



TOKOLOGO LOCAL MUNICIPALITY

Medium Term Revenue and Expenditure Framework (MTREF)

**2025/2026 – 2028/2029
ADJUSTMENT BUDGET REPORT**

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SECTION A: PART 1

MAYOR'S REPORT

SPEECH DELIVERED BY THE HONOURABLE MAYOR, CLLR B.E. SEAKGE ON THE OCCASION OF THE ADOPTION OF THE ADJUSTMENT BUDGET FOR THE 2025/2026 FINANCIAL YEAR AT THE MUNICIPAL COUNCIL CHAMBER

Honourable Speaker
Members of the Executive Committee
Hon. Councillors
Management team and officials
Members of the Community present

Kea le dumedisa

I stand before you today to present the Adjustment Budget for the 2025/2026 financial year. This Adjustment Budget is not merely a revision of figures, but a responsible and necessary response to the realities we have experienced during the implementation of the original budget.

In terms of Section 28 of the Municipal Finance Management Act, the Adjustment Budget allows the municipality to realign its financial plans in response to changing circumstances. It reflects our commitment to prudent financial management, transparency, and accountability to the residents we serve.

Since the adoption of the original budget, we have carefully assessed our revenue performance, expenditure trends, and operational pressures during the first half of the financial year. The adjustments tabled today are informed by actual performance, emerging service delivery demands, and unavoidable financial commitments. Honourable Councillors, the economic environment remains constrained. Slow economic growth, high unemployment, and affordability challenges continue to impact our revenue collection levels. As a result, we have had to make strategic adjustments to ensure that our budget remains credible, funded, and implementable.

This Adjustment Budget prioritizes the following:

- Strengthening revenue management and improving collection rates
- Realigning expenditure in line with actual performance
- Providing for unavoidable and committed expenditure
- Protecting core service delivery programmes
- Ensuring compliance with legislative requirements

Where necessary, funds have been shifted from underperforming or non-critical projects to areas experiencing pressure, particularly in essential services and infrastructure maintenance. This is done to safeguard service delivery and ensure that our community continues to receive reliable municipal services.

We remain committed to fiscal discipline. Every adjustment proposed has been carefully considered to ensure that the municipality maintains financial sustainability while responding effectively to current realities.

Honourable Speaker and Councillors, this Adjustment Budget demonstrates our ability to monitor, evaluate, and respond decisively to financial performance. It reflects responsible leadership and our continued commitment to improving the lives of our residents.

Let us adopt this Adjustment Budget with a shared understanding that it strengthens our financial position and keeps us on course toward achieving the objectives set out in our Integrated Development Plan.

I thank you.

ADJUSTMENT BUDGET 2025/2026 MTREF

The 2025/2026 Medium-Term Revenue and Expenditure Framework (MTREF), as adjusted, reflects the municipality's commitment to maintaining a credible and funded budget despite ongoing fiscal constraints.

The total operating revenue for the 2025/2026 financial year amounts to **R 344 696 592**. The total operating expenditure amounts to **R 343 605 030**, resulting in a marginal operating surplus before capital transfers, which reflects a technically balanced position but remains dependent on improved revenue collection.

The capital budget for the 2025/2026 financial year amounts to **R 42 079 866**, primarily funded through allocations in terms of the Division of Revenue Act (DoRA).

As mentioned hereinabove that the municipal budget is extremely limited, this budget has prioritized the projects that are funded by MIG, and the municipality is trying to control spending as much as possible and only focus on our core municipal function which is rendering service delivery.

CONCLUSION

In conclusion, Honourable Speaker, I wish to reiterate the importance of maintaining fiscal discipline as we navigate the financial challenges before us.

We must continue to manage our municipal resources responsibly, ensuring that every rand is spent efficiently, effectively, and in the best interests of our community. While our financial position remains constrained, with limited revenue streams and increasing service delivery demands, it is imperative that we embrace a culture of doing more with less — without compromising the quality and sustainability of service delivery.

I would like to extend my sincere appreciation to the Honourable Speaker, all Councillors, the Municipal Manager, the management team, and our dedicated officials who have worked tirelessly in preparing this budget. Your commitment and professionalism are deeply valued.

My gratitude also extends to the community leaders and the residents of Tokologo for their meaningful participation during our consultation and engagement processes. Your contributions and insights play a vital role in shaping the direction of our municipality. Public participation remains the cornerstone of accountable and responsive governance.

As we move forward, let us remain united in our purpose, focused on strengthening service delivery, promoting financial sustainability, and ensuring that no resident of Tokologo is left behind.

I thank you.

RECOMMENDATION

Honorable Speaker,

I hereby formally table the 2025/2026 Adjustment Budget of Tokologo Local Municipality before this Council, as prepared in terms of Section 28 of the Municipal Finance Management Act (Act No. 56 of 2003).

Honorable Speaker, it is therefore my honor to table the 2025/2026 Adjustment Budget for consideration and approval by this Council.

Ngiyabonga.

Cllr. B.E. Seakge
Mayor

RESOLUTIONS

- a) That the report on the 2025/2026 Adjustment Budget, as presented to Council, be approved.
- b) That the 2025/2026 Adjustment Budget of Tokologo Local Municipality, prepared in terms of Section 28 of the Municipal Finance Management Act (Act No. 56 of 2003), be approved.
- c) That the adjusted operating and capital budgets for the 2025/2026 financial year, as reflected in the prescribed budget schedules, be approved.
- d) That the revised revenue projections and expenditure allocations for the 2025/2026 financial year be approved.
- e) That the Municipal Manager, in terms of Section 21A of the Municipal Systems Act and Section 28(7) of the Municipal Finance Management Act, make public the approved 2025/2026 Adjustment Budget and supporting documentation.
- f) That the Municipal Manager submit the approved 2025/2026 Adjustment Budget and all required schedules to the National Treasury and the Free State Provincial Treasury within ten (10) working days after approval, as required by legislation.
- g) That the approved 2025/2026 Adjustment Budget be published on the municipal website and other official municipal platforms.

EXECUTIVE SUMMARY

The 2025/2026 Adjustment Budget of Tokologo Local Municipality has been prepared in accordance with Section 28 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and the applicable Municipal Budget and Reporting Regulations.

The purpose of this Adjustment Budget is to revise the approved 2025/2026 Annual Budget to reflect actual financial performance for the first half of the financial year, updated revenue projections, expenditure trends, and any necessary reallocations to ensure continued financial sustainability.

This process ensures that the Municipality maintains a credible and funded budget by aligning revenue and expenditure with current realities. It further strengthens financial control, accountability, and compliance with legislative requirements.

The adjustments focus on the following key areas:

- Revision of revenue projections based on actual collection trends;
- Realignment of expenditure in line with current spending patterns;
- Reprioritisation of funds to protect essential service delivery;
- Adjustments to the capital programme based on available funding and grant allocations.

While the Adjustment Budget remains guided by the strategic objectives of the Integrated Development Plan (IDP), it does not amend or re-adopt the IDP. Its purpose is to ensure that the Municipality continues to operate within a realistic and sustainable financial framework.

The Municipality's 2025/2026 Adjusted Budget amounts to **R 386 776 458**, comprising:

- An Operating Budget of **R 344 696 592**; and
- A Capital Budget of **R 42 079 866**, as reflected in the prescribed budget schedules.

The capital budget has decreased compared to the original approved budget due to funding realignments and the implementation structure of certain infrastructure grants. The Regional Bulk Infrastructure Grant (RBIG) has been budgeted under Contracted Services within the Operating Budget, in line with National Treasury guidance. This is because the project is implemented through an appointed service provider or implementing agent, and payments are made based on services rendered. This classification does not change the purpose of the funding, as it remains directed towards infrastructure development.

The total operating expenditure amounts to approximately **R 343 605 030**, with major cost drivers being bulk purchases, contracted services, and employee-related costs. Employee-related costs represent approximately **20%** of total operating expenditure, which reflects the Municipality's efforts to contain salary-related expenditure within its limited financial resources.

Approximately **70%** of total revenue is derived from service charges, while property rates contribute approximately **R30.9** million to the revenue base. The Municipality remains significantly dependent on national transfers and service charge revenue, with revenue collection performance continuing to pose a key financial risk.

The tariffs for the 2025/2026 financial year remain as approved in the Original Budget adopted by Council. No amendments to tariffs are proposed as part of this Adjustment Budget.

Overall, the 2025/2026 Adjustment Budget presents a realistic and responsible revision of the approved budget, aimed at strengthening financial management and ensuring continued service delivery within the Municipality's constrained fiscal environment.

LEGISLATION

Municipal adjustments budgets

28. (1) A municipality may revise an approved annual budget through an adjustments budget.
- (2) An adjustments budget—
- (a) Must adjust the revenue and expenditure estimates downwards if there is material under collection of revenue during the current year;
 - (b) May appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
 - (c) May, within a prescribed framework, authorize 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.

BUDGET TABLES

Table B4 Adjustments Budget Financial Performance (revenue and expenditure)

| Description | Ref | Budget Year 2025/26 | | | | | | | | | Budget Year +1 2026/27 | Budget Year +2 2027/28 |
|--|-----|---------------------|----------------|--------------|--------------------|------------------|--------------------|----------------|----------------|-----------------|------------------------|------------------------|
| | | Original Budget | Prior Adjusted | Accum. Funds | Multi-year capital | Unfore. Unavoid. | Nat. or Prov. Govt | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| R thousands | 1 | A | A1 | B | C | D | E | F | G | H | | |
| Revenue By Source | | | | | | | | | | | | |
| Exchange Revenue | | | | | | | | | | | | |
| Service charges - Electricity | 2 | 33,152 | - | - | - | - | - | - | 3,262 | 36,414 | 34,677 | 36,272 |
| Service charges - Water | 2 | 5,192 | - | - | - | - | - | - | 7,953 | 13,145 | 5,431 | 5,681 |
| Service charges - Waste Water Management | 2 | 17,020 | - | - | - | - | - | - | 35,523 | 52,543 | 17,803 | 18,622 |
| Service charges - Waste Management | 2 | 29,070 | - | - | - | - | - | - | (13,438) | 15,632 | 30,407 | 31,806 |
| Sale of Goods and Rendering of Services | | 430 | - | - | - | - | - | - | - | 430 | 449 | 470 |
| Agency services | | - | - | - | - | - | - | - | - | - | - | - |
| Interest | | - | - | - | - | - | - | - | - | - | - | - |
| Interest earned from Receivables | | 41,286 | - | - | - | - | - | - | 2,438 | 43,724 | 43,185 | 45,171 |
| Interest earned from Current and Non Current Assets | | - | - | - | - | - | - | - | - | - | 0 | - |
| Dividends | | - | - | - | - | - | - | - | - | - | - | - |
| Rent on Land | | - | - | - | - | - | - | - | - | - | - | - |
| Rental from Fixed Assets | | 123 | - | - | - | - | - | - | - | 123 | 129 | 135 |
| Special rating levies | | - | - | - | - | - | - | - | - | - | - | - |
| Licence and permits | | - | - | - | - | - | - | - | - | - | - | - |
| Operational Revenue | | 44 | - | - | - | - | - | - | - | 44 | 46 | 48 |
| Non-Exchange Revenue | | | | | | | | | | | | |
| Property rates | 2 | 33,776 | - | - | - | - | - | - | (2,837) | 30,940 | 35,330 | 36,955 |
| Surcharges and Taxes | | - | - | - | - | - | - | - | - | - | - | - |
| Fines, penalties and forfeits | | 54 | - | - | - | - | - | - | - | 54 | 56 | 59 |
| Licences or permits | | - | - | - | - | - | - | - | - | - | - | - |
| Transfer and subsidies - Operational | | 142,145 | - | - | - | - | - | - | 1,337 | 143,482 | 148,684 | 155,523 |
| Interest | | 4,989 | - | - | - | - | - | - | 3,179 | 8,168 | 5,218 | 5,458 |
| Fuel Levy | | - | - | - | - | - | - | - | - | - | - | - |
| Operational Revenue | | - | - | - | - | - | - | - | - | - | - | - |
| Gains on disposal of Assets | | - | - | - | - | - | - | - | - | - | - | - |
| Other Gains | | - | - | - | - | - | - | - | - | - | - | - |
| Discontinued Operations | | - | - | - | - | - | - | - | - | - | - | - |
| Total Revenue (excluding capital transfers and contributions) | | 307,280 | - | - | - | - | - | - | 37,417 | 344,697 | 321,415 | 336,200 |
| Expenditure By Type | | | | | | | | | | | | |
| Employee related costs | | 59,527 | - | - | - | - | - | - | 2,168 | 61,695 | 87,047 | 87,334 |
| Remuneration of councillors | | 6,054 | - | - | - | - | - | - | - | 6,054 | 6,519 | 6,733 |
| Bulk purchases - electricity | | 30,782 | - | - | - | - | - | - | 150 | 30,932 | 32,168 | 33,615 |
| Inventory consumed | | 14,040 | - | - | - | - | - | - | (383) | 13,657 | 15,347 | 15,361 |
| Debt impairment | | 56,152 | - | - | - | - | - | - | (10,598) | 45,554 | 58,735 | 61,437 |
| Depreciation and amortisation | | 25,967 | - | - | - | - | - | - | - | 25,967 | 31,332 | 32,662 |
| Interest | | 21,589 | - | - | - | - | - | - | 4,117 | 25,707 | 22,561 | 23,576 |
| Contracted services | | 89,889 | - | - | - | - | - | - | 5,282 | 95,171 | 95,277 | 98,335 |
| Transfers and subsidies | | - | - | - | - | - | - | - | - | - | - | 0 |
| Irrecoverable debts written off | | 17,807 | - | - | - | - | - | - | - | 17,807 | 19,792 | 19,811 |
| Operational costs | | 15,836 | - | - | - | - | - | - | 5,226 | 21,062 | 17,378 | 17,493 |
| Losses on disposal of Assets | | - | - | - | - | - | - | - | - | - | - | - |
| Other Losses | | - | - | - | - | - | - | - | - | - | - | - |
| Total Expenditure | | 337,643 | - | - | - | - | - | - | 2,306 | 5,962 | 343,605 | 386,154 |
| Surplus/(Deficit) | | | | | | | | | | | | |
| Transfers and subsidies - capital (monetary allocations) | | 42,080 | - | - | - | - | - | - | - | 42,080 | 44,016 | 46,040 |
| Transfers and subsidies - capital (in-kind - all) | | - | - | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) before taxation | | 11,717 | - | - | - | - | - | - | (2,306) | 31,454 | 43,171 | (20,724) |
| Income Tax | | - | - | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) after taxation | | 11,717 | - | - | - | - | - | - | (2,306) | 31,454 | 43,171 | (20,724) |
| Share of Surplus/Deficit attributable to Joint Venture | | - | - | - | - | - | - | - | - | - | - | - |
| Share of Surplus/Deficit attributable to Minorities | | - | - | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) attributable to municipality | | 11,717 | - | - | - | - | - | - | (2,306) | 31,454 | 43,171 | (20,724) |
| Share of Surplus/Deficit attributable to Associate | | - | - | - | - | - | - | - | - | - | - | - |
| Intercompany/Parent subsidiary transactions | | - | - | - | - | - | - | - | - | - | - | - |
| Surplus/ (Deficit) for the year | 1 | 11,717 | - | - | - | - | - | - | (2,306) | 31,454 | (20,724) | (14,116) |

Table B5 Adjustments Capital Expenditure Budget by vote and funding

| Description | Budget Year 2025/26 | | | | | | | | | Budget Year +1 2026/27 | Budget Year +2 2027/28 |
|--|---------------------|----------------|--------------|--------------------|------------------|--------------------|----------------|----------------|-----------------|------------------------|------------------------|
| | Original Budget | Prior Adjusted | Accum. Funds | Multi-year capital | Unfore. Unavoid. | Nat. or Prov. Govt | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| R thousands | A | 5 A1 | 6 B | 7 C | 8 D | 9 E | 10 F | 11 G | 12 H | | |
| Capital expenditure - Vote | | | | | | | | | | | |
| Multi-year expenditure to be adjusted | | | | | | | | | | | |
| Vote 6 - Department Infrastructure Services | 23,780 | - | - | - | - | - | - | - | 23,780 | 24,874 | 26,018 |
| Capital multi-year expenditure sub-total | 23,780 | - | - | - | - | - | - | - | 23,780 | 24,874 | 26,018 |
| Single-year expenditure to be adjusted | | | | | | | | | | | |
| Vote 6 - Department Infrastructure Services | 18,300 | - | - | - | - | - | - | - | 18,300 | 19,142 | 20,022 |
| Vote 7 - COMMUNITY & SOCIAL SERVICES | - | - | - | - | - | - | - | - | - | - | - |
| Capital single-year expenditure sub-total | 18,300 | - | - | - | - | - | - | - | 18,300 | 19,142 | 20,022 |
| Total Capital Expenditure - Vote | 42,080 | - | - | - | - | - | - | - | 42,080 | 44,016 | 46,040 |
| Capital Expenditure - Functional | | | | | | | | | | | |
| Economic and environmental services | 18,300 | - | - | - | - | - | - | - | 18,300 | 19,142 | 20,022 |
| Planning and development | - | - | - | - | - | - | - | - | - | - | - |
| Road transport | 18,300 | - | - | - | - | - | - | - | 18,300 | 19,142 | 20,022 |
| Environmental protection | - | - | - | - | - | - | - | - | - | - | - |
| Trading services | 23,780 | - | - | - | - | - | - | - | 23,780 | 24,874 | 26,018 |
| Energy sources | 0 | - | - | - | - | - | - | - | 0 | 0 | 0 |
| Water management | 0 | - | - | - | - | - | - | - | 0 | 0 | 0 |
| Waste water management | 23,780 | - | - | - | - | - | - | - | 23,780 | 24,874 | 26,018 |
| Waste management | 0 | - | - | - | - | - | - | - | 0 | 0 | 0 |
| Other | - | - | - | - | - | - | - | - | - | - | - |
| Total Capital Expenditure - Functional | 42,080 | - | - | - | - | - | - | - | 42,080 | 44,016 | 46,040 |
| Funded by: | | | | | | | | | | | |
| National Government | 42,080 | - | - | - | - | - | - | - | 42,080 | 44,016 | 46,040 |
| Provincial Government | - | - | - | - | - | - | - | - | - | - | - |
| District Municipality | - | - | - | - | - | - | - | - | - | - | - |
| Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions) | - | - | - | - | - | - | - | - | - | - | - |
| Transfers recognised - capital | 42,080 | - | - | - | - | - | - | - | 42,080 | 44,016 | 46,040 |
| Borrowing | - | - | - | - | - | - | - | - | - | - | - |
| Internally generated funds | - | - | - | - | - | - | - | - | - | - | 0 |
| Total Capital Funding | 42,080 | - | - | - | - | - | - | - | 42,080 | 44,016 | 46,040 |

Table B6 Adjustments Budget Financial Position

| Description | Ref | Budget Year 2025/26 | | | | | | | | | Budget Year +1 2026/27 | Budget Year +2 2027/28 |
|---|-----|---------------------|---------------------|-------------------|-------------------------|-----------------------|-------------------------|-------------------|-------------------|-----------------------|------------------------|------------------------|
| | | Original Budget | Prior Adjusted 3 | Accum. Funds 4 | Multi-year capital 5 | Unfore. Unavoid. 6 | Nat. or Prov. Govt 7 | Other Adjus. 8 | Total Adjus. 9 | Adjusted Budget 10 | Adjusted Budget | Adjusted Budget |
| R thousands | | A | A1 | B | C | D | E | F | G | H | | |
| ASSETS | | | | | | | | | | | | |
| Current assets | | | | | | | | | | | | |
| Cash and cash equivalents | | 6,440 | - | - | - | - | - | - | - | 6,440 | 9,141 | 10,055 |
| Trade and other receivables from exchange transactions | 1 | 13,951 | - | - | - | - | - | (0) | (0) | 13,951 | 15,336 | 17,059 |
| Receivables from non-exchange transactions | 1 | 15,803 | - | - | - | - | - | - | - | 15,803 | 16,530 | 17,290 |
| Current portion of non-current receivables | 2 | 0 | - | - | - | - | - | - | - | 0 | 0 | 0 |
| Inventory | | 0 | - | - | - | - | - | - | - | 0 | 0 | 0 |
| VAT | | 139,416 | - | - | - | - | - | - | - | 139,416 | 145,762 | 152,400 |
| Other current assets | | (0) | - | - | - | - | - | - | - | (0) | 0 | 0 |
| Total current assets | | 175,610 | - | - | - | - | - | (0) | (0) | 175,610 | 186,769 | 196,804 |
| Non current assets | | | | | | | | | | | | |
| Investments | | 0 | - | - | - | - | - | - | - | 0 | 0 | 0 |
| Investment property | | 36,390 | - | - | - | - | - | 0 | 0 | 36,390 | 38,027 | 39,739 |
| Property, plant and equipment | 3 | 599,773 | - | - | - | - | - | (0) | (0) | 599,773 | 638,689 | 668,187 |
| Biological assets | | 2,091 | - | - | - | - | - | - | - | 2,091 | 2,185 | 2,283 |
| Living and non-living resources | | - | - | - | - | - | - | - | - | - | - | - |
| Heritage assets | | 37 | - | - | - | - | - | - | - | 37 | 39 | 40 |
| Intangible assets | | 53 | - | - | - | - | - | - | - | 53 | 55 | 58 |
| Trade and other receivables from exchange transactions | | - | - | - | - | - | - | - | - | - | - | - |
| Non-current receivables from non-exchange transactions | | 0 | - | - | - | - | - | - | - | 0 | 0 | 0 |
| Other non-current assets | | - | - | - | - | - | - | - | - | - | - | - |
| Total non current assets | | 638,343 | - | - | - | - | - | 0 | 0 | 638,343 | 678,995 | 710,307 |
| TOTAL ASSETS | | 813,953 | - | - | - | - | - | 0 | 0 | 813,953 | 865,764 | 907,110 |
| LIABILITIES | | | | | | | | | | | | |
| Current liabilities | | | | | | | | | | | | |
| Bank overdraft | | 0 | - | - | - | - | - | - | - | 0 | - | - |
| Financial liabilities | | 0 | - | - | - | - | - | - | - | 0 | - | 0 |
| Consumer deposits | | 540 | - | - | - | - | - | - | - | 540 | 564 | 590 |
| Trade and other payables from exchange transactions | | 956,434 | - | - | - | - | - | 2,306 | 2,306 | 958,739 | 1,002,018 | 1,047,250 |
| Trade and other payables from non-exchange transactions | | (0) | - | - | - | - | - | 0 | 0 | 0 | (0) | (0) |
| Provisions | | 0 | - | - | - | - | - | - | - | 0 | (0) | (0) |
| VAT | | (6,562) | - | - | - | - | - | - | - | (6,562) | (7,039) | (7,229) |
| Other current liabilities | | - | - | - | - | - | - | - | - | - | - | - |
| Total current liabilities | | 950,412 | - | - | - | - | - | 2,306 | 2,306 | 952,717 | 995,543 | 1,040,611 |
| Non current liabilities | | | | | | | | | | | | |
| Borrowing | 1 | 0 | - | - | - | - | - | - | - | 0 | - | - |
| Provisions | 1 | 0 | - | - | - | - | - | - | - | 0 | - | - |
| Long term portion of trade payables | | - | - | - | - | - | - | - | - | - | - | - |
| Other non-current liabilities | | 0 | - | - | - | - | - | - | - | 0 | - | - |
| Total non current liabilities | | 0 | - | - | - | - | - | - | - | 0 | - | - |
| TOTAL LIABILITIES | | 950,412 | - | - | - | - | - | 2,306 | 2,306 | 952,717 | 995,543 | 1,040,611 |
| NET ASSETS | 2 | (136,458) | - | - | - | - | - | (2,306) | (2,306) | (138,764) | (129,779) | (133,501) |
| COMMUNITY WEALTH/EQUITY | | | | | | | | | | | | |
| Accumulated Surplus/(Deficit) | | (136,458) | - | - | - | - | - | (2,306) | (2,306) | (138,764) | (129,779) | (133,501) |
| Funds and Reserves | | - | - | - | - | - | - | - | - | - | - | - |
| Other | | - | - | - | - | - | - | - | - | - | - | - |
| TOTAL COMMUNITY WEALTH/EQUITY | | (136,458) | - | - | - | - | - | (2,306) | (2,306) | (138,764) | (129,779) | (133,501) |

Table B7 Adjustments Budget Cash Flows

| Description | Budget Year 2025/26 | | | | | | | | | Budget Year +1 2026/27 | Budget Year +2 2027/28 |
|--|---------------------|----------------|--------------|--------------------|------------------|--------------------|----------------|-----------------|-----------------|------------------------|------------------------|
| | Original Budget | Prior Adjusted | Accum. Funds | Multi-year capital | Unfore. Unavoid. | Nat. or Prov. Govt | Other Adjusts. | Total Adjusts. | Adjusted Budget | Adjusted Budget | Adjusted Budget |
| | A | 3 A1 | 4 B | 5 C | 6 D | 7 E | 8 F | 9 G | 10 H | | |
| R thousands | A | A1 | B | C | D | E | F | G | H | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Property rates | 28,137 | - | - | - | - | - | - | (14,214) | 13,923 | 29,431 | 30,785 |
| Service charges | 54,570 | - | - | - | - | - | - | (1,590) | 52,980 | 57,081 | 59,706 |
| Other revenue | 62,645 | - | - | - | - | - | - | (61,995) | 650 | 79,577 | 102,720 |
| Transfers and Subsidies - Operational | 128,614 | - | - | - | - | - | - | 20,070 | 148,684 | 134,530 | 140,719 |
| Transfers and Subsidies - Capital | 42,080 | - | - | - | - | - | - | (14,214) | 42,080 | 44,016 | 46,040 |
| Interest | 41,286 | - | - | - | - | - | - | (17,935) | 23,351 | 43,185 | 45,171 |
| Dividends | - | - | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | | |
| Suppliers and employees | (248,159) | - | - | - | - | - | (0) | 19,587 | (228,571) | (285,172) | (291,391) |
| Finance charges | (21,589) | - | - | - | - | - | - | (972) | (22,561) | (22,561) | (23,576) |
| Transfers and Subsidies | - | - | - | - | - | - | - | - | - | - | - |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | 87,584 | - | - | - | - | - | (0) | (71,263) | 30,536 | 80,087 | 110,175 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Proceeds on disposal of PPE | - | - | - | - | - | - | - | - | - | - | - |
| Decrease (increase) in non-current receivables | - | - | - | - | - | - | - | - | - | - | - |
| Decrease (increase) in non-current investments | - | - | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | | |
| Capital assets | 42,080 | - | - | - | - | - | - | - | 42,080 | (50,618) | (52,946) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | 42,080 | - | - | - | - | - | - | - | 42,080 | (50,618) | (52,946) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Short term loans | - | - | - | - | - | - | - | - | - | - | - |
| Borrowing long term/refinancing | - | - | - | - | - | - | - | - | - | - | - |
| Increase (decrease) in consumer deposits | - | - | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | | |
| Repayment of borrowing | (0) | - | - | - | - | - | - | - | (0) | - | - |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | (0) | - | - | - | - | - | - | - | (0) | - | - |
| NET INCREASE/ (DECREASE) IN CASH HELD | 129,664 | - | - | - | - | - | (0) | (71,263) | 72,616 | 29,469 | 57,229 |
| Cash/cash equivalents at the year begin: | 1,279 | - | - | - | - | - | - | - | 1,279 | 40,471 | 69,940 |
| Cash/cash equivalents at the year end: | 130,943 | - | - | - | - | - | (0) | (71,263) | 73,894 | 69,940 | 127,169 |

SECTION B: PART 2

OVERVIEW OF THE ADJUSTMENT BUDGET

In terms of Section 28 of the Municipal Finance Management Act (MFMA), the Adjustment Budget is prepared to revise the approved 2025/2026 Annual Budget based on actual financial performance during the first half of the financial year.

The adjustment process commenced following the mid-year budget and performance assessment in terms of Section 72 of the MFMA. The revised projections were informed by actual revenue collection trends, expenditure performance, and updated grant allocations.

Departmental inputs were requested to assess spending patterns and identify areas requiring realignment. The Budget and Treasury Office, under the leadership of the Chief Financial Officer, consolidated the proposed adjustments for consideration by Council.

In compliance with Section 28(7) and Section 21A of the Municipal Systems Act, the approved Adjustment Budget will be submitted to National and Provincial Treasury and made public.

OVERVIEW OF BUDGET RELATED POLICIES

The Adjustment Budget remains guided by the following approved budget-related policies of the Municipality:

- **Credit Control Policy**
This policy provides direction in areas of credit control, collection of amounts billed to customers, procedures for recovery of arrear accounts, etc. Tokologo Local Municipality annually revises policy and approved the revised policy together with the annual budget approval.
- **Investment and Cash Management Policy**
Every municipal council is required in terms of Section 13(2) of the Municipal Finance Management Act (MFMA) no 56 of to approve a Cash and Investments Policy for the Council. The primary objective of the investment policy is to gain the highest possible return, without unnecessary risk, during periods when excess funds are not being used
- **Budget Policy**
The annual budget is the central financial planning document that entails all revenue and expenditure decisions. It establishes the level of services to be provided by each department. The accounting officer confirms the municipality's priorities in the formulation of the Final and the final budget document. A budget, as per S71 of the

MFMA, is subject to monthly control and reporting to Council with recommendations of action to be taken to achieve the budget's goals

- Tariff Policy

The purpose of this policy is to ensure that a uniform tariff is applied to the municipal area of jurisdiction. The policy is updated and sent for public comment annually.

- Indigent Policy

The criterion for benefits under this scheme is part of the credit control policy. An indigent register is maintained in order administer indigent support. The survey forms to qualify for the indigent support must be completed annually. The Municipality may annually, as part of its budgetary process, determine the municipal services and levels thereof which will be subsidized in respect of indigent customers in accordance with the national policy, but subject to principles of sustainability and affordability.

- Property Rates Policy

This has been implemented with the Municipal Property Rates Act with effect from 1 July 2007. Policy has to be reviewed annually when the budget is submitted.

- Supply Chain management Policy

The policy reflects and represents the context of the Municipal Finance Management Act, Act no 56 of 2003

- Virement Policy

To allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure or savings, etc. as they arise to accelerate service delivery in a financially responsible manner.

The Adjustment Budget has been prepared in accordance with these policies to ensure legislative compliance and financial discipline.

OVERVIEW OF BUDGET ASSUMPTIONS

The preparation of the Adjustment Budget required a review of the original budget assumptions in light of actual performance and prevailing economic conditions.

The following key assumptions were considered:

- Revenue projections have been revised based on actual collection trends for the first half of the financial year.
- The Municipality's current collection rate stands at approximately 29%, targeted improvement measures aimed at achieving 45%. Revenue enhancement strategies and credit control enforcement measures are being intensified to improve the collection rate
- Salary increases of 5.15% were implemented in line with the collective agreement concluded within the South African Local Government Bargaining Council.

Service tariffs remain as approved in the original budget:

- Sewerage: 6.0%
- Refuse: 6.0%
- Water: 6.0%
- Electricity: 11.82%

Indigent support continues as per the approved Indigent Policy:

- Water: 6 kilolitres per month
- Electricity: 50 kWh per month
- Sanitation: 100%
- Refuse: 100%
- Property Rates: As per the approved threshold

OVERVIEW OF BUDGET FUNDING

The funding position of the Municipality has been reassessed to ensure that the Adjusted Budget is in accordance with Section 18 of the MFMA.

MFMA section 18(1) states that the expenditure of the budget may only be funded from:

- a) Realistically anticipated revenues to be collected;
- b) Cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
- c) Borrowed funds, but only for the capital budget referred to in section 17(2).

Tokologo Local Municipality operating budget totals to **R 344 696 592** and is funded from:

- Grants (Equitable Share, EPWP, FMG, and 5% of MIG and RBIG allocations allocated for operational)
- Service Charges (Electricity, Water, Sewer and Refuse)
- Other Revenue (Camp Rentals, Clearance certificate, Building Plans, etc.)

The capital budget of the municipality amounts to **R 42 079 866** and is funded from:

- MIG
- WSIG

EXPENDITURE ON ALLOCATIONS AND GRANTS PROGRAMMES

Total Grants Allocated to Tokologo Local Municipality are disclosed on the budget tables and they are as follows:

- **Financial Management Grant (FMG):**

Total allocation to Tokologo Local Municipality is R 3 000 000, the condition of the grant as per the support plan are as follows:

- Pay salaries of the 5 interns appointed and their MFMP training
- Pay SAIPA Membership fees for finance employees
- Acquisition, upgrade and maintenance of financial management systems (InzaloEMS)
- Strengthen capacity and upskill officials in the Budget and Treasury Office (BTO), Internal Audit and Audit Committees

- **Expanded Public Works Programme (EPWP):**

The EPWP allocation will be utilised to create temporary employment opportunities and support poverty alleviation initiatives through:

- Patching of potholes in Boshof;
- Cleaning of towns within the municipal area.

- **Municipal Infrastructure Grant (MIG):**

The total allocation for 2025/2026 financial year is **R 19 263 000**, the MIG allocation will fund infrastructure projects aligned to basic service delivery priorities, including road upgrades

- **Water Services Infrastructure Grant (WSIG):**

Allocation to the municipality for 2025/2026 financial year is **R 23 780 000** and it will be utilized primarily for the upgrading of the Waste Water Treatment Works.

- **Regional Bulk Infrastructure Grant (RBIG):**

Allocation for this grant amounts to **R 55 148 000**, the RBIG allocation will support bulk water infrastructure projects, including pipeline construction and associated civil works.

- **The Equitable Share:**

EQS allocated to the municipality is **R 81 778 000** and the allocation supports:

- Salaries
- Indigents
- Contracted Services
- Operational Costs

MUNICIPAL MANAGER'S QUALITY CERTIFICATION

I, Mpho Aaron Sehloho, Municipal Manager of **Tokoloko Local Municipality**, hereby certify that the 2025/2026 Adjustment Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under that Act, and that the Adjustment budget and supporting documentation are consistent with the Integrated Development Plan of the municipality.

Name: _____

Name of Municipality: _____

Signature: _____

Date: _____