



COUNCIL RESOLUTION NUMBER 01/02/27/02/2026.

2025/2026 ADJUSTMENTS TO THE ORIGINAL BUDGET.

MINUTES: SPECIAL COUNCIL MEETING

DATE: 27 FEBRUARY 2026

1. PURPOSE

- 1.1 To provide a report to the Budget Steering Committee and Council regarding the financial and fiscal affairs of the municipality during the first half of the financial year which necessitated the adjustments to the original budget as tabled in May 2025

2. PRE-DETERMINED OBJECTIVES

- 2.1 To ensure that the municipality is managed in a transparent, equitable and responsible manner.

3. BACKGROUND

On the 25th of January 2026, the Municipal Manager prepared a report of her assessment of the institution during the first half of the financial year as prescribed in terms of Section 72 of the Municipal Finance Management Act, 56 of 2003 and submitted such assessments to me as the Mayor, the Provincial Treasury and National Treasury on the same date.

In compliance with section 54 of the Municipal Finance Management Act, 56 of 2003, the Mayor tabled the report prepared in terms of section 72 to the Municipal Council at its special meeting held on 29th January 2026, such report was approved by the Municipal Council with recommendations including the need to adjust the original budget as contemplated in section 28 of the Municipal Finance Management Act, 56 of 2003.

4. DISCUSSION

Our financial position during the first half of the 2025/2026 financial year is summarised as follows:

1. PROPERTY RATES & TAXES

Actual year to date is R20.0 million versus Budget Year to date is R19.4 million, and the variance amount to R600 thousand for the past six months, thus variance percentage of 3%.

2. SERVICE CHARGES- CONSIST OF ELECTRICITY, WATER, REFUSE, SANITATION REVENUE:

ELECTRICITY REVENUE

The actual year-to-date figure is R36.3 million compared to the budget year-to-date total is R39.2 million, with a fluctuation of -R2.9 million over the preceding six months, resulting in a variance percentage of -7%. Consequently, around R483,000 is wasted each month owing to unbilled electricity meter services, including metering problems and illegal connections. However, the municipality is now undertaking Operation Patala, which is yielding positive results; therefore, the electricity revenue budget will remain intact at R80,244,000, as shown by the arguments.

WATER REVENUE

The actual year-to-date figure is R14.2 million compared to the budget year-to-date total is R12.3 million, with a fluctuation of R2.0 million over the preceding six months, resulting in a variance percentage of 16%. Consequently, around R1.9 million was under budgeted. The water revenue budget will be adjusted upward by R1.9million, and the adjusted water revenue budget will be R26,400,000.

REFUSE REVENUE

The actual year-to-date figure is R11.8 million compared to the budget year-to-date total is R10.8 million, with a fluctuation of R1 million over the preceding six months, resulting in a variance percentage of 9%. Consequently, around R1 million was under budgeted. The refuse service revenue budget will be adjusted upward by R1million, and the adjusted refuse service revenue budget will be R22,600,000.

SANITATION REVENUE

The actual year-to-date figure is R17.0 million compared to the budget year-to-date total is R14.9 million, with a fluctuation of R2.1 million over the preceding six months, resulting in a variance percentage of 14%. Consequently, around R1.127 million is wasted each month owing to unbilled sanitation services. Consequently, around R2 million was under budgeted. The sanitation service revenue budget will be adjusted upward by R2 million, and the adjusted sanitation service revenue budget will be R31,800,000.

3. **INVESTMENT INCOME (EXTERNAL SOURCES- COMMERCIAL BANKS)**

The actual year-to-date figure is R230 thousand compared to the budget year-to-date total of R250 thousand, with a fluctuation of - R19 thousand over the preceding six months, resulting in a variance percentage of -8%. While the variance is not material at this stage, continued monitoring is required to ensure that cash placement strategies are optimized and that available surplus funds are invested in instruments offering competitive yields. Management should also assess whether projected cash flow for the remainder of the financial year is likely to recover from the shortfall and, if necessary, revise forecasts to reflect prevailing market conditions.

4. **TRANSFER & SUBSIDIES OPERATIONAL**

The actual year-to-date figure is R87.9 million compared to the budget year-to-date total of R88.8 million, reflecting an immaterial unfavorable variance of -R964 thousand (-1%). This variance is primarily attributable to timing differences in the receipt and onward transfer of funds rather than underspending or inefficiencies. As Transfers and Subsidies are directly linked to the Division of Revenue Act (DORA) allocations and are transferred to the municipality in accordance with legislated schedules, the variance does not indicate risk to service delivery or compliance. Accordingly, no budget adjustment is required at this stage, and current performance is considered aligned with approved funding frameworks and statutory transfer arrangements.

5. **OTHER OWN REVENUE**

Other own revenue- (includes, administrative handling fees, collection charges, commission received, inspection fees, insurance proceeds, sale of properties, connection charges, billboards advertisements, building approval plan, cemetery & burial, clearance certificates, photocopies, sales of goods, valuation services). The year-to-date actual revenue of R39.5 million is significantly below the budgeted amount of R50.5

million, resulting in an unfavorable variance of R11.0 million (22%).

This material shortfall indicates that collections from key own-revenue streams such as administrative fees, commissions, inspections and approval fees, and other service-related charges are underperforming relative to projections. The variance may be attributable to lower-than-anticipated economic activity, reduced service uptake (e.g. building plans,

property transactions, connections), timing delays in billing and collection, or overly optimistic budgeting assumptions. Given the magnitude and persistence of the variance over the preceding six months, management should critically review the achievability of the remaining revenue targets for the financial year. Unless there is clear evidence that the shortfall will recover in the second half of the year (for example through seasonal increases, once-off receipts, or improved collection measures), it would be prudent to adjust the budget downward to a more realistic level. This will enhance the credibility of the revenue forecast, support more accurate cash flow planning, and ensure that expenditure commitments are aligned with sustainable funding levels.

OPERATING EXPENDITURE VARIANCE ANALYSIS:

6. EMPLOYEE RELATED COSTS

The year-to-date actual expenditure of R59.7 million is below the budgeted amount of R64.4 million, reflecting a favorable variance of 6.7 million (10%). This variance may be attributable to factors such as vacant funded posts, delays in appointments, staff turnover, or timing differences in the implementation of salary benefits.

While the variance currently indicates cost containment, employee-related costs are largely fixed and contractual in nature, and the budget is driven by the approved organizational structure and collective bargaining agreements. If the vacant positions are planned to be filled in the second half of the financial year, or if backdated salary adjustments and benefits payments are expected, the current underspending is likely to

normalize. In this case, a budget adjustment would not be recommended.

However, should management confirm that certain posts will remain unfunded for the remainder of the year or that structural savings have been realized, consideration may be given to a downward budget adjustment. At this stage, unless there is firm evidence of permanent savings, it is prudent to retain the current budget and continue to monitor expenditure trends closely.

7. REMUNERATION OF COUNCILLORS

The year-to-date actual expenditure of R3.0 million against a budget of R4.3 million reflects a favorable variance of R1.3 million (30%). The variance is not due to savings, but rather to a classification error whereby remuneration for certain councillors was processed under Employee Related Costs instead of the Remuneration of Councillors vote. Payroll has since corrected the system configuration, and the remaining variance will be addressed through the reconciliation process and the posting of correcting journals.

As the variance is of a technical and timing nature and does not represent a real reduction in expenditure, it is expected to reverse once the necessary journals are processed. Accordingly, no budget adjustment is required at this stage. The current budget remains appropriate, and management should ensure that the reconciliation and reclassification are finalized timeously to restore accurate reporting and vote control.

8. DEPRECIATION & AMORTISATION

The year-to-date actual charge of R13 thousand against a budget of R22.7 million reflects a material unfavorable variance of R22.7 million (100%). This variance is not attributable to cost savings, but to a processing omission, as monthly depreciation and amortization have not been run for the past six months.

Consequently, the expenditure is significantly understated and does not reflect the true consumption of assets during the period.

As depreciation and amortization are non-cash, accounting-driven charges based on the approved asset register and useful lives, the budget remains valid and appropriate. Once the monthly runs are processed and the backlog is accounted for, the variance is expected to reverse. Accordingly, no budget adjustment is recommended. Management should prioritize the completion of the outstanding depreciation runs and ensure that regular monthly processing and reconciliations are reinstated to maintain accurate financial reporting and compliance with GRAP standards.

9. FINANCE COSTS (INTEREST CHARGED ON OVERDUE ACCOUNTS, INTEREST CHARGED ON LOAN)

The year-to-date actual finance costs of R17.5 million exceed the budgeted amount of R11.0 million by R6.5 million, resulting in a material unfavorable variance of 59%. This over-expenditure indicates higher-than-anticipated interest charges, which may be driven by increased reliance on overdraft facility, delays in settling creditors, cash flow constraints, or higher prevailing interest rates.

Given the magnitude of the variance and its direct impact on the municipality's financial sustainability, management should assess whether the current cash flow position and borrowing levels are likely to persist for the remainder of the financial year. If elevated borrowing and overdue balances are expected to continue, it would be prudent to adjust the budget upward to reflect a more realistic projection of finance costs.

However, if corrective measures are already being implemented such as improved revenue collection, or stricter creditor payment management that are expected to reduce interest exposure in the second half of the year, management may retain the current budget but revise cash flow forecasts and closely monitor interest trends. In the absence of firm evidence that finance costs will normalize, a budget adjustment is recommended to ensure credible financial planning and to avoid further adverse variances.

10. INVENTORY AND BULK PURCHASES

INVENTORY CONSUMED:

The actual year to date figure is R4.9 million compared to budget year to date total is R7.9 million, a fluctuation of R 2,2 million over the preceding six months, resulting in a variance percentage of 15%. Therefore, this variance is major and thus Bulk purchases budget must be adjusted downward to R12.8 million.

ELECTRICITY BULK PURCHASES

The actual year-to-date figure is R36.8 million compared to budget year-to-date total is R42.9 million, a fluctuation of R 6,2 million over the preceding six months, resulting in a variance percentage of 7%. Therefore, this variance is significant and thus Bulk purchases budget must be adjusted downward to R79.7 million.

11. CONTRACTED SERVICES

The actual year-to-date figure is R14.6 million compared to budget year-to-date total is R18.3 million, a fluctuation of R 16,7 million over the preceding six months, resulting in a variance percentage of 91%. Therefore, this variance is significant, and thus contracted services budget must not be adjusted and will remain unchanged.

12. DEBT IMPAIRMENT

The actual year to date for debt impairment will remain unchanged, this is a non- cash item.

13. DEPRECIATION AND AMORTISATION

The actual year to date for depreciation and amortization will remain unchanged, this is a non- cash item.

14. INTEREST OR FINANCE COSTS

The actual year to date actual R17.5 million compared to budget year to date is R11 million, a fluctuation of R6.4 million over the preceding six months, resulting in a variance percentage 58%. Therefore, this variance is significant and thus interest must be adjusted upward to 28.5 million.

15. IRRECOVERABLE DEBTS

The actual year to date actual R 912k compared to budget year

to date is R6.1 million, a fluctuation of R5.2 million over the preceding six months, resulting in a variance percentage of 84%. Therefore, this variance is significant, and thus irrecoverable debt must be adjusted downward to 7.06 million.

16. OTHER OPERATIONAL EXPENDITURE

Other operational expenditure- (includes, repairs & maintenance, advertisements, audit committee fee, auditors' remuneration, bank charges, commission costs, consulting and professional fee, fuel & oil, license fee, outsourced services, protective clothing, software expenses, staff welfare, subscriptions and membership fees, telephone and fax, travelling & accommodation):

The actual year to date is R8.5 million compared to budget year to date total is R 13 million, a fluctuation of R 4.4 million over the preceding six months, resulting in a variance percentage of 37%. Therefore, this variance is major and thus other expenditure budget must be adjusted downward to R21.5 million

5. **STAKEHOLDERS CONSULTED**

Provincial Treasury and National Treasury

6 **STAFF IMPLICATIONS**

None.

7 **FINANCIAL IMPLICATIONS**

The municipality may not be able to service its financial obligations given the current state of its financial position.

8 **LEGAL IMPLICATIONS**

In compliance with the Local Government: Municipal Finance Management Act, 56 of 2003.

9 **RISKS IMPLICATIONS**

The municipality risk litigations from some of its creditors.

10. **ANNEXURES**

- (a) MID YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT FROM 01 JULY TO 31 DECEMBER 2025
 (b) PROPOSED ADJUSTMENT TABLES

10 RECOMMENDATIONS

In the light of the challenges noted above, the adjustment budget must be accompanied by a sustainable Budget Funding Plan underpinned by the 5 pillars covering the following:

- (a) *Increased debtors' collection rates with incremental improvements year on year.*
- (b) *Implementation of cost containment measures and a reduction of expenditure on non-core items.*
- (c) *Improvement in Trade Payables through finalising of creditor's payment plans to ensure that all fixed obligations, including obligations for bulk purchases, are met.*
- (d) *Cash coverage to be able to meet monthly operating commitments and ring fencing of conditional grants to ensure that conditional grant funding is cash backed and used for the intended purposes.*
- (e) *Positive cash flows with a focus on revenue from trading services.*

In conclusion, Honourable Speaker, I hereby recommend that the 2025/2026 Adjustment Budget of Mantsopa Local Municipality for Council approval as follows:

1. That operational revenue budget be adjusted from R 423.3 million to R412.3 million.
2. That the operational expenditure budget be adjusted from R493.0 million to R508.9 million.
3. That the capital revenue budget be adjusted from R34.811 million to R43.3 million.
4. That the capital expenditure budget be adjusted from R34.811 million to R43.1 million.
5. That the original SDBIP be adjusted to be consistent with the 2025/2026 adjustment budget not later than Friday, 6th March 2026.
6. That the Adjusted budget be published on the municipal website and be submitted to National and Provincial Treasury within ten (10) working days after the approval.
7. That all outstanding debt owed by Government Departments and Agencies be collected without fail before 31 March 2026.
8. That all Municipal Service Accounts be rectified with immediate effect and sent out to Consumers for payment monthly, consequence management will be enforced for any failure in this regard.
9. That all Outstanding Municipal Service Accounts be properly reconciled before cutting off register is issued for collection purposes.
10. That Management must monitor collection levels should not be less than the projected 55% during the remaining budget period to ensure that funding is available to finance expenditure.
11. That under no circumstances should expenditure be incurred that is not budgeted for.

The Mayor, Cllr Tsoene tabled the budget adjustment Budget: -

Honourable Speaker, Councillor Mvuyo Ncwada,

Honourable Council Whip, Cllr Kgethang Tigeli

Members of the EXCO, Councillors Timothy Mpakathi & Tsepo Molefe

Leaders of all political parties in Council,

All Councillors, Municipal Manager, Senior Managers and all staff members present,

Members of the media invited guests and the community of Mantsopa at large, especially baahi ba mona Dipelaneng in Hobhouse.

Honourable Speaker, let me firstly thank you for giving me this opportunity to present before this Council the state of our municipality and the Adjustment Budget vote for the financial year 2025/2026, which is the last adjustment to be effected by the current term of council.

Honourable Speaker, this Adjustment Budget is also taking place here in Dipelaneng where there is a scourge of brutal murders of community members, this demands of all of us to intensify our efforts ho fedisa dipolayano tse Sehloho tse etsahalang ka hara motse ona wa Dipelaneng, re fetisa matshediso a rona ho Malapa a mahlatsipa mme re tla matlafatsa tshebedisano mmoho le Sepolesa ho thibela le ho lwantsha ditlolo tsohle tsa molao.

We commend members of the South African Police Service who are at the forefront of the efforts to fight crime and keep us safe from harm.

Honourable Speaker, the Premier of the Free State Province, Mme Maqueen Letsoha Mathae during her 2026 State of the Province Address put an emphasis on the effectiveness and functionality of Local Government, She said *"This is the "Year of Decisive Action to Fix Local Government and Transform the Economy."* This commitment is about the endless pursuit of an efficient, ethical, capable, participatory, responsive, transparent and accountable local government. It is about the desire to regain our pride. The message is clear: the state of our municipalities is not encouraging. Challenges that include poor financial management, weak governance systems, institutional instabilities, and inadequate provision of basic services, are crippling the capacity of municipalities to provide services. While we understand that this is unacceptable, our caring government is working hard to turn the tide and make things right. This is a timeless obligation enshrined in our Constitution. It is a moral obligation that should direct our collective efforts. Above all, it is a noble administrative responsibility that should shape

our service delivery duty. For many of our people, this is about trust tested by history, experiences and expectations for a new age full of promise and opportunity.”.

Honourable Speaker, this 2024/2025 Adjustment Budget including the IDP, is consistent with the Free State Provincial Medium-Term Strategies, therefore, our work will be informed, shaped and driven by the following priorities:

(a) Priority 1: Drive inclusive growth and job creation.

Inclusive economic growth creates jobs, provides opportunities, reduces poverty, and improves the standard of living.

Unemployment in the Free State province fell from 38.5% in the 2nd quarter of 2025 to 36.2% in the 3rd quarter of the same year. This was a vital 2.3% drop. For the 4th quarter, we now sit at 37,2%.

In the context of Mantsopa Local Municipality, the unemployment rate remain stubbornly high at 29,2%, this is exacerbated by the fact that of the 18 282 households, 67,3% earn below the minimum threshold of R150 000 per annum permits them to prioritise the payment of municipal services, consequently, the viability of the municipality is left to 34,7% of the households (6 399 out of 18 households) to pay for municipal services, unfortunately our municipality due to lack of commitment to implement credit control policies approved by the municipal council is billing less than half of those 6 399 households who are proven to have capacity of paying for municipal services.

In the second quarter ending 31 December 2025, the municipality recorded a 61% collection rate however, the Provincial Treasury’s recalculation for the same period is 27,4%, a clear indication that the Revenue Division has no appetite to collect the outstanding municipal services.

If no decisive and visible action is taken by the Management in the Revenue Division, the financial viability of this municipality cannot be sustained, consequently, the municipality will not be able to service its financial obligations as and when they become due.

What is even more worrisome is that the much-needed service delivery to our communities will be compromised when the revenue collection is less than the one projected in the 2025/2026 Annual Budget, which is a minimum of 65% monthly collection rate.

It is for this reason that we are no longer making a plea to Management to prioritise revenue collection but shall be strictly monitoring and enforcing the legislated consequence management for not meeting the council approved key performance indicators and targets.

The formal Mid-term Performance Evaluation session for the Municipal Manager and Senior Managers as prescribed by their Annual Performance Agreements is scheduled for 12 – 13 March 2026 respectively.

As part of our commitment to fix local government as directed by President Ramaphosa and endorsed by Premier MaQueen Letsoha-Mathae, the emphasis on performance of Senior Managers shall be central focus of the Mayor and the Executive Committee in order to enforce oversight and accountability.

(b) Priority 2: Reduce poverty and tackle the high cost of living.

Honourable Speaker, we all know that poverty is a serious scourge, it limits access to necessities, drives income inequality, reduces development attainments, and erodes human dignity.

It is for this reason that the Municipal Council has intentionally and decisively resolved to allocate land to the previously disadvantaged beneficiaries who have passion for small scale farming activities, re kgothalletsa batho ba rona banang le tjantjello le bokgoni ho tsa moruo hore ba tswellepele ho etla dikopo tsa lefatshe ho lekgotla la motse, kantoro ya rona ya L.E.D tlasa lefapha la Community Services e tla ba hokahanya le mafapha a mang a Mmuso hore ba fumane thuso ya ditjhelete le tshehetso e hlokahalang.

Honourable Speaker, in keeping with our constitutional obligation of creating a conducive environment for economic growth and job creation, we are implementing the following key intervention programmes in partnership with the National and Provincial Government Departments:

PROGRAMME	LEAD DEPARTMENT	TOTAL NUMBER OF PARTICIPANTS	MANTSOPA LM SUPPORT
COMMUNITY WORKS PROGRAMME (CWP)	National Dept of Cooperative Governance & Traditional Affairs	777	Some equipment & work schedule

CLEANING & GREENING PROGRAMME	Dept of Forestry, Fisheries & Environment	300	Protective Clothing, tools of trade and equipment
ARTISANS PROGRAMME	Dept of Public Works	45	Tools of trade and equipment
EPWP	Dept of Public Works	40	Protective Clothing, tools of trade and equipment

(c) Priority 3: Build a capable, ethical and developmental state.

Honourable Speaker, on the 18th December 2025, the Minister for Cooperative Governance & Traditional Affairs, guided by section 72(2A) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) read in conjunction with the Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers, promulgated the UPPER LIMITS OF TOTAL REMUNERATION PACKAGES OF MUNICIPAL MANAGERS AND MANAGERS DIRECTLY ACCOUNTABLE TO MUNICIPAL MANAGERS under government gazette no. 53882.

The upper limits constitute an integral part of the human resource value chain in building resilient administrative institutions underpinned by the intent to enable municipalities to attract, appoint and retain suitably qualified and competent senior managers necessary for effective performance of their functions.

MUNICIPAL GRADING

Honourable Speaker, the notice promulgated by the Minister under Annexure A of the Notice prescribed municipal grades for all municipalities in accordance with the ministerial determination criteria.

In the context of Mantsopa Local Municipality, the information below fully substantiates the Ministerial determination in the notice that the municipality has long gravitated towards grade 3 with 48 overall points system, the Minister considered the information as per the audited Annual Financial Statements for the period ending 30 June 2024 to make the determination as per the criteria set out in paragraph 2, 3, 4, and Annexure A of the Upper Limits of Total Remuneration Packages of Municipal Managers and Managers Directly Accountable to Municipal Managers under government gazette no. 53882 of 18 December 2025.

ME

In compliance with the ministerial determination, the municipality has already implemented the Upper Limits of Total Remuneration Packages of Municipal Managers and Managers Directly Accountable to Municipal Managers under government gazette no. 53882 of 18 December 2025 under the following arrangements:

- (a) Migration of the remuneration of the Municipal Manager and Directors from grade 2 to 3 retrospectively from 01 July 2024 as per clause 16(2) of the Notice.
- (b) Payment of the backpay to the Municipal Manager and Directors retrospectively from 01 July 2024 totalling R1, 221, 278.76.
- (c) Migration of staff members from grade 2 to 3.
- (d) Payment of backpay to 292 staff members for January, February and March 2026 totalling R2,500, 968.41.

Honourable Speaker, on 16th February 2026, all municipalities received the notice from the Director General of the Department of Cooperative Governance & Traditional Affairs advising municipalities that have not yet implemented the Upper Limits notice to refrain from the implementation of the Notice.

Paragraph 3.3 of the Suspension Notice provided that *“Any resolution of the council, adjustment of remuneration, or other administrative measure lawfully implemented prior to the date of this circular on the basis of the Notice published on 18 December 2025 in Government Gazette No. 53882 shall remain in full force and effect”*.

In view of the fact that the municipality has already implemented the Notice in January 2026 prior the migration of Senior Managers Remuneration from grade 2 to 3 including the payment of backpay prior the issuance of the suspension notice, Mantsopa Local Municipality is therefore not prohibited from implementation in that a backpay and migration expenditure has already been incurred and there is no basis to recover the expenditure from Senior Managers.

Honourable Speaker, we must avoid unnecessary Special Council meetings to address matters that can be disposed of through alternative means, in this regard, it is common course that the Minister of Cooperative Governance & Traditional Affairs, promulgated the Determination of Upper Limits of Salaries, Allowances and Benefits of Different Members of

Municipal Councils under government gazette no. 54179 of 20th February 2026.

Pursuant to this promulgation, the implementation thereof is provided for in the 2025/2026 Adjustment Budget with the back pay totalling R321, 685.25 retrospectively from 01 July 2025, however, the implementation shall be pending the receipt of concurrence from the FSCOGTA MEC.

2025/2026 IDP and Service Delivery and Budget Implementation Plan

The Mid-Year Budget and Performance Assessment Report which is an instrument to measure our performance since the beginning of the 2025/2026 financial year on 1st July 2025 ending 31 December 2025 has been taken into consideration with the preparation of this Adjustment Budget.

In terms of Section 72(1)(a) and 52(d) of Municipal Finance Management Act No.56 of 2003 (MFMA) “the Accounting Officer must by 25 January of each year assess the performance of the municipality during the first half of the financial year, a report of such assessments must in terms of Section 72(1)(b) of the Municipal Finance Management Act, 56 of 2003 be submitted to the Mayor, Provincial Treasury and National Treasury.

Honourable Speaker, indeed on 25th January 2026 I received the Mid-Year Budget & Performance Assessment Report from the Accounting Officer and I subsequently considered the contents thereof and expressed concerns about the worrying state of municipal finances and service delivery challenges, I also observed that our collection rate remain stagnant at 42% **(FS Provincial Treasury’s recalculation of our collection rate during the mid-year is at 27,4%)** which is below the projected revenue.

Honourable Speaker, we continue to implement the 2025/2026 Annual Budget under a very difficult economic environment marked by serious economic decline, high level of unemployment as well as loss of lives and poverty.

This has been compounded by the inauguration of the new President of the United States of America, President Donald Trump, his aggressive posture against the African Continent and in particular, our country including his narrow American nationalism will have negative consequences in the long term.

Honorable Speaker, Section 28 of the Municipal Finance Management Act,

56 of 2003 prescribes that **(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, 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.*

(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.

On 25 January 2026, the Mid Year Budget & Performance Assessment Report was submitted to the Mayor with proposal for adjustment budget, the same report was presented to council on the 29th January 2026 during the special meeting, it was therefore resolved as follows:

- *An Adjustments budget for 2025/2026 be prepared and approved no later than 28 February 2026*
- *All the necessary adjustments identified in the mid-year assessment report must be included in the adjustment budget.*

Honourable Speaker, Section 28 of the MFMA states that (a) an adjustments budget must adjust the revenue and expenditure estimates downwards if there is material under collection of revenue during the current year." The consolidated adjustment budget was presented before the budget steering committee established by the Mayor for finalization:

PART ONE:

ADJUSTMENT BUDGETS:

PROPERTY RATES & TAXES

Actual year to date is R20.0 million versus Budget Year to date is R19.4 million, and the variance amount to R600 thousand for the past six months, thus variance percentage of 3%.

SERVICE CHARGES- CONSIST OF ELECTRICITY, WATER, REFUSE, SANITATION REVENUE:

The actual year-to-date figure is R36.3 million compared to the budget year-to-date total is R39.2 million, with a fluctuation of -R2.9 million over the preceding six months, resulting in a variance percentage of -7%. Consequently, around R483,000 is wasted each month owing to unbilled electricity meter services, including metering problems and illegal connections. However, the municipality is now undertaking Operation Patala, which is yielding positive results; therefore, the electricity revenue budget will remain intact at R80,244,000.

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The actual year-to-date figure is R11.8 million compared to the budget year-to-date total is R10.8 million, with a fluctuation of R1 million over the preceding six months, resulting in a variance percentage of 9%. Consequently, around R1 million was under budgeted. The refuse service revenue budget will be adjusted upward by R1million, and the adjusted refuse service revenue budget will be R22,600,000.

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TRANSFER & SUBSIDIES OPERATIONAL

The actual year-to-date figure is R87.9 million compared to the budget year-to-date total of R88.8 million, reflecting an immaterial unfavorable variance of -R964 thousand (-1%). This variance is primarily attributable to timing differences in the receipt and onward transfer of funds rather than underspending or inefficiencies. As Transfers and Subsidies are directly linked to the Division of Revenue Act (DORA) allocations and are transferred to the municipality in accordance with legislated schedules, the variance does not indicate risk to service delivery or compliance. Accordingly, no budget adjustment is required at this stage, and current performance is considered aligned with approved funding frameworks and statutory transfer arrangements.

OTHER OWN REVENUE

Other own revenue- (includes, administrative handling fees, collection charges, commission received, inspection fees, insurance proceeds, sale of properties, connection charges, billboards advertisements, building approval plan, cemetery & burial, clearance certificates, photocopies, sales of goods, valuation services). The year-to-date actual revenue of R39.5 million is significantly below the budgeted amount of R50.5 million, resulting in an unfavorable variance of R11.0 million (22%).

This material shortfall indicates that collections from key own-revenue streams such as administrative fees, commissions, inspections and approval fees, and other service-related charges are underperforming relative to projections. The variance may be attributable to lower-than-anticipated economic activity, reduced service uptake (e.g. building plans, property transactions, connections), timing delays in billing and collection, or overly optimistic budgeting assumptions. Given the magnitude and persistence of the variance over the preceding six months, management should critically review the achievability of the remaining revenue targets for the financial year. It would be prudent to adjust the budget downward to a more realistic level. This will enhance the credibility of the revenue forecast, support more accurate cash flow planning, and ensure that expenditure commitments are aligned with sustainable funding levels.

OPERATING EXPENDITURE VARIANCE ANALYSIS:

EMPLOYEE RELATED COSTS

The year-to-date actual expenditure of R59.7 million is below the budgeted amount of R64.4 million, reflecting a favorable variance of 6.7 million (10%). This variance may be attributable to factors such as vacant funded posts, delays in appointments, staff turnover, or timing differences in the implementation of salary benefits.

While the variance currently indicates cost containment, employee-related costs are largely fixed and contractual in nature, and the budget is driven by the approved organizational structure and collective bargaining agreements. If the vacant positions are planned to be filled in the second half of the financial year, or if backdated salary adjustments and benefits payments are expected, the current underspending is likely to normalize. In this case, budget adjustment is only limited to the extent of accommodating salary adjustments of the Senior Managers and Staff members from grade 2 to 3, consequently, the employee related costs will be adjusted from R116 million rand to R131 million rand.

REMUNERATION OF COUNCILLORS

The year-to-date actual expenditure of R3.0 million against a budget of R4.3 million reflects a favorable variance of R1.3 million (30%). The variance is not due to savings, but rather to a classification error whereby remuneration for certain councilors was processed under Employee Related Costs instead of the Remuneration of Councilors vote. Payroll has since corrected the system configuration, and the remaining variance will be addressed through the reconciliation process and the posting of correcting journals.

As the variance is of a technical and timing nature and does not represent a real reduction in expenditure, it is expected to reverse once the necessary journals are processed. Accordingly, no budget adjustment is required at this stage in that the implementation of the Upper Limits of Councillors is already provided in the original 2025/2026 Annual Budget, consequently, the current budget remains appropriate, and management should ensure that the reconciliation and reclassification are finalized timeously to restore accurate reporting and vote control.

DEPRECIATION & AMORTISATION

The year-to-date actual charge of R13 thousand against a budget of R22.7 million reflects a material unfavorable variance of R22.7 million (100%). This variance is not attributable to cost savings, but to a processing omission, as monthly depreciation and amortization have not been run for the past six months. Consequently, the expenditure is significantly understated and does not reflect the true consumption of assets during the period.

As depreciation and amortization are non-cash, accounting-driven charges based on the approved asset register and useful lives, the budget remains valid and appropriate. Once the monthly runs are processed and the backlog is accounted for, the variance is expected to reverse. Accordingly, no budget adjustment is recommended. Management should prioritize the completion of the outstanding depreciation runs and ensure that regular monthly processing and reconciliations are reinstated to maintain accurate financial reporting and compliance with GRAP standards.

FINANCE COSTS (INTEREST CHARGED ON OVERDUE ACCOUNTS, INTEREST CHARGED ON LOAN)

The year-to-date actual finance costs of R17.5 million exceed the budgeted amount of R11.0 million by R6.5 million, resulting in a material unfavorable variance of 59%. This over-expenditure indicates higher-than-anticipated interest charges, which may be driven by increased reliance on overdraft facility, delays in settling creditors, cash flow constraints, or higher prevailing interest rates.

Given the magnitude of the variance and its direct impact on the municipality's financial sustainability, management should assess whether the current cash flow position and borrowing levels are likely to persist for the remainder of the financial year. If elevated borrowing and overdue balances are expected to continue, it would be prudent to adjust the budget upward to reflect a more realistic projection of finance costs.

However, if corrective measures are already being implemented such as improved revenue collection, or stricter creditor payment management that are expected to reduce interest exposure in the second half of the year,

management may retain the current budget but revise cash flow forecasts and closely monitor interest trends. In the absence of firm evidence that finance costs will normalize, a budget adjustment is recommended to ensure credible financial planning and to avoid further adverse variances.

INVENTORY AND BULK PURCHASES

INVENTORY CONSUMED:

The actual year to date figure is R4.9 million compared to budget year to date total is R7.9 million, a fluctuation of R 2,2 million over the preceding six months, resulting in a variance percentage of 15%. Therefore, this variance is major and thus Bulk purchases budget must be adjusted downward to R12.8 million.

ELECTRICITY BULK PURCHASES

The actual year-to-date figure is R36.8 million compared to budget year-to-date total is R42.9 million, a fluctuation of R 6,2 million over the preceding six months, resulting in a variance percentage of 7%. Therefore, this variance is significant and thus Bulk purchases budget must be adjusted downward to R79.7 million.

CONTRACTED SERVICES

The actual year-to-date figure is R14.6 million compared to budget year-to-date total is R18.3 million, a fluctuation of R 3.7 million over the preceding six months, resulting in a variance percentage of 91%. Therefore, this variance is significant, and thus contracted services budget must not be adjusted and will remain unchanged.

DEBT IMPAIRMENT

The actual year to date for debt impairment will remain unchanged, this is a non- cash item.

DEPRECIATION AND AMORTISATION

The actual year to date for depreciation and amortization will remain unchanged, this is a non- cash item.

INTEREST OR FINANCE COSTS

The actual year to date actual R17.5 million compared to budget year to date is R11 million, a fluctuation of R6.4 million over the preceding six months, resulting in a variance percentage 58%. Therefore, this variance is significant and thus interest must be adjusted upward to 28.5 million.

IRRECOVERABLE DEBTS

The actual year to date actual R 912 000 compared to budget year to date is R6.1 million, a fluctuation of R5.2 million over the preceding six months, resulting in a variance percentage of 84%. Therefore, this variance is significant, and thus irrecoverable debt must be adjusted downward to 7.06 million.

OTHER OPERATIONAL EXPENDITURE

Other operational expenditure- (includes, repairs & maintenance, advertisements, audit committee fee, auditors' remuneration, bank charges, commission costs, consulting and professional fee, fuel & oil, license fee, outsourced services, protective clothing, software expenses, staff welfare, subscriptions and membership fees, telephone and fax, travelling & accommodation):

The actual year to date is R8.5 million compared to budget year to date total is R 13 million, a fluctuation of R 4.4 million over the preceding six months, resulting in a variance percentage of 37%. Therefore, this variance is major and thus other expenditure budget must be adjusted downward to R21.5 million

BUDGET FUNDING PLAN

Honourable Speaker, Cognisance should be taken that the Council has been adopting unfunded budgets from the 2018/19 financial years. The unfunded position of the budget is a deep routed problem and the root cause for the historic unfunded budget include the following:

- (a) Poor budgeting practices*
- (b) Service tariffs that are not cost reflective; and*
- (c) Constant increase in distribution losses.*

Given that the unfunded budget position is a long-standing problem it will require a concerted effort to move to a funded position and will this not be achieved in the 2025/26 financial year as it will take a while for the actions to be implemented.

Honourable Speaker, the 2025/2026 Adjustment Budget will be accompanied by a Budget Funding Plan, I must indicate that the National Municipal Financial Advisor, Mr Dawie Mocke has been assigned to assist the municipality in the implementation of a sustainable Budget Funding Plan to ensure that our budget is systematically within the requirements of section 18 of the Municipal Finance Management Act, 56 of 2003.

In the light of the challenges noted above, the Budget Funding Plan is underpinned by the 5 pillars covering the following:

- (f) Increased debtors' collection rates with incremental improvements year on year.*
- (g) Implementation of cost containment measures and a reduction of expenditure on non-core items.*
- (h) Improvement in Trade Payables through finalising of creditor's payment plans to ensure that all fixed obligations, including obligations for bulk purchases, are met.*
- (i) Cash coverage to be able to meet monthly operating commitments and ring fencing of conditional grants to ensure that conditional grant funding is cash backed and used for the intended purposes.*
- (j) Positive cash flows with a focus on revenue from trading services.*

In conclusion, Honourable Speaker, I hereby recommend that the 2025/2026 Adjustment Budget of Mantsopa Local Municipality for Council approval as follows:

- 1) That operational revenue budget be adjusted from R 423.3 million to R435 million.
- 2) That the operational expenditure budget be adjusted from R493.0 million to totalling R508.9 million which includes the employee related costs from R116 million to R131 million triggered by migration

- of Senior Managers and Staff members from grade 2 to 3 and concomitant backpays.
- 3) That the Determination of Upper Limits of Salaries, Allowances and Benefits of different members of Municipal Councils under government gazette no. 54179 dated 20 February 2026 be approved and its implementation be stayed pending the concurrence of the MEC for FSCOGTA including the concomitant backpays.
 - 4) That the capital revenue budget be adjusted from R34.811 million to R43.3 million.
 - 5) That the capital expenditure budget be adjusted from R34.811 million to R43.1 million.
 - 6) That the original SDBIP be adjusted to be consistent with the 2025/2026 adjustment budget not later than Friday, 6th March 2026.
 - 7) That the Adjusted budget be published on the municipal website and be submitted to National and Provincial Treasury within ten (10) working days after the approval.
 - 8) That all outstanding debt owed by Government Departments and Agencies be collected without fail before 31 March 2026.
 - 9) That all Municipal Service Accounts be rectified with immediate effect and sent out to Consumers for payment monthly, consequence management will be enforced for any failure in this regard.
 - 10) That all Outstanding Municipal Service Accounts be properly reconciled before cut off register is issued for collection purposes.
 - 11) That Management must monitor collection levels should not be less than the projected 65% during the remaining budget period to ensure that funding is available to finance expenditure.
 - 12) That under no circumstances should expenditure be incurred that is not budgeted for.

I thank you.

Submissions by Council: -

- (1) Cllr Mpakathe submitted that the Mayor's speech is not a resolution. That the Upper limits of Councillors Gazette for Councillors should be brought to Council to avoid non-compliance with section 167 (2) of the MFMA. Furthermore, that he has concern with the recommendation that states that all outstanding debt owed by Government Departments and Agencies be collected without fail before 31 March 2026, the Municipality has policies that guides the Municipality regarding collection strategies.

- The Municipality must visit the collection policies and not protect government departments for non-payments of services; the Municipality must switch-off.
- (2) Cllr Hattingh submitted that the Municipality is under performing when it comes to electricity, the Municipality hasn't been complying with the ESKOM payment plan. The Operation Patala hasn't been implemented as per the strategies; no one has gone to each household. On other revenue, how many people have occupied land without municipal lease agreements and the Municipality hasn't done anything up to so far. The administration must start implementing consequence management. Furthermore, that he has a bit of concern regarding the employee related costs, taking into consideration the grading of the Municipality. Taking into that the budget is not funded; the Democratic Alliance cannot support the adjustment of the budget.
 - (3) Cllr Nkiane submitted that management must monitor the debt collection not to decrease.
 - (4) Cllr Sani submitted that budget is compliance matter and that the Mayor tabled submitted different amount to that was provided to the Councillors. Furthermore, that he was a bit concerned with the recommendation, That the original SDBIP be adjusted to be consistent with the 2025/2026 adjustment budget not later than Friday, 6th March 2026, which entails SCM processes and collection strategies. That the administration should monitor overtime. The collection rate should be accelerated. That he was also concerned with the increase of grade 2 to 3 pertaining to Municipal employees and Councillors regarding the financial implications to the Municipality.
 - (5) Cllr Molefe moved for the approval of adjustment budget as tabled by the Mayor.
 - (6) Cllr Pharoe submitted that the budget demonstrates the commitment to responsible governance and financial sustainable in our Municipality and most importantly it also recognises our municipal employees who provide services to our communities daily. Honestly Speaker without municipal employees, we won't be having a municipality and seconded the budget tabled by the Mayor.
 - (7) Cllr Tigeli as the ANC welcomed the 2025/2026 Adjustment Budget tabled by the Mayor, we are making a humble plea to management to ensure that this Adjustment Budget addresses all key priorities as set out in the ANC Manifesto for 2021-2026 term of Council.

Honourable Speaker, the 2025/2026 Adjustment Budget truly responds to the challenges and targets set at the 2011 – 2026 Local Government Elections Manifesto including the ANC's Roll Call Commitments which reaffirm commitment to accelerated service delivery, community engagement and infrastructure development.

This Adjustment Budget is also consistent with the ANC Free State Provincial Executive Committee's Lekgotla commitments anchored on five interconnected pillars.

The First pillar is the fulfilment of core service delivery commitments, including the provision of clean water, proper sanitation, regular refuse removal, reliable electricity supply, improved road maintenance, housing delivery and the issuing of the title deeds.

The second pillar focuses on building effective and sustainable infrastructure through increased investment in maintenance, expansion of water and energy storage capacity, prevention of vandalism and the development of critical technical skills.

The third pillar is about creating capable and stable local government institutions. This requires strengthening governance, stabilising administrations, modernising billing and debt recovery systems, attracting skilled professionals and dealing decisively with corruption.

Honourable Speaker, we also appreciate the support of the Free State Provincial Treasury to support our municipality regarding the implementation of the 2025/2026 Budget Funding Plan to ensure that our Budget is in compliance with requirements of section 18 of the Municipal Finance Management Act.

As Councillors, we shall play our oversight responsibilities to ensure that this Budget serves the interests of our people regarding the priorities as set out in the 2025/2026 Adjustment Budget.

Whilst the ANC Caucus welcome and support this budget, we are concerned that Management failed to implement our resolutions regarding critical elements of the IDP & Budget over the last four years, even last year these critical elements were raised as a red flag by the ANC Caucus.

In the circumstances, I hereby second the motion moved by the Mayor to adopt the 2025/2026 Adjustment Budget with the proposed amendments. In addition, that the implementation of the new salary scale of grade 3 be implemented by end of March 2026.

(8) The Municipal Manager, Me Mogopodi submitted the following: -

That even though the item was seconded and supported, it is her judiciary responsibility to advice Council, that her advice to Council on the salary adjustments arising from grading increases must be supported by formal benchmarking process of which, it means comparisons should be done with Municipalities of similar graded municipalities as well as alignment of all applicable collective agreements and remunerations frameworks to the municipal grading.

(9) Cllr Lemphane submitted that the Municipal Manager's must make her submissions in writing.

The Speaker subjected the matter to a vote due to different descending views: -


Those for the approval of the approval of the Adjustment Budget	-	7
Those against the approval of the Adjustment Budget	-	3
Those that abstained	-	1

COUNCIL RESOLVED: -

- 1) That operational revenue budget be adjusted from R 423.3 million to R435 million.
- 2) That the operational expenditure budget be adjusted from R493.0 million to R508.9 million which includes the employee related costs from R116 million to R131 million triggered by migration of Senior Managers and Staff members from grade 2 to 3 and concomitant backpays.

- 3) That the Determination of Upper Limits of Salaries, Allowances and Benefits of different members of Municipal Councils under government gazette no. 54179 dated 20 February 2026 be approved and its implementation be stayed pending the concurrence of the MEC for FSCOGTA including the concomitant backpays.
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- 9) That all Municipal Service Accounts be rectified with immediate effect and sent out to Consumers for payment monthly, consequence management will be enforced for any failure in this regard.
- 10) That all Outstanding Municipal Service Accounts be properly reconciled before cut off register is issued for collection purposes.
- 11) That Management must monitor collection levels should not be less than the projected 65% during the remaining budget period to ensure that funding is available to finance expenditure.
- 12) That under no circumstances should expenditure be incurred that is not budgeted for.

Approved by:-


Cllr ME Ncwada
Speaker

Date: 27 February 2026