!Kheis

Munisipaliteit
Municipality

ADJUSTMENT BUDGET FOR! KHEIS MUNICIPALITY

2025/26 FINANCIAL YEAR

28 FEBRUARY 2026

[redacted]

MAYOR'S REPORT

Honourable Speaker of the Council, Executive Committee members, Councillors, Amakhosi, Management and everyone present today, I greet you.

We are gathered here 11 days after the State President released State of The National Address (SONA), it was a very sad moment for all South Africans that such an important event can be done in a hall and not in chamber of the National Assembly our icon not pre-emptying the work of the Judiciary. It is an open secret that at the end we will learn that this wicked deed of burning our National Parliament was done by a South African. This instance reminds me of Prof PLO Lumumba of Kenya when he says "If we as South Africans remain this united Africa in the next 25 years, will be recolonized.

Honourable Speaker, on the 27th of February 2026, we will assembled at this chamber as we were tabling the Municipality's Mid-term budget review. From the report it was agreed by this council that the budget for this financial year there is indeed a need for adjustment based on the evidential trends of expenditure as well as income received not budgeted.

Section 28(4) of the Municipal Finance Management Act, 2003 empowers the Mayor to table an adjustment budget when necessary to the Municipal Council. The performance of our economy is the main reason of this tabling of adjustment today.

The Executive Committee (EXCO) and the Finance committee failed to hold any productive sessions where all line items from operational to capital expenditure had to be scrutinized for the current year budget and performance. Those gatherings should have highlighted the debt collection which is still a major challenge and thus putting a little bit of uncertainty of the financial viability of the municipality as we know that the municipality is totally in grant dependent, and that the Municipality has a greater need to construct projects and programs that can generate revenue. These sittings were supposed to also yielded some of the fruits as it was resolved that each department has to ensure that they come up with an innovative strategy in relation to the revenue generation.

The focus on downwards adjustments was on operational budget. We could not do much on capital budget specifically on projects funded by conditional grants since we cannot interfere with service delivery which is our core existence as the Municipality. Honourable Speaker allow me to touch on some items that needs some adjustments. The municipality lost out on the Topline Upgrading of Water works due to some unforeseen circumstances and the late roll out of the SCM process.

I thank you

LEGISLATIVE BACKGROUND

Section 28 of the Municipal Finance Management Act, 2003 (MFMA) allows a municipality to revise it approved Annual budget through an adjustment budget. An adjustment Budget-

1. Must adjust the revenue and expenditure estimates downwards if there is a material under- collection of revenues during the current year.
2. May appropriate additional revenue that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budget for.
3. My, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality.
4. May authorise the utilisation of projected savings in one vote towards spending under another vote,
5. May authorise the spending of funds that were that were un spend at the end of the past financial year where the under spending could not reasonably have been fore seen at the time to include projected roll – overs where the annual budget for the current year was approved by the council
6. May correct any errors in the annual budget.

a) Only the mayor may table an adjustments budget in the municipal council, when an adjustments budget is so tabled it must be accompanied by-

1. An explanation of how the adjustment budget affects the annual budget.
2. A motivation of any material changes to the annual budget
3. Any other supporting documentation that be prescribed.

EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the municipal's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are proved sustainably, economically, and equitable to all communities.

The adjustment budget is based on the cash flow turnaround strategy where implementation of effective financial management is crucial; appropriation funds were transferred from low-to high – priority programmes so as maintain sound financial stewardship.

Main Priorities

Our priorities are derived from the national priorities and closely streamlined to our community needs which are identified as part of the IDP process.

and directly reflect the municipality's efforts to address backlogs and basic services delivery needs of our communities.

The municipality's investment priorities in the form of capital projects collated from the relevant sectorial departments. The municipality's broader strategic and financial planning objectives provide an indication of:

- The extent infrastructural projects to be implemented.
- The CAPEX budget required for these infrastructural projects.
- The availability of finance for this capital expenditure (Capex).
- The operational expenditure (Opex) budget required for the operation and maintenance of the infrastructure to be provided; and
- The available revenue options in terms of grants and borrowing within the provisions of the municipal fiscal framework.

MUNICIPAL ENTITIES / EXTERNAL MECHANISMS

- The Municipality does not make use of any entities or external mechanisms for services delivery within the municipal area.

FINANCIAL AND SERVICE DELIVERY IMPLICATIONS

- The municipality has an approved five-year plan, which is the Integrated Development Plan. This plan is then aligned to the budget, which is then aligned to the Service Delivery and Budget Implementation Plan.
- The adjustments budget document has been prepared according to the Municipal Budget and Reporting Regulations as prescribed by National Treasury; B-Schedules (Version 6.8).

EFFECT OF THE ADJUSTMENTS BUDGET ON SERVICE DELIVERY AND BUDGET IMPLIMENTATION PLAN, SERVICE DELIVERY AGREEMENTS AND MEDIUM-TERM EXPENDITURE FRAMEWORK

- The adjustments on the original budget will be cascaded down to the Service Delivery and Budget Implementation Plan
- Targets from the Service Delivery Adjusted will be adjusted to accommodate the revenue and expenditure targets according to the adjusted figures.
- Time frames for the performance agreements will be adjusted to be in line with the Service Delivery and Budget Implementation Plan.

RESOLUTION

ADJUSTMENT BUDGET RESOLUTIONS

Section 28(1) of the Municipal Finance management Act no 56 of 2003 (MFMA) requires that a municipality may revise an approved annual budget through an adjustment budget. The Municipal Budget and Reporting Regulations states that an adjustment budget may be tabled to the municipal council at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year

The following resolutions were tabled by the Accounting Officer before the Mayor and Council for adoption and approval on the 31st of March 2026.

a. That: -

The Adjustment budget may be approved as set out in the tables:

- Table B1 – Adjustment Budget Summary
- Table B2 – Adjustment Budget Financial Performance
- Table B2B – Adjustment Budget Financial Performance
- Table B3 – Adjustment Budget Performance (Revenue and Expenditure)
- Table B3B – Adjustment Budget Financial Performance (Revenue and Expenditure)
- Table B4 – Adjustment Budget Financial Performance
- Table – B5 Adjustment Capital
- Table – B5B Adjustment Capital Expenditure
- Table B6 – Budgeted Financial Position
- Table B7 – Budgeted Cash flow
- Table B8 – Cash Reserves – Accumulated Surplus
- Table B9 – Assets Management
- Table B10 – Basic Delivery Measurement
- Supporting Documents

SB (1-20)

ADJUSTMENTS BUDGET ASSUMPTIONS

The 2025/26 adjustments budget was prepared in accordance with guidelines and assumptions as outlined in Municipal Budget and Reporting Regulations, taking into consideration the following aspects:

- National budget assumptions, guidelines, and projections.
- Alignment with national and provincial priorities.
- Headline inflation and gross domestic products forecasts; and
- Revenue assumptions regarding grants allocation in terms of revised DORA.
- Anticipated own revenue from rates and services charges, sundry charges and other revenues and affordability of ratepayers and consumers services.
- The ability of municipality to collect revenue (payment level).
- Operating expenditure cost drivers and growth thereof.
- Capital budget funding model.
- Provincial Gazette, reflection provincial allocations.
- Protecting the poor by ensuring access to basic services.

ADJUSTMENTS TO BUDGET REVENUE AND EXPENDITURE

NC084 !Kheis - Table B4 Consolidated Adjustments Budget Financial Performance (revenue and expenditure) - 01/08/2022

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
			3	4	5	6	7	8	9	10		
R thousands	1	A	A1	B	C	D	E	F	G	H		
Revenue												
Exchange Revenue												
Service charges - Electricity	2	–	–	–	–	–	–	–	–	–	–	–
Service charges - Water	2	7,181	7,181	–	–	–	–	–	–	7,181	7,511	7,841
Service charges - Waste Water Management	2	4,066	4,066	–	–	–	–	–	–	4,066	4,253	4,440
Service charges - Waste Management	2	5,609	5,609	–	–	–	–	–	–	5,609	5,867	6,125
Sale of Goods and Rendering of Services		858	858	–	–	–	–	–	–	858	897	937
Interest earned from Receivables		9,308	9,308	–	–	–	–	–	–	9,308	9,736	10,164
Interest earned from Current and Non Current Assets		375	375	–	–	–	–	–	–	375	392	409
Rent on Land		23	23	–	–	–	–	–	–	23	24	25
Rental from Fixed Assets		1,999	1,999	–	–	–	–	–	–	1,999	2,091	2,183
Licence and permits		475	475	–	–	–	–	–	–	475	497	519
Operational Revenue		497	497	–	–	–	–	–	–	497	520	543
Non-Exchange Revenue												
Property rates		10,964	10,964	–	–	–	–	–	–	10,964	11,468	11,973
Transfer and subsidies - Operational		42,717	42,717	–	–	–	–	–	–	42,717	41,432	43,157
Interest		1,649	1,649	–	–	–	–	–	–	1,649	1,724	1,800
Total Revenue (excluding capital transfers and contributions)		**85,719**	**85,719**	–	–	–	–	–	–	**85,719**	**86,412**	**90,116**
Expenditure By Type	-											
Employee related costs		39,700	39,700	–	–	–	–	(14)	(14)	39,686	41,511	43,338
Remuneration of councillors		5,007	5,007	–	–	–	–	–	–	5,007	5,253	5,457
Inventory consumed		2,363	2,313	–	–	–	–	(1,300)	(1,300)	1,013	1,060	1,107
Debt impairment		12,871	12,871	–	–	–	–	–	–	12,871	11,691	13,516
Depreciation and amortisation		8,719	8,719	–	–	–	–	–	–	8,719	9,121	9,522
Contracted services		3,452	3,452	–	–	–	–	476	476	3,928	4,109	4,290
Transfers and subsidies		35	35	–	–	–	–	–	–	35	37	39
Operational costs		10,740	10,790	–	–	–	–	392	392	11,183	11,697	12,212
Total Expenditure		**82,889**	**82,889**	–	–	–	–	**(445)**	**(445)**	**82,443**	**84,479**	**89,480**
Surplus/(Deficit)		**2,830**	**2,830**	–	–	–	–	**445**	**445**	**3,275**	**1,932**	**635**
Surplus/(Deficit) after capital transfers & contributions		**2,830**	**2,830**	–	–	–	–	**445**	**445**	**3,275**	**1,932**	**635**
Income Tax		–	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after income tax		2,830	2,830	–	–	–	–	445	445	3,275	1,932	635
Surplus/(Deficit) attributable to municipality		2,830	2,830	–	–	–	–	445	445	3,275	1,932	635
Surplus/ (Deficit) for the year		**2,830**	**2,830**	–	–	–	–	**445**	**445**	**3,275**	**1,932**	**635**

REVENUE

Revenue Description	Original Budget 2025-2026	Adjustment Budget 2025-2026
Property Rate	R 10,964,057	R 10,964,057
Services Charges	R 16,855,000	R 16,855,000
~~Interest – Receivables~~	R 9,308,000	R 9,308,000
Rental	R 2,879,000	R 2,879,000
Interest on Investment	R 375,000	R 375,000
Transfers and Subsidies - Operational	R 42,717,000	R 42,717,000
Transfers and Subsidies – Capital	R 21,979,000	R 21,979,000
Licences or permits	R 475,000	R 475,000
Other Revenue	R 2,146,000	R 2,146,000

Property rates and Service charges.

Property rates remained the same due to duplication of some properties on the SAMRAS system, decreasing total number accounts for rates customers and billing. Property rates was reconciled with the valuation roll even though some properties is not register correct on the valuation roll.

Service Charges

New accounts had been created in previously non charged areas. No adjustments were made on service charges.

Rentals

No adjustments on rentals, the projected allocation will be achieved at the end of the financial year.

Interest Income

Interest income generated from investments remain the same and no adjustments was made due to the financial position of the municipality. Interests on receivables had been increased due to long outstanding accounts and penalties but no adjustments were made for the period under review.

Other revenue

This is unchanged

Gains

Gains remain the same.

Fines, penalties and forfeits

Decreased due to closing of traffic section but no adjustment were made.

EXPENDITURE

Expenditure Description	Original Budget 2025-2026	Adjustment Budget 2025-2026
Employee related cost	R 39,700,000	R 39,686,000
Remuneration of Councilors	R 5,043,211	R 5,007,000
Inventory consumed	R 2,363,000	R 1,013,000
Contracted services	R 3,452,000	R 3,928,000
Transfers and subsidies	R 35,000	R 35,000
Other Expenditure	R 10,740,000	R 11,183,000

Employee Related Cost

Expenditure trends for the past six months indicated that employee related costs change which is an input error but we did not adjusted on employee related cost. No new appointments had been made for employees who resigned/ dismissed.

Inventory consumed

BWGV decreased and was adjusted.

Contracted services

Increase due to limited use of consultants, AFS are done in-house. One of the reasons for the increase in Contracted Service is due to Ageing infrastructure upgrades and breakage at the pump stations.

Other Expenditure

Other expenditure has been adjusted upwards -

- Increase in S&T of all department.
- Increase in IT department for Software Licences, Datalines and Computer Equipment.

CAPITAL EXPENDITURE

NC084 !Kheis - Table B5 Consolidated Adjustments Capital Expenditure Budget by vote and funding - 01/08/2022

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
			5	6	7	8	9	10	11	12		
R thousands		A	A1	B	C	D	E	F	G	H		
Capital expenditure - Vote												
Multi-year expenditure *to be adjusted*	2											
Vote 1 - MUNICIPAL MANAGER		–	–	–	–	–	–	–	–	–	–	–
Vote 2 - CORPORATE SERVICE		–	–	–	–	–	–	–	–	–	–	–
Vote 3 - FINANCIAL MANAGEMENT SERVICES		–	–	–	–	–	–	–	–	–	–	–
Vote 4 - COMMUNITY SERVICES		–	–	–	–	–	–	–	–	–	–	–
Vote 5 - TECHNICAL SERVICES		24,479	24,479	–	–	–	–	(2,500)	(2,500)	21,979	23,084	23,918
Vote 6 - EXECUTIVE AND COUNCIL		–	–	–	–	–	–	–	–	–	–	–
Vote 7 - STRATEGIC PLANNING		–	–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	3	**24,479**	**24,479**	–	–	–	–	**(2,500)**	**(2,500)**	**21,979**	**23,084**	**23,918**
Single-year expenditure *to be adjusted*	2											
Vote 1 - MUNICIPAL MANAGER		–	–	–	–	–	–	–	–	–	–	–
Vote 2 - CORPORATE SERVICE		–	–	–	–	–	–	–	–	–	–	–
Vote 3 - FINANCIAL MANAGEMENT SERVICES		–	–	–	–	–	–	–	–	–	–	–
Vote 4 - COMMUNITY SERVICES		–	–	–	–	–	–	–	–	–	–	–
Vote 5 - TECHNICAL SERVICES		–	–	–	–	–	–	–	–	–	–	–
Vote 6 - EXECUTIVE AND COUNCIL		–	–	–	–	–	–	–	–	–	–	–
Vote 7 - STRATEGIC PLANNING		–	–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		–	–	–	–	–	–	–	–	–	–	–
Total Capital Expenditure - Vote		**24,479**	**24,479**	–	–	–	–	**(2,500)**	**(2,500)**	**21,979**	**23,084**	**23,918**
Capital Expenditure - Functional												
Governance and administration		–	–	–	–	–	–	–	–	–	–	–
Community and public safety		–	–	–	–	–	–	–	–	–	–	–
Economic and environmental services		–	–	–	–	–	–	–	–	–	–	–
Trading services		**24,479**	**24,479**	–	–	–	–	**(2,500)**	**(2,500)**	**21,979**	**23,084**	**23,918**
Water management		21,979	21,979	–	–	–	–	–	–	21,979	23,084	23,918
Waste water management		2,500	2,500	–	–	–	–	(2,500)	(2,500)	–	–	–
Total Capital Expenditure - Functional	3	**24,479**	**24,479**	–	–	–	–	**(2,500)**	**(2,500)**	**21,979**	**23,084**	**23,918**
Funded by:												
National Government		21,979	21,979	–	–	–	–	–	–	21,979	23,084	23,918
Transfers recognised - capital	4	**21,979**	**21,979**	–	–	–	–	–	–	**21,979**	**23,084**	**23,918**
Borrowing		–	–	–	–	–	–	–	–	–	–	–
Internally generated funds		–	–	–	–	–	–	–	–	–	–	–
Total Capital Funding		**21,979**	**21,979**	–	–	–	–	–	–	**21,979**	**23,084**	**23,918**

Capital Expenditure by Functions

Municipality do have expenditure for the period under review.

Income and Expenditure Summary	Original Budget 2025-2026	Adjustment Budget 2025-2026
Capital Revenue	R 21,979,000	R 21,979,000
Total Capital Expenditure	R 4,708,172	R 4,708,172

NC084 !Kheis - Supporting Table SB7 Consolidated Adjustments Budget - transfers and grant receipts - 01/08/2022

Description	Ref	Budget Year 2025/26							Budget Year +1 2026/27	Budget Year +2 2027/28
		Original Budget	Prior Adjusted	Multi-year capital	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
			7	8	9	10	11	12		
R thousands		A	A1	B	C	D	E	F		
RECEIPTS:	1, 2									
-										
Operating Transfers and Grants										
National Government:		40,617	40,617	–	–	–	–	40,617	38,432	40,157
Operational Revenue:General Revenue:Equitable Share		37,617	37,617	–	–	–	–	37,617	38,432	40,157
Local Government Financial Management Grant [Schedule 5B]		3,000	3,000	–	–	–	–	3,000	–	–
Provincial Government:		1,100	1,100	–	–	1,000	1,000	2,100	(1,150)	(1,201)
Capacity Building		–	–	–	–	–	–	–	–	–
Capacity Building and Other		1,100	1,100	–	–	1,000	1,000	2,100	(1,150)	(1,201)
District Municipality:		–	–	–	–	–	–	–	–	–
All Grants		–	–	–	–	–	–	–	–	–
Other grant providers:		–	–	–	–	–	–	–	–	–
Total Operating Transfers and Grants	6	41,717	41,717	–	–	1,000	1,000	42,717	37,282	38,956
Capital Transfers and Grants										
National Government:		21,979	21,979	–	–	–	–	21,979	22,624	12,998
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]		–	–	–	–	–	–	–	–	–
Municipal Infrastructure Grant [Schedule 5B]		11,979	11,979	–	–	–	–	11,979	12,624	12,998
Water Services Infrastructure Grant [Schedule 5B]		10,000	10,000	–	–	–	–	10,000	10,000	–
Provincial Government:		–	–	–	–	–	–	–	–	–
District Municipality:		–	–	–	–	–	–	–	–	–
Other grant providers:		–	–	–	–	–	–	–	–	–
Total Capital Transfers and Grants	6	21,979	21,979	–	–	–	–	21,979	22,624	12,998
TOTAL RECEIPTS OF TRANSFERS & GRANTS		63,696	63,696	–	–	1,000	1,000	64,696	59,906	51,954

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