



# **MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK**

## **ADJUSTMENT BUDGET FOR 2025/26 FINANCIAL YEAR**

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### **1. PURPOSE**

The purpose of this report is to:

- Get the Council to consider and approve the Medium Term Revenue and Expenditure Framework and Adjustment Budget for 2025/26 Financial Year

### **2. STRATEGIC OBJECTIVE**

- To ensure good governance, financial viability and optimal institutional transformation with capacity to execute its mandate.
- To promote integrity, honesty, Batho-Pele Principle and ensure that we make Mpfana Local Municipality an optimally transformed institution.

### **3. BACKGROUND**

The application of sound financial management principles for the compilation of Mpfana Local Municipality's financial plan is essential and critical to ensure that the municipality recovers from the financial distress without compromising the service delivery and core competencies of the municipality. The communities are still expecting high quality of service more especially the basic services.

This revised budget is informed by the assessment that was done by KZN Provincial Treasury on the approved budget. MFMA Section 23(1)(b) states that the municipal council must consider any views of the national treasury, the relevant provincial treasury and any provincial or national organ of the state or municipalities which made submissions on the budget.

Based on the aforementioned assessment the municipality's budget for 2025/26 financial year was declared by the KZN Provincial Treasury as not fully funded. To remedy the situation all budget items presented on the adjustment budget were reviewed taking into cognizance the findings raised by KZN Provincial Treasury and other inputs received from Treasury.

The municipality's business and service delivery priorities have been reviewed as part of this revised planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken on expenditures.

The main challenges experienced during the compilation of this revised budget 2025/26 MTREF can be summarized as follows:

- The municipality does not have sufficient money to fund its budget;
- The budget is mainly funded by government grants;
- Unreliable customer information;
- High indigent rate;
- Aging and poorly maintained infrastructure;
- High employee costs that continue to increase, as well as the need to fill critical vacancies;
- Capital projects can only be funded from conditional grants, no internal funds;
- Not enough budget was provided for maintenance; and
- Long outstanding creditors more specifically the increase Eskom account.
- Low collection rates on fines and refuse
- Budget cuts by National Government

## **DISCUSSION**

### **1.1 MAYOR'S REPORT**

To Mpfana Municipal Council, Our Inkosi Mchunu (Ndabezitha) I present to you for consideration and approval for adjustment budget 2025/26 financial year and indicative for the projected two outer years being 2026/27 and 2027/28 financial years. This is in line with section 28 of the MFMA which states that "A Municipality must revise its approved budget through an adjustment. In attempt to accelerate service delivery more than before, we should be mindful that we have challenges of limited resources.

This calls us to foster improved relationships with private sector for them to contribute to the lives of the poor and vulnerable because private sector does have social responsibility to better the lives of the poor and entire society. Let's accelerate service delivery like never before. I therefore commit before you our adjustment budget of R 242 million for the 2025/26 financial year.

The municipality is currently struggling to pay for the current Eskom consumption due to exorbitant electricity losses averaging at more than 40%. As we have been approved for Debt Relief from National Treasury we urge and continue to urge our community for services rendered Mpfana Local Municipality have limited financial resources to satisfy the unlimited needs of the people. The municipality has been placed under administration by KZN COGTA in terms of section 139 (1) (b) of the Constitution from 2018 and at the beginning of this financial year a decision was taken by the provincial executive that such an intervention must be uplifted due to notable improvement on the triggers.

The municipality is faced with the challenge of high unemployment rate and the high rate of indigent households, this affects the collection levels. The budget for Mpfana Local Municipality is more focused on the service delivery strategic priorities that were approved by the council, and they are as follows:

- Economic, Social or Community and Skill Development;
- Revenue enhancement;
- Spatial planning and development;
- Communication and information Technology;
- Good governance and clean audit; and
- Poverty eradication and food security.

In order for the municipality to ensure the smooth implementation of the above mentioned strategic priorities, we need to devise good communication techniques between the municipality, community and other stakeholders. This should include communicating the IDP, Budget, SDBIP, Performance reports/Annual Reports, setting of targets etc., to ensure that we are all striving to achieve the same goals.

More stringent cost cutting measures have been instituted by the municipality with an aim of reducing the budget deficit and improve the financial health of the municipality. The economic melt-down is felt throughout the globe; we need to work tirelessly towards improving the municipal liquidity ratio. The Municipality has a fully-fledged senior management since the beginning of the financial year.

**The Mayor: Mpfana Local Municipality**

**1.2 COUNCIL RESOLUTION** (copy attached)

On 26 February 2026 the Council of Mpofana Municipality met to consider an adjustment budget of the municipality for the financial year 2025/26. The Council approved and adopted the following resolutions:

- 1.2.1 The Council of Mpofana Municipality, acting in terms of Section 23 (1) of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.2.1.1 The adjustment budget of the municipality for the financial year 2025/26 as set out in the following tables:
    - 1.2.1.1.1 Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table B2;
    - 1.2.1.1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table B3;
    - 1.2.1.1.3 Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table B4; and
    - 1.2.1.1.4 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table B5.
- 1.2.2 The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
  - 1.2.2.1 Budgeted Financial Position as contained in Table B6;
  - 1.2.2.2 Budgeted Cash Flows as contained in Table B7;
  - 1.2.2.3 Cash backed reserves and accumulated surplus reconciliation as contained in Table B8;
  - 1.2.2.4 Asset management as contained in Table B9; and
  - 1.2.2.5 Basic service delivery measurement as contained in Table B10.

That council approves the Funded Budget Plan for 2025/26 and nine (9) outer years

### **1.3 EXECUTIVE SUMMARY**

In view of the aforementioned, the following table is a consolidated overview of the proposed 2025/26 Adjustment Medium-term Revenue and Expenditure Framework:

Description	Summary for Adjustment Budget 2026		
	Full Year Budget Adopted 2025/26	Full Year Budget Adjusted 2025/26	Increase / Decrease
<b>Total Revenue:</b>	<b>R 208 584 804</b>	<b>R 198 365 042</b>	<b>R -10 219 762</b>
Revenue - Operational	R 192 888 454	R 182 123 042	R -10 765 412
Revenue – Capital	R 15 696 350	R 16 242 000	R 545 650
<b>Total Expenditure:</b>	<b>R 200 352 646</b>	<b>R 242 261 115</b>	<b>R 41 908 469</b>
Expenditure - Operational	R 186 369 733	R 225 635 011	R 39 265 278
Expenditure - Capital	R 13 982 913	R 16 626 104	R 2 643 191
<b>Surplus/(Deficit)</b>	<b>R 8 232 158</b>	<b>R -43 896 073</b>	<b>-52 128 231</b>
			<b>-2%</b>
			<b>-5,58%</b>
			<b>3,48%</b>
			<b>40%</b>
			<b>21,07%</b>
			<b>18,90%</b>

### **1.4 BUDGET FUNDING**

In order for Mpošana Local municipality to continue improving and sustaining the quality of services provided to the citizens it needs to generate revenue from the respective services. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will, inevitably, always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

We are committed to abide by our adopted plan to as to ensure that we break even and adopt fully funded budget come the year 2027/28 Financial Year. Management is of the feeling that in line with our budget funding plan it is rather wise to be realistic and aim for 2027/28 financial year as the final year to ensure our budget shall be fully funded. The budget funding plan is closely monitored hence there is a need to vigorously improve collection and billing which is underway.

The municipality has the following arrears to be improved by the end of the 2025/26 Financial year: -

- Improve liquidity of the municipality
- Improve internal controls
- Database Integrity
- Accurate Billing and Effective customers

### **1.5 BUDGET ASSUMPTIONS**

The following budget principles and guidelines directly informed the compilation of the adjusted budget 2025/26 MTREF:

1.5.1 The 2025/26 approved budget and targets, the base line allocations contained, and the actual for the 2023/24 & 2024/25 financial year per the audited Annual Financial Statements (AFS).

1.5.2 Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;

1.5.3 No budget was allocated to national and provincial funded projects unless respective grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

1.5.4 Reduction, to a lowest level, of the expenditure relating to the following items:

- Stationery;
- Accommodation
- District Shared services
- Disaster Materials
- Repairs and Maintenance
- Electricity Meters
- Tools and Equipment

1.5.5 Other operating expenditures and allocations to these abovementioned items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritize expenditures.







**1.6.5 Property rates** – There has been a system error where the Property rates has been showing as negative and the adjustment is made out as follows. 36 million relates to the correction of the error and the 8 million relates to adjustment. The budget was erroneously prepared on the premise that there will be new valuation roll. The Valuation roll is now our but will only be implemented in July 2025.

**1.6.6 Transfers and subsidies**- The adjustment relates to the reallocation of the MIG to slice to Capital expenditure as it was used to purchase furniture.

## **1.7 OPERATING EXPENDITURE**

**1.7.1 Employee related costs** – An additional amount has been allocated to employee related costs due to high amounts of overtime and standby allowances. It should however be appreciated that the adjustment is done in anticipation that a reasonable decrease can be achieved by Management in reducing standby allowances and overtime. A Financial Recovery Committee will among issues look into this issue and find amicable solutions.

**1.7.2 Remuneration of Councilors** – In terms of the Upper limits an increase and back-pay was accordingly due to Councilors. This increase was not budgeted for and was paid during the first 6 months of the year. The Adjustment is to accommodate such a material increase which has already been paid.

**1.7.3 Bulk Purchases** – An additional million has been budgeted to cover for Bulk Purchases. The Municipality is convinced that the budgeted figure is a fair reflection of the actual amount to be incurred as expenditure. An additional million rand has been provided to ensure that no unauthorized expenditure is incurred in this regard.in

**1.7.4 Inventory consumed** – In term of actual expenditure incurred the Municipality has noted that inventory purchases has decreased. This is due to the fact that electricity is being used sparingly by customers as meter inspection is very high. There has been major repairs in the past 3 years. The Municipality is concerned for using less amount to maintain the infrastructure as it has depreciated drastically over the years and reports has been submitted by engineers in the past years stating the unacceptable situation of our infrastructure. It however should be stated that due to financial challenges the municipality can only afford to repair and not to maintain.

**1.7.5 Interest** – The Municipality had not been able to reach an agreement with Eskom in order to avoid being charged interest on a monthly basis. The interest has been previously excluded in anticipation that a payment will be reached or the Distribution Agency Agreement will take effect. On the Budget adjustment it had been apparent that none of the two had materialized and therefore the budget should be adjusted to reflect that fact.

**1.7.6 Contracted services** - An adjustment has been made to allocation of MIG top slice to Printing and Stationery. The amount was previously not allocated as per the business plan.

**1.7.7 Operational costs** – At the original budget the Municipality has anticipated that Vehicles will be bought to ensure that the costs of hire is eliminated. The plan has not materialized due to other challenges that the Municipality is facing. Management has decided to increase the budget allocation for hiring costs as Municipality continue to incur such costs. This adjustment is taken with an understanding that during the last semester of the financial year the costs to hire will be drastically reduced however cost for hiring vehicles for political principals might still remain.

**1.8 ADJUSTMENT TO CAPITAL EXPENDITURE**

**KZN223 Mpfana - Table B5 Adjustments Capital Expenditure Budget by vote and funding -**

Description	Ref	Budget Year 2023/26										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	Adjusted Budget		
R thousands		A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H					
<b>Capital expenditure – Vote</b>	2														
<b>Multi-year expenditure to be adjusted</b>															
Vote 1 - Executive and council		-	-	-	-	-	-	-	-	-	-	-	-		
Vote 2 - Finance and administration		-	-	-	-	-	-	-	-	-	-	-	-		
Vote 3 - Internal audit		-	-	-	-	-	-	-	-	-	-	-	-		
Vote 4 - Community and social services		-	-	-	-	-	-	-	-	-	-	-	-		
Vote 5 - Sport and Recreation		-	-	-	-	-	-	-	-	-	-	-	-		
Vote 6 - Public safety		-	-	-	-	-	-	-	-	-	-	-	-		
Vote 7 - Housing		-	-	-	-	-	-	-	-	-	-	-	-		
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-	-	-		
Vote 9 - Planning and Development		-	-	-	-	-	-	-	-	-	-	-	-		
Vote 10 - Road Transport		-	-	-	-	-	-	-	-	-	-	-	-		
Vote 11 - Environmental Protection		-	-	-	-	-	-	-	-	-	-	-	-		
Vote 12 - Energy Sources		-	-	-	-	-	-	-	-	-	-	-	-		
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-	-	-		
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-	-	-		
Vote 15 - Waste Management		-	-	-	-	-	-	-	-	-	-	-	-		
<b>Capital multi-year expenditure sub-total</b>	3	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Single-year expenditure to be adjusted</b>	2														
Vote 1 - Executive and council		-	-	-	-	-	-	-	-	-	-	-	-		
Vote 2 - Finance and administration		-	-	-	-	-	-	-	-	-	-	-	-		
							454	454							





**1.9 CASH FLOW**

**KZN223 Mpofana - Table B7 Adjustments Budget Cash Flows -**

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
R thousands	A	3	4	5	6	7	8	9	10		
	A1	B	C	D	E	F	G	H			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
Receipts											
Property rates		17 828	-				(2 163)	(2 163)	15 665	15 586	16 303
Service charges		78 503	-				(3 413)	(3 413)	75 089	86 039	98 032
Other revenue		19 394	-				(1 177)	(1 177)	18 217	18 283	20 789
Transfers and Subsidies – Operational	1	57 724	-				(70)	(70)	57 654	66 120	69 071
Transfers and Subsidies – Capital	1	16 165	-				77	77	16 242	13 944	18 395
Interest		616	-				-	-	616	644	660
Dividends		-	-				-	-	-	-	-
<b>Payments</b>											
Suppliers and employees		(182 710)	-				10 134	10 134	(172 576)	(187 814)	(200 759)
Finance charges		-	-				-	-	-	-	-
Transfers and Subsidies	1	-	-				-	-	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>7 520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 388</b>	<b>3 388</b>	<b>10 907</b>	<b>12 801</b>	<b>22 490</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Receipts											
Proceeds on disposal of PPE		9 810	-				-	-	9 810	-	-
Decrease (increase) in non-current receivables		-	-				-	-	-	-	-
Decrease (increase) in non-current investments		-	-				-	-	-	-	-
<b>Payments</b>											
Capital assets		(16 157)	-				(2 562)	(2 562)	(18 718)	(10 844)	(15 323)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(6 347)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2 562)</b>	<b>(2 562)</b>	<b>(8 908)</b>	<b>(10 844)</b>	<b>(15 323)</b>

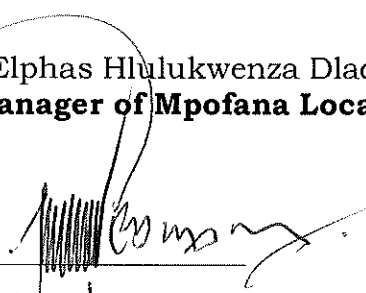


**1.10 MUNICIPAL MANAGER'S**

**QUALITY CERTIFICATE**

I ELPHAS HLULUKWENZA DLADLA Municipal Manager of Mpofana Local Municipality, hereby certify that the 2025/26 adjustment budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the 2025/26 annual budget - Adjustment and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: Elphas Hlulukwenza Dladla  
**Municipal Manager of Mpofana Local Municipality (KZ223)**

Signature: 

Date : 25/02/2026