OFFICE OF THE MAYOR

27 February 2026

For submission to Council

SUBMISSION OF THE ADJUSTMENT BUDGET FOR THE MTREF PERIOD 2025/2026 TO 2027/2028

PURPOSE

The Mayor has received the mid-year assessment of performance, and decided that an adjustment budget be prepared and submitted to council.

BACKGROUND

The mid-year assessment of Mohokare Local Municipality has been performed and this gave rise to the instruction from the Mayor that an adjustment budget is to be prepared.

The adjustment budget is tabled in the following formats:

Adjustment Budget Schedule

- B-Schedule 2025/2026 (See Annexure A)

Applicable legislation and policies:

MFMA Act 56 of 2003

In terms of section 28 (1) the municipality may revise an approved annual budget through an adjustment budget.

Furthermore in terms of section 28.(2) an adjustment 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 programs already budgeted for.

c) May, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality; may authorize the utilization of projected savings in one vote towards spending under another vote.

d) May authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonable have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council.
e) May correct any errors in the annual budget.
f) May provide for any other expenditure within a prescribed framework.
g) An adjustments budget must be in a prescribed form.
h) 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.
i) When an adjustments budget is tabled, it must be accompanied by:
   - An explanation how the adjustments budget affects the annual budget; - a motivation of Any material changes to the annual budget;
   - An explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years;
   - Any other supporting documentation that may be prescribed.
j) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.
k) Section 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 adjustment budget.

"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;

Mid-year budget and performance assessment

72. (1) The accounting officer of a municipality must by 25 January of each year—

(a) assess the performance of the municipality during the first half of the financial year, taking into account—
(i) the monthly statements referred to in section 71 for the first half of the financial year;
(ii) the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
(iii) the past year's annual report, and progress on resolving problems identified in the annual report; and
(iv) the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and

(b) submit a report on such assessment to—
(i) the mayor of the municipality;
(ii) the National Treasury; and
(iii) the relevant provincial treasury.

Municipal Budget Circulars for the 2025/26 MTREF

This circular provides further guidance to municipalities and municipal entities for the preparation of their 2025/26 Budgets and Medium Term Revenue and Expenditure Framework (MTREF). It must be read together with MFMA Circulars No. 48, 51, 54, 66, 67, 70, 74 and 75.

DISCUSSION – PREPARATION AND OTHER DETAILS:

Executive summary

Description	Current year 2025/26		
	Original Budget	1st Adjustment Budget	Movement
Financial Performance			
Revenue from non-exchange transactions			
Property Rates	18 239 395	18 239 395	-
Fines	5 000 000	5 000 000	-
Government Grants and subsidies received - Operational	105 636 000	105 636 000	-
Revenue from exchange transactions			
Service charges	89 716 397	89 716 397	-
Rental of facilities and equipment	868 509	868 509	-
Interest earned - external investments	100 000	100 000	-
Interest earned - outstanding debtors	40 000 000	40 000 000	-
Dividends received	20 000	20 000	-
Other income	352 857	352 857	-
Total Revenue	**259 933 158**	**259 933 158**	**-**
Expenditure			
Employee related costs	94 703 658	98 362 154	3 658 495
Remuneration of Councillors	5 975 026	5 975 026	0
Depreciation and amortisation	24 987 636	24 987 636	-
Debt impairment	25 085 556	25 085 556	-
Finance Cost	15 000 000	15 000 000	-
Bulk Purchases	54 000 000	54 000 000	-
Water losses	600 000	600 000	-
Inventory Consumed	9 020 000	9 020 000	-
Contracted Services	9 000 000	13 005 184	4 005 184
General Expenditure	17 629 256	17 758 619	129 363
Total expenditure	**256 001 132**	**263 794 175**	**7 793 043**
Operational Surplus/ (Deficit)	3 932 026	- 3 861 017	- 7 793 043
Transfers received (Conditional Grant funding) - Capital Projects	48 865 000	51 865 000	3 000 000
Surplus/ (Deficit) for the year	**52 797 026**	**48 003 983**	**- 4 793 043**

Expected expenditure

<u>General comments:</u>

All expenditure items were evaluated on a line by line basis and deductions where applicable was discussed with the relevant directorate.

<u>Salaries</u>

The adjusted salary budget is as follows:

Description	Current year 2025/26				
	Original Budget		Adjustment Budget		Movement
	Breakdown	Total	Breakdown	Total	
Employee related costs		**95 123 658**		**98 824 113**	**3 700 454**
Salaries	62 671 552		62 671 552		
Remote Allowance	384 094		384 094		
Acting Allowance	360 000		834 754		
Annual Bonus	3 860 536		3 860 536		
Allowance - Telephone	87 387		87 387		
Allowance - Standby	342 120		342 120		
Housing Subsidy	845 559		845 559		
Overtime	1 980 000		2 094 308		
Shift Allowance	2 176 315		2 270 984		
Maintenance Allowance	19 200		19 200		
Long Services Bonus	195 000		195 000		
Allowance - Vehicle	5 846 674		5 846 674		
Industrial Council Levy	35 124		35 124		
Ward Allowances	420 000		420 000		
Leave Paid-out	200 000		1 041 598		
Medical Refund	-		2 170 049		
Medical Aid Fund	5 757 872		5 757 872		
Pension Fund	8 915 616		8 915 616		
Subsistence Travelling	510 000		515 076		
UIF	516 611		516 611		
Remuneration of Councillors		**5 975 026**		**5 975 026**	**-**
Mayor - Allowance	861 797		861 797		
Speaker - Allowance	769 183		769 183		
Councillors - Allowance	3 626 131		3 626 131		
Mayor - Telephone Allowance	40 800		40 800		
Speaker - Telephone Allowance	40 800		40 800		
Councillors - Telephone Allowance	433 200		433 200		
Mayor - Medical Aid	33 934		33 934		
Councillors - Medical Aid	59 522		59 522		
Councillors - Travelling allowance	84 153		84 153		
Councillors - UIF	25 505		25 505		

- The budget for salaries has increased with 3.86% (R 3 700 454) from the original budgeted amount.
- Main reason for the movements in employee costs can be attributed to the following:

    - An increase in the budget for salaries and other allowances can be seen from inspecting the table above. This increase relates mainly to the medical refunds that were paid back to employees for medical aids costs that was not paid over to medical aid providers during the 2024/25 financial year.

- Provision is made for all employees as at 31 January 2026.
- The budget for remuneration of councilors does not change.
- The ratio of employee related costs to operating income stands at 37.84%. This ratio is calculated taking into consideration both Operating Revenue and Operating Grants.
- When the amounts relating to Operating Grants are excluded the percentage increases to 63.74%.

Contracted Services:

The increase in Contracted Services was made by increase in professional services. In the adjustment budget we included professional services for pounds, township establishment and for tourism. And this expenditure was not included initially in the adopted budget.

General Expenditure:

The increase in General Expenditure was mainly caused by costs incurred for renting vehicles for the Mayor and the Speaker at the beginning of the financial year. This expenditure was not initially included in the adopted budget.

Operational & Capital Grants with Capital Expenditures

The adjusted grants budget is as follows:

Description	Current year			2025/26 Medium Term Revenue & Expenditure Framework	
	Original Budget	1st Adjustment budget	Movement	Budget year +1 2026/27	Budget year +2 2027/28
Revenue:					
Operational Grants					
NT Grant - Equitable Share	102 636 000	102 636 000	-	105 816 000	110 592 000
NT Grant - FMG	3 000 000	3 000 000	-	3 000 000	3 100 000
NT Grant - EPWP	-	-	-	-	-
	105 636 000	**105 636 000**	**-**	**108 816 000**	**113 692 000**
Capital Grants					
NT Grant - MIG	22 865 000	25 865 000	3 000 000	22 635 000	23 501 000
NT Grant - WSIG	20 000 000	20 000 000	-	21 000 000	22 050 000
NT Grant - RBIG	-	-	-	-	-
NT Grant - INEP	6 000 000	6 000 000	-	3 000 000	3 136 000
CoGTA Provincial Grant	-	-	-	-	-
	48 865 000	**51 865 000**	**3 000 000**	**46 635 000**	**48 687 000**
Expenditure:					
Capital Grants					
NT Grant - MIG	22 865 000	25 865 000	3 000 000	22 635 000	23 501 000
NT Grant - WSIG	20 000 000	20 000 000	-	21 000 000	22 050 000
NT Grant - RBIG	-	-	-	-	-
NT Grant - INEP	6 000 000	6 000 000	-	3 000 000	3 136 000
CoGTA Provincial Grant	-	-	-	-	-
	42 865 000	**45 865 000**	**3 000 000**	**46 635 000**	**48 687 000**
Capital expenditure (Own funds)					
Desktops and Laptops	250 000	250 000	-	261 500	273 006
Furniture and Office Equipment	-	50 000	50 000	-	-
PMU - Office Equipment	-	150 000	150 000	-	-
Fire Suppression	-	-			
Vehicle Acquisition	-	-			
Machinery and Equipment	250 000	250 000	-	261 500	273 006
	500 000	700 000	200 000	523 000	546 012

- The only conditional grant that has increased is MIG as per the breakdown above.
- Capital expenditure funded by internally generated funds has increased by 40% (R 200 000)
- This increase was based on the fact that the municipality had to purchase new office equipment and also included is office equipment for PMU Office which will be funded through MIG.

FINANCIAL IMPLICATIONS

Implementation of the approved 2025/2026 Budget

LEGAL IMPLICATIONS

Compliance with Section 28 (1) of the Municipality Finance Management Act No, 56 of 2003

PARTIES CONSULTED

The Mayor
The Acting Municipal Manager
Senior Management
IDP Manager
Budget and Reporting Accountant

RECOMMENDATION

It is recommended that Council approves the adjustment budget of the municipality for the financial year 2025/26 as well as the two projected outer years 2026/27 and 2027/28.

Cllr. T.D. Mochechepa
MAYOR