 2024/25 R 000	Adjust-ments R 000	Adjusted Budget 2024/25 R 000
Revenue	77 575 507	(18 979)	77 556 528
Internal Revenue	11 647 124	500	11 647 624
	89 222 631	(18 479)	89 204 152
Expenditure	75 410 990	(18 979)	75 392 011
Internal Expenditure	11 647 124	500	11 647 624
	87 058 114	(18 479)	87 039 635
Surplus (Deficit) before capital grants and contributions	**2 164 517**		**2 164 517**
Capital Grants and contributions	3 813 317	(242 523)	3 570 794
Surplus (Deficit) after capital grants and contributions	5 977 835	(242 523)	5 735 312
Taxation	42 130		42 130
Surplus (Deficit) after taxation and capital grants and contributions	5 935 705	(242 523)	5 693 182

The City's surplus remains the same at R2.2 billion (before capital transfers and taxation).

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The table below reflects the summary of adjustments made to the revenue categories of the budget.

Description	Current Year 2024/25		
R thousand	Approved Budget R 000	Total Adjust-ments R 000	Adjusted Budget R 000
EXCHANGE REVENUE			
Service charges - Electricity	22 740 893		22 740 893
Service charges - Water	10 632 200		10 632 200
Service charges - Waste Water Management	7 246 316		7 246 316
Service charges - Waste Management	3 136 349		3 136 349
Sale of Goods and Rendering of Services	808 619		808 619
Agency services	389 321		389 321
Interest earned from Receivables	549 201		549 201
Interest earned from Current and Non Current Assets	191 113		191 113
Rental from Fixed Assets	438 397		438 397
Operational Revenue	923 423		923 423
NON-EXCHANGE REVENUE			
Property rates	17 338 687		17 338 687
Surcharges and Taxes	317 445		317 445
Fines, penalties and forfeits	168 996		168 996
Licences or permits	3 817		3 817
Transfer and subsidies - Operational	8 437 969	(18 979)	8 418 990
Interest	121 825		121 825
Fuel Levy	4 127 608		4 127 608
Operational Revenue			
Gains on disposal of Assets	3 328		3 328
TOTAL DIRECT REVENUE excl. capital grants/contr.	**77 575 507**	**(18 979)**	**77 556 528**
Total Internal Transfers	11 647 124	500	11 647 624
TOTAL REVENUE excl. capital grants/contributions.	**89 222 631**	**(18 479)**	**89 204 152**

- Transfers and subsidies – Operational decrease by approximately R19 million and it relates to:

  - Economic Development, the Neighbourhood Development Partnership Grant (public employment grant) increased by approximately R4 million;
  - Transport, the Public Transport Network grant (PTNG) decreased by approximately R49.5 million;
  - City Manager, the Programme and Project Preparation Support Grant increased by R26 million; and
  - Group Corporate and Shared Services, the Infrastructure Skills Development Grant increased by R500 thousand and it is transferred to City Power.

- Internal transfers increase by R500 thousand on both revenue and expenditure however the bottom-line of the city is not affected.

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The table below reflects the summary of adjustments made to the expenditure categories of the budget.

Description	Current Year 2024/25		
R thousand	Approved Budget R 000	Total Adjust-ments R 000	Adjusted Budget R 000
EXPENDITURE			
Employee related costs	20 565 521	4 472	20 569 993
Remuneration of councillors	191 762		191 762
Bulk purchases - electricity	15 877 574		15 877 574
Inventory consumed	6 460 825		6 460 825
Debt impairment	7 344 548		7 344 548
Depreciation and amortisation	5 298 690		5 298 690
Interest	2 511 959		2 511 959
Contracted services	7 362 729	(49 451)	7 313 278
Transfers and subsidies	99 747		99 747
Operational costs	6 711 504	26 000	6 737 504
Losses on disposal of Assets	4 140		4 140
Other Losses	2 981 991		2 981 991
TOTAL DIRECT EXPENDITURE	75 410 990	(18 979)	75 392 011
Total Internal Transfers	11 647 124	500	11 647 624
TOTAL EXPENDITURE	**87 058 114**	**(18 479)**	**87 039 635**

The adjustment on the expenditure is mainly due to the following:

- Employee related costs increased by R4.5 million, and it relates to –

  - Economic Development, employee related costs increased by R4 million in line with the increase in the Public Employment Program (PEP) grant allocation.
  - City Power, employee related costs increased by R500 thousand due to the increase in the Infrastructure Skills Development grant allocation.

- Contracted services decreased by R49.5 million, and it relates to -

  - Transport, contracted services decreased by R49.5 million in line with the reduction in the Public Transport Network Grant.

- Operational costs increased by R26 million, and it relates to –

  - City Manager, operational costs increased by R26 million in line with increase in revenue as result of Programme and Project Preparation Support Grant (PPPSG) aimed s to develop a pipeline of investment ready capital programmes and projects.

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The subsidies to the municipal entities were not adjusted and it remains as follows:

Vote	Approved Budget 2024/25	Adjust-ments	Adjusted Budget 2024/25
	R 000	R 000	R 000
Pikitup	1 213 075	-	1 213 075
Johannesburg Roads Agency	1 432 075	-	1 432 075
Metrobus	659 660	-	659 660
Johannesburg City Parks and Zoo	1 171 808	-	1 171 808
Johannesburg Development Agency	65 715	-	65 715
Johannesburg Property Company	695 732	-	695 732
Metropolitan Trading Company	224 856	-	224 856
Johannesburg Social and Housing Company	143 863	-	143 863
Joburg City Theatres	208 443	-	208 443
Joburg Tourism	90 651	-	90 651
City Power	304 375	-	304 375
Total subsidies to ME's	6 210 253	-	6 210 253

CAPITAL ADJUSTMENT BUDGET FOR 2024/25

The table below reflects the high-level summary of the adjusted capital budget for the 2024/25 financial year.

Capital	2024/25		
	Approved Budget R 000	Adjustments R 000	Adjustment Budget R 000
COJ - Loans	2 700 000		2 700 000
COJ - Cash	1 220 100		1 220 100
COJ - Grants and contributions	3 813 317	(242 523)	3 570 794
Total	7 733 417	(242 523)	7 490 894

The capital budget decreases by R242.5 million due to the decrease of the Public Transport Network grant (R208.5 million) and the Urban Settlements Development grant (R34 million).

The following capital projects have been adjusted to bring the capital budget in line with the Government Gazette issued on 25 March 2025 (no. 52381):

Transport

The 2024/25 capital budget of the Transport department decreased by R208.5 million to R354 million. This is due to the decrease reduction of the Public Transport Network Grant. The following budget adjustments were made:

- 2804_18_Selby Bus Depot (Phase 2C Administration Building) decreased by R10 million;
- 2804_15_Rea Vaya BRT Land Acquisition decreased by R7 million;
- 2804_20 Rea Vaya BRT Phase 1 A and B Station Rehabilitation decreased by R15 million;
- Rea Vaya Auto Fare Collection System (AFCS) decreased by R130.9 million;
- Sandton to Ivory Park Depots and Terminals decreased by R1.5 million;
- Sandton to Ivory Park BRT Roadways decreased by R1.5 million;
- BRT phase 1C Roadways decreased by R2 million; and
- Advanced Public Transport Management System (APTMS) decreased by R40.6 million.

Pikitup

The 2024/25 capital budget for Pikitup decreased by R20 million to R225.7 million. This is due to the reduction in the Urban Settlements Development Grant. The following budget adjustment was made:

- Marie Louise Landfill site-improved compliance and alterations decreased by R20 million.

Johannesburg Roads Agency

The capital budget of JRA decreased by R5 million due to the reduction in the Urban Settlements Development Grant. The following budget adjustments were made:

- 23775_03_MISCL - Tarring of Gravel Roads: Mayibuye New Roads: Construction and Upgrades decreased by R2.5 million; and
- 23775_Upgrade roads Klipfonteinview decreased by R2.5 million.

Johannesburg Social and Housing Company

The total capital budget decreased by R8.9 million due to the reduction in the Urban Settlements Development Grant. The following project was impacted:

- Randburg Selkirk Social Housing Project decreased by R8.9 million.

4. POLICY IMPLICATION

None

5. LEGAL AND CONSTITUTIONAL IMPLICATIONS

In terms of Section 28 of the Municipal Finance Management Act 56 of 2003, a municipality may revise an approved budget through an adjustment budget for tabling at Council.

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6. FINANCIAL IMPLICATIONS

Operating Budget

Consolidated Operating Budget (including internal transfers)	Approved Budget R 000	Adjust-Ments R 000	Adjusted Budget R 000
Total Revenue	89 222 631	(18 479)	89 204 152
Total Expenditure	87 058 114	(18 479)	87 039 635
Capital Grants and Contributions	3 813 317	(242 523)	3 570 794
Taxation	42 130		42 130
Surplus (Deficit) for the year	5 935 705	(242 523)	5 693 182

Capital Budget

The 2024/25 capital budget decreases by a total amount of R242 523 000 from R7 733 417 000 to R7 490 894 000 as reflected in the attached Annexure E.

7. COMMUNICATION IMPLICATIONS

In terms of Section 24 of the Municipal Finance Management Act, immediately after the approval of the adjustment budget, the accounting officer must inter alia, submit the adjustment budget to National Treasury and Provincial Treasury. The adjustment budget will be placed on the City's website after the approval.

8. OTHER DEPARTMENTS CONSULTED

Group Legal and affected Core administration departments and municipal entities.

9. KEY PERFORMANCE INDICATOR

Management of the budget process in compliance with the Municipal Finance Management Act Chapter 4.

IT IS RECOMMENDED

1. **That the Adjustment Operating Revenue and Expenditure Budget for Core Administration and Municipal Entities as set out in Annexure A, B, C and D be approved.**

2. **That the Adjustment Capital Budget for 2024/25 amounting to R7 490 894 000 as set out in Annexure E and F be approved.**

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3. That the supporting information contained in the 2024/25 Adjusted Revenue and Expenditure Budget document as required in terms of Section 17(3) of the Municipal Finance Management Act (Act 56 of 2003) be considered in conjunction with this report.

(GROUP FINANCE)
(tc)

THE NEXT ITEM FOLLOWS THE ANNEXURES TO THIS ITEM