



TOKOLOGO LOCAL MUNICIPALITY

Medium Term Revenue and Expenditure Framework
(MTREF)

2025/2026 – 2028/2029

FINAL BUDGET REPORT

Table of Contents

SECTION A: PART 1 2

Mayor’s Report..... 2

Resolutions..... 4

Executive Summary 5

Legislation 6

Budget Tables 10

SECTION B: PART 2..... 14

Overview Of The Annual Budget..... 14

Overview Of The Alignment Of Annual Budget With Integrated Development Plan..... 14

Overview Of Budget Related Policies 16

Overview Of Budget Assumptions 18

Overview Of Budget Funding..... 19

Expenditure On Allocations And Grants Programmes 20

Municipal Manager’s Quality Certification..... 23

SECTION A: PART 1

MAYOR'S REPORT

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

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

Kea le dumedisa

I stand here before you today to present the budget for the 2025-2026 fiscal year, a budget that reflects our municipality's commitment to addressing the immediate and long-term needs of our community. This document is not only a financial blueprint, it is a reflection of our collective efforts to ensure that we continue to foster growth, improve service delivery and strengthen the foundation for a prosperous future.

This budget has been developed with a deep understanding of the many challenges facing our municipality and the broader context within which we operate. Over the past several months, we have engaged in comprehensive consultations with a range of stakeholders and communities in an endeavor to reach common ground as how we should take the municipality forward through the many fiscal challenges, unemployment and the lack of economic growth.

These discussions, held through platforms like community, sector and ward committee meetings, have been vital in ensuring that the budget is responsive to the concerns and priorities of our residents. Their feedback has directly influenced the strategic allocations and initiatives we are presenting today.

The national economic environment continues to present challenges, with slow growth, high unemployment, and a heavy reliance on limited revenue streams. Given this reality, we have made difficult but necessary decisions to ensure that every rand is spent wisely.

The 2025-2026 budget focuses on fiscal responsibility, prioritizing essential services and recovery initiatives, while also remaining mindful of the need for long term sustainability. We are committed to sound financial management, but I want to make it clear that our resolve to meet these challenges head-on will not diminish our commitment to service delivery. Our people's needs remain at the heart of this budget, and while we may tighten our belts, we will continue to invest in vital areas such as infrastructure, health, education, and economic development.

BUDGET 2025/2026 MTREF

Ladies and gentlemen, the Medium-Term Expenditure Framework proposes a total operating expenditure budget of **R 337 643 000**, the operating Revenue budget of **R 307 280 000** and capital expenditure of **R 42 079 858**.

The total operating revenue has Increased by **R 43 652 000** for the financial year of 2025/2026 when compared with 2024/2025 adjusted budget year.

The operational expenditure has also increased by **R 85 186 000** for the 2025/2026 financial year as compared with 2024/2025 Adjusted Budget.

The capital budget for the year 2025/2026 of **R 42 080 000** is based on the DoRa Allocation.

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

CONCLUSION

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

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

I would like to take this opportunity to thank the Hon. Speaker, all Councilors, our management team, and the dedicated officials who have contributed to this final budget.

My sincere gratitude extends to the community leaders and all residents of Tokologo for their invaluable input during our consultations and engagement processes. Your voices are crucial in shaping the future of our municipality. As we continue to work together. We look forward to these engagements, as they are essential in ensuring that the final budget reflects the needs and aspirations of our community.

Thank you once again to everyone in this Council Chamber. Let us remain united in our purpose, focused on delivering the best possible services for our people, and ensuring that no one is left behind.

RECOMMENDATION

Honourable Speaker, I hereby table the 2025/2026 Budget of Tokologo Local Municipality, and further recommend that the Council approves this Budget, with all the recommendations citing the item.

It is therefore, Hon Speaker, my honour to table this IDP and Budget for the 2025/2026 financial year.

Ngiyabonga
Cllr. B.E. Seakge
Mayor

RESOLUTIONS

- a) That the report on the Final Budget and related policies and IDP review for 2025/2026 financial year as presented to Council be approved.
- b) That the Final Budget and Final IDP Review for the 2025/2026 financial year be approved.
- c) That the budget-related policies of Tokologo Municipality for the 2025/2026 financial year be approved.
- d) That the Municipal Manager makes public the Final 2025/2026 MTREF Budget Report and invite the local community to submit representations in connection with the budget, as required by the Municipal Finance Management Act and the Municipal Systems Act;
- e) That the Municipal Manager submits the Final 2025/2026 MTREF Budget Report to the National Treasury and the Free State Provincial Treasury, as required by the Municipal Finance Management Act; and
- f) That the Municipal Manager publishes the Final 2025/2026 MTREF Budget Report on the municipal website and other official media platforms.

EXECUTIVE SUMMARY

Tokologo local Municipality budgeted process started in August 2024 when the council approved budget timelines as required by legislation. The budget process is governed by the Municipal Finance Management Act 56 of 2003 and the Municipal Systems Act 32 of 2000. The objective process is to ensure good governance and accountability and enables the municipality to involve residents and other stakeholders in the budgeting process.

The Annual Final Budget 2025/2026 Medium Term Revenue and Expenditure Framework (MTREF) Budget Report addresses the operating budget, tariff proposals as well as the capital budget and funding source proposals, to ensure that Tokologo Local Municipality renders services to the local community in a financially sustainable manner.

The process of developing the Municipality's annual Final budget is mainly guided by the strategic thrusts and operational priorities of Tokologo Local Municipality's Integrated Development Plan (IDP), as well as the MTREF that outlines the projected annual Final revenue and expenditure for the budget year under consideration and the two outer financial years.

The 2025/2026 MTREF final budget report commences with a discussion on the legislative requirements to which the Municipality must comply with; the Budget Circulars containing directives published by the National and Provincial Treasury, as well as the key budget projections for the next three financial years.

The 2025/2026 MTREF Final budget report is based on these documents, as well as forecasted economic trends. A high level summary of the operating and capital budgets.

The Municipality's 2025/2026 budget amounts to **R 349 360 000**, represented by a Capital Budget of **R 42 080 000** and an Operating Budget of **R 307 280 000**.

The Capital Budget of **R 42 080 000** includes the following grants from national treasury:

- MIG
- WSIG

The total operating expenditure of R 337 643 000 includes substantial allocations for bulk purchases, Regional Bulk Grant which the municipality receives as an indirect grants, and employee-related costs. The staff cost is at 33% of the total operating expenditure. The Treasury norm for municipalities is a minimum of 25% and a maximum of 40%, therefore the municipality is within the norm.

A significant portion, approximately 70%, of the total revenue is derived from service charges. Property rates contribute R 33 776 352 to our revenue stream.

Revenue / tariff increases are as follows:

- The increase in Rates Tariffs will be 6%
- The increase of Water Tariffs will be 6%.
- The increase of Sanitation Tariffs will be 6%.
- The tariff increase for Refuse Removal will be 6%.
- The increase of Electricity Tariffs has been set based on the previous year's tariff increase from NERSA (10.82%).
- The increase in Sundry Tariffs will be 6%.

LEGISLATION

Sections 15 to 24 of the Local Government: Municipal Finance Management Act, No 56 of 2003 (MFMA), read in conjunction with Regulations 9 to 20 of the Municipal Budget and Reporting Regulations (MBRR) legislates the processes for the compilation and approval of the municipal budget. The MFMA determines that:

15. Appropriation of funds for expenditure

A municipality may, except where otherwise provided in this Act, incur expenditure only –

- a) In terms of an approved budget; and
- b) Within the limits of the amounts appropriated for the different votes in an approved budget.

16. Annual budgets

- (1) The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.
- (2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days [**31 March annually**] before the start of the budget year.
- (3) Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.

17. Contents of annual budgets and supporting documents

- (1) An annual budget of a municipality must be a schedule in the prescribed format –

- a) Setting out realistically anticipated revenue for the budget year from each revenue source;
 - b) Appropriating expenditure for the budget year under the different votes of the municipality;
 - c) Setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;
 - d) Setting out –
 - i. Estimated revenue and expenditure by vote for the current year; and
 - ii. Actual revenue and expenditure by vote for the financial year preceding the current year; and
 - e) A statement containing any other information required by section 215(3) of the Constitution or as may be prescribed.
- (2) An annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed.
- (3) When an annual budget is tabled in terms of section 16(2), it must be accompanied by the following documents –
- a) Final resolutions –
 - i. Approving the budget of the municipality;
 - ii. Imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and
 - iii. Approving any other matter that may be prescribed;
 - b) Measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan;
 - c) A projection of cash flow for the budget year by revenue source, broken down per month;
 - d) Any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of section 34 of the Municipal Systems Act
 - e) Any proposed amendments to the budget-related policies of the municipality;
 - f) Particulars of the municipality's investments;
 - g) Any prescribed budget information on municipal entities under the sole or shared control of the municipality
 - h) Particulars of all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate
 - i) Particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements
 - j) Particulars of any proposed allocations or grants by the municipality to –
 - i. Other municipalities;
 - ii. Any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers;
 - iii. Any other organs of state;

- iv. Any organisations or bodies referred to in section 67(1);
- k) The proposed cost to the municipality for the budget year of the salary, allowances and benefits of –
 - i. Each political office-bearer of the municipality;
 - ii. Councillors of the municipality; and
 - iii. The municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager;
- l) The proposed cost for the budget year to a municipal entity under the sole or shared control of the municipality of the salary, allowances and benefits of–
 - i. Each member of the entity's board of directors; and
 - ii. The chief executive officer and each senior manager of the entity; and
- m) Any other supporting documentation as may be prescribed.

18. Funding of expenditure

- (1) An annual budget may only be funded from—
 - a) Realistically anticipated revenues to be collected;
 - b) Cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
 - c) Borrowed funds, but only for the capital budget referred to in section 17(2).
- (2). Revenue projections in the budget must be realistic, taking into account—
 - a) Projected revenue for the current year based on collection levels to date; and
 - b) Actual revenue collected in previous financial years.

22. Publication of annual budgets

Immediately after an annual budget is tabled in a municipal council, the accounting officer of the municipality must –

- a) In accordance with Chapter 4 of the Municipal Systems Act –
 - i. Make public the annual budget and the documents referred to in section 17(3); and
 - ii. Invite the local community to submit representations in connection with the budget; and
- b) Submit the annual budget [to be executed immediately following the tabling of the annual budget and within 10 working days following Council approval of the annual budget]–
 - i. In both printed and electronic formats to the National Treasury and the relevant provincial treasury; and
 - ii. In either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget.

24. Approval of annual budgets

- (1) The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.
- (2) An annual budget—

- a) must be approved before the start of the budget year;
 - b) is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i);
 - c) and must be approved together with the adoption of resolutions as may be necessary—
 - i. Imposing any municipal tax for the budget year;
 - ii. Setting any municipal tariffs for the budget year;
 - iii. Approving measurable performance objectives for revenue from each source and for each vote in the budget;
 - iv. Approving any changes to the municipality's integrated development plan; and
 - v. Approving any changes to the municipality's budget-related policies.
- (3) The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.

Regulations 9 to 20 of the MBRR in essence confirm the contents of Sections 15 to 24 of the MFMA in detail with regards to the Budget process.

The compilation of the annual budget, in terms of legislation, must also take into consideration the Budget Circulars released by both National and Provincial Treasury.

BUDGET TABLES

Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand	1										
Revenue											
Exchange Revenue											
Service charges - Electricity	2	15,542	21,630	16,200	27,169	27,169	27,169	29,605	33,152	34,677	36,272
Service charges - Water	2	2,170	2,591	2,970	5,660	5,660	5,660	6,460	5,192	5,431	5,681
Service charges - Waste Water Management	2	17,749	20,346	20,250	24,056	24,056	24,056	28,354	17,020	17,803	18,622
Service charges - Waste Management	2	12,045	13,202	13,086	32,437	32,437	32,437	35,228	29,070	30,407	31,806
Sale of Goods and Rendering of Services		484	176	547	543	543	543	543	430	449	470
Agency services		-	-	-	-	-	-	-	-	-	-
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		21,557	28,983	39,177	46,371	46,371	46,371	46,371	41,286	43,185	45,171
Interest earned from Current and Non Current Assets		106	323	580	-	-	-	-	-	0	-
Dividends		-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		196	12	68	121	121	121	121	123	129	135
Licence and permits		-	-	-	-	-	-	-	-	-	-
Special rating levies		-	-	-	-	-	-	-	-	-	-
Operational Revenue		186	(19)	(0)	89	109	109	109	44	46	48
Non-Exchange Revenue											
Property rates	2	(4,905)	(4,937)	19,166	33,499	33,499	33,499	33,499	33,776	35,330	36,955
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		164	21	121	54	54	54	54	54	56	59
Licences or permits		-	-	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational		58,846	74,507	75,865	84,596	84,596	84,596	84,596	142,145	148,684	155,523
Interest		2,439	13,515	14,523	9,032	9,032	9,032	9,032	4,989	5,218	5,458
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		553	-	139	-	-	-	-	-	-	-
Other Gains		331	-	355	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		127,462	170,352	203,045	263,628	263,648	263,648	273,972	307,280	321,415	336,200
Expenditure											
Employee related costs	2	53,446	57,627	56,193	79,972	78,399	78,399	78,399	59,527	84,719	84,899
Remuneration of councillors		4,409	5,207	5,714	5,385	5,504	5,504	5,504	6,054	6,519	6,733
Bulk purchases - electricity	2	38,980	30,176	34,314	25,000	36,900	36,900	36,900	30,782	32,168	33,615
Inventory consumed	8	2,820	1,789	7,339	8,387	6,017	6,017	6,017	14,040	15,347	15,361
Debt impairment	3	-	56,871	81,077	49,924	49,924	49,924	49,924	56,152	58,735	61,437
Depreciation and amortisation		38,811	49,029	42,092	26,603	10,299	10,299	10,299	25,967	31,332	32,662
Interest		12,914	27,667	32,794	5,000	4,940	4,940	4,940	21,589	22,561	23,576
Contracted services		45,782	39,635	83,195	31,311	48,425	48,425	48,425	89,889	95,277	98,335
Transfers and subsidies		-	-	-	-	-	-	-	-	-	0
Irrecoverable debts written off		(72,197)	(13,099)	16,769	6,973	6,973	6,973	6,973	17,807	19,792	19,811
Operational costs		9,136	19,458	19,856	13,902	16,053	16,053	16,053	15,836	17,294	17,405
Losses on disposal of Assets		-	-	1,116	-	-	-	-	-	-	-
Other Losses		783	-	2,242	-	-	-	-	-	-	-
Total Expenditure		134,885	274,362	382,702	252,457	263,435	263,435	263,435	337,643	383,743	393,833
Surplus/(Deficit)		(7,423)	(104,009)	(179,658)	11,171	213	213	10,537	(30,363)	(62,328)	(57,633)
Transfers and subsidies - capital (monetary allocations)	6	89,403	93,427	238,834	82,767	82,767	82,767	82,767	42,080	44,016	46,040
Transfers and subsidies - capital (in-kind)	6	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		81,979	(10,582)	59,176	93,938	82,979	82,979	93,303	11,717	(18,312)	(11,593)
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		81,979	(10,582)	59,176	93,938	82,979	82,979	93,303	11,717	(18,312)	(11,593)
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		81,979	(10,582)	59,176	93,938	82,979	82,979	93,303	11,717	(18,312)	(11,593)
Share of Surplus/Deficit attributable to Associate		-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	81,979	(10,582)	59,176	93,938	82,979	82,979	93,303	11,717	(18,312)	(11,593)

Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure, to be appropriated	2										
Vote 1 - Office of the Mayor		-	-	-	-	-	-	-	-	-	-
Vote 2 - Office of the Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Department Financial Services		-	-	-	-	-	-	-	-	-	0
Vote 4 - Department Corporate Services		-	(14,234)	-	-	-	-	-	-	-	-
Vote 5 - Department Community Services		-	911	-	-	-	-	-	-	-	0
Vote 6 - Department Infrastructure Services		21,114	35,620	14,149	22,109	22,109	22,109	22,109	23,780	24,874	26,018
Vote 7 - COMMUNITY & SOCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	21,114	22,298	14,149	22,109	22,109	22,109	22,109	23,780	24,874	26,018
Single-year expenditure, to be appropriated	2										
Vote 1 - Office of the Mayor		-	-	-	-	-	-	-	-	-	0
Vote 2 - Office of the Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Department Financial Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Department Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Department Community Services		-	1,161	785	-	-	-	-	0	0	0
Vote 6 - Department Infrastructure Services		44,183	71,708	145,881	61,587	61,587	61,587	61,587	18,300	19,142	20,022
Vote 7 - COMMUNITY & SOCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		44,183	72,869	146,666	61,587	61,587	61,587	61,587	18,300	19,142	20,022
Total Capital Expenditure - Vote		65,297	95,167	160,815	83,696	83,696	83,696	83,696	42,080	44,016	46,040
Capital Expenditure - Functional											
Governance and administration			(14,234)	-	-	-	-	-	-	-	0
Executive and council		-	-	-	-	-	-	-	-	-	0
Finance and administration		-	(14,234)	-	-	-	-	-	-	-	0
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety			2,072	785	-	-	-	-	0	0	0
Community and social services		-	1,161	785	-	-	-	-	0	0	0
Sport and recreation		-	911	-	-	-	-	-	-	-	0
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		10,650	10,075	7,448	18,587	18,587	18,587	18,587	18,300	19,142	20,022
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		10,650	10,075	7,448	18,587	18,587	18,587	18,587	18,300	19,142	20,022
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		54,647	97,254	152,582	65,109	65,109	65,109	65,109	23,780	24,874	26,018
Energy sources		-	-	1,312	-	-	-	-	0	0	0
Water management		54,647	80,694	142,514	43,000	43,000	43,000	43,000	0	0	0
Waste water management		-	16,560	8,560	22,109	22,109	22,109	22,109	23,780	24,874	26,018
Waste management		-	-	195	-	-	-	-	0	0	0
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	65,297	95,167	160,815	83,696	83,696	83,696	83,696	42,080	44,016	46,040
Funded by:											
National Government		65,297	95,167	160,815	83,696	83,696	83,696	83,696	42,080	44,016	46,040
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (Nat/ Prov		-	-	-	-	-	-	-	-	-	-
Departm Agencies, Households, Non-profit Institutions, Private		-	-	-	-	-	-	-	-	-	-
Enterprises, Public Corporatons, Higher Educ Institutions)		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	65,297	95,167	160,815	83,696	83,696	83,696	83,696	42,080	44,016	46,040
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	-	-	-	-	-	-	-	0
Total Capital Funding	7	65,297	95,167	160,815	83,696	83,696	83,696	83,696	42,080	44,016	46,040

Table A6 Budgeted Financial Position

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand											
ASSETS											
Current assets											
Cash and cash equivalents		(5,606)	6,964	781	15,113	(4,887)	(4,887)	(4,887)	6,440	9,141	10,055
Trade and other receivables from exchange transactions	1	225,052	18,173	7,976	42,516	42,516	42,516	42,516	13,951	15,336	17,059
Receivables from non-exchange transactions	1	164	–	4,342	15,682	15,682	15,682	15,682	15,803	16,530	17,290
Current portion of non-current receivables		–	6	6	–	–	–	–	0	0	0
Inventory	2	86	158	50	–	–	–	–	0	0	0
VAT		80,898	60,992	77,195	84,583	84,583	84,583	84,583	139,416	145,762	152,400
Other current assets		–	956	5,618	–	–	–	–	(0)	0	0
Total current assets		300,594	87,251	95,969	157,895	137,895	137,895	137,895	175,610	186,769	196,804
Non current assets											
Investments		136	–	–	–	–	–	–	0	0	0
Investment property		2,344	36,063	36,764,160,11	36,063	33,821	33,821	33,821	36,390	38,027	39,739
Property, plant and equipment	3	950,461	1,064,408	1,178,334	1,070,606	1,070,606	1,070,606	1,070,606	599,773	638,689	668,187
Biological assets		4,412	4,412	2,091	3,986	3,986	3,986	3,986	2,091	2,185	2,283
Living and non-living resources		–	–	–	–	–	–	–	–	–	–
Heritage assets		37	37	37	37	37	37	37	37	39	40
Intangible assets		53	161	53	53	53	53	53	53	55	58
Trade and other receivables from exchange transactions		1,370	–	–	–	–	–	–	–	–	–
Non-current receivables from non-exchange transactions		–	–	–	–	–	–	–	0	0	0
Other non-current assets		–	–	–	–	–	–	–	–	–	–
Total non current assets		958,814	1,105,082	1,217,278	1,110,745	1,108,503	1,108,503	1,108,503	638,343	678,995	710,307
TOTAL ASSETS		1,259,408	1,192,332	1,313,247	1,268,640	1,246,398	1,246,398	1,246,398	813,953	865,764	907,110
LIABILITIES											
Current liabilities											
Bank overdraft		–	–	–	–	–	–	–	0	–	–
Financial liabilities		(2,038)	–	262	–	–	–	–	0	–	0
Consumer deposits		567	538	536	479	479	479	479	540	564	590
Trade and other payables from exchange transactions	4	333,389	436,487	484,146	417,312	417,312	417,312	417,312	956,434	999,606	1,044,728
Trade and other payables from non-exchange transactions	5	3,859	27,760	6,960	2,554	2,554	2,554	2,554	(0)	(0)	(0)
Provision		2,449	–	410	–	0	0	0	0	(0)	(0)
VAT		41,625	5,520	12,080	13,618	13,618	13,618	13,618	(6,562)	(7,039)	(7,229)
Other current liabilities		–	–	–	–	–	–	–	–	–	–
Total current liabilities		379,851	470,304	504,394	433,963	433,963	433,963	433,963	950,412	993,132	1,038,089
Non current liabilities											
Financial liabilities	6	3,438	703	455	–	–	–	–	0	–	–
Provision	7	26,997	42,043	48,542	–	–	–	–	0	–	–
Long term portion of trade payables		–	–	–	–	–	–	–	–	–	–
Other non-current liabilities		247	533	533	–	–	–	–	0	–	–
Total non current liabilities		30,681	43,279	49,530	–	–	–	–	0	–	–
TOTAL LIABILITIES		410,532	513,583	553,924	433,963	433,963	433,963	433,963	950,412	993,132	1,038,089
NET ASSETS		848,876	678,750	759,323	834,676	812,435	812,435	812,435	(136,458)	(127,368)	(130,978)
COMMUNITY WEALTH/EQUITY											
Accumulated surplus/(deficit)	8	859,278	668,065	759,323	93,938	834,799	834,799	834,799	(136,458)	(127,368)	(130,978)
Reserves and funds	9	–	–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	10	859,278	668,065	759,323	93,938	834,799	834,799	834,799	(136,458)	(127,368)	(130,978)

Table A7 Budgeted Cash Flows

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		-	-	-	15,074	15,074	15,074	15,074	28,137	29,431	30,785
Service charges		-	-	-	26,325	26,325	26,325	26,325	54,570	57,081	59,706
Other revenue		10,557	-	-	400	400	400	400	62,645	79,577	102,720
Transfers and Subsidies - Operational	1	-	-	-	84,596	84,596	84,596	84,596	128,614	134,530	140,719
Transfers and Subsidies - Capital	1	-	28	41	82,767	82,767	82,767	82,767	42,080	44,016	46,040
Interest		-	-	-	-	-	-	-	41,286	43,185	45,171
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(88,178)	(50,459)	(66,051)	(143,337)	(143,337)	(143,337)	(143,337)	(248,159)	(285,172)	(291,391)
Interest		-	-	-	(2,500)	(2,500)	(2,500)	(2,500)	(21,589)	(22,561)	(23,576)
Transfers and Subsidies	1	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		(77,621)	(50,431)	(66,010)	63,325	63,325	63,325	63,325	87,584	80,087	110,175
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables		1,370	-	-	-	-	-	-	(0)	(0)	(0)
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
Payments											
Capital assets		-	-	-	-	-	-	-	(48,392)	(50,618)	(52,946)
NET CASH FROM/(USED) INVESTING ACTIVITIES		1,370	-	-	-	-	-	-	(48,392)	(50,618)	(52,946)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		-	-	-	-	-	-	-	(0)	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	(0)	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		(76,251)	(50,431)	(66,010)	63,325	63,325	63,325	63,325	39,192	29,469	57,229
Cash/cash equivalents at the year begin:	2	973	(14,978)	2,992	3,208	3,208	3,208	3,208	1,279	40,471	69,940
Cash/cash equivalents at the year end:	2	(75,277)	(65,409)	(63,017)	66,533	66,533	66,533	66,533	40,471	69,940	127,169

SECTION B: PART 2

OVERVIEW OF THE ANNUAL BUDGET

Municipal financial Management Act (MFMA) mention six steps that the municipality must follow in order to prepare the annual budget that is credible, the planning and strategizing process started with the preparation of the budget timelines as required by the Act. The council of the municipality approved the budget timelines during council meeting as stipulated in the MFMA.

All department heads were asked to give their inputs or any final inputs they may have in order to allow the budget office to prepare the budget. The budget office of the municipality under the leadership of the Chief Financial Officer prepared the Annual Final budget, which will be adopted before end of May 2025.

The annual Final budget of the municipality is aligned to the municipality integrated development plan. Section 22 of the MFMA stipulates that the budget must be send both to the National and Provincial Treasury both in hard and Electronic copy.

OVERVIEW OF THE ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

Municipalities in South Africa are required to utilize integrated development planning as an approach to plan future development in their respective municipal areas, and accordingly determine the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at establishing short, medium and long term strategic and budget priorities to create a developmental platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and capabilities of the Municipality to the overall development aims, which guide the municipal budget. The IDP further enables municipalities to make the best use of scarce resources to accelerate service delivery goals. An IDP is therefore a key instrument utilised by municipalities to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area.

The Integrated Development Plan must be reviewed each year as a legal obligation under section 34 of the Municipal Systems Act. This requires a Municipal Council to evaluate its integrated plan annually based on an assessment of its performance metrics according to section 41, and to make amendments to its integrated development plan if changing circumstances necessitate it, following a prescribed process. The Annual Budget is closely tied to the IDP, a connection that was established with the enactment of the Municipal Finance Management Act in 2004.

The IDP objectives must guide and align the municipality's budget in accordance with the Municipal Structures Act and Municipal Finance Management Act. Both capital and operating expenditure

budgetary allocations must be made in a way that will guarantee the achievement of the IDP outcomes and contribute to the realization of the municipality's vision. This guarantees that the IDP oversees the creation and execution of projects.

This budget is based on the following five key performance areas, however, the budget might be revised during the adjustment period in February 2026 to address changes where applicable.

Basic Services	Supporting the delivery of municipal services to the right quality and standard
Local Economic Development	Creating a conducive environment for economic development
Institutional Capacity Building	institutional resilience and administrative capability
Financial Management	Ensuring sound financial management and accounting
Good Governance and public participation	Transparency and Accountability Promoting good governance, transparency, and accountability

In order to guarantee adherence to the MSCOA regulations and stay current with the yearly changes of the mSCOA charts, the municipality is constantly working with the assistance of the system supplier (InzaloEMS). As mandated by the MFMA, necessary steps are also made to guarantee that the Annual Budget and Integrated Development Plan are in alignment.

OVERVIEW OF BUDGET RELATED POLICIES

The budget process is guided by and governed by relevant legislation and budget related policies. The main purpose of budget related policies is to guide and govern process and inform projection of the MTREF. Tokologo Local Municipality has the following budget related policies:

- Credit Control Policy

This policy provides direction in areas of credit control, collection of amounts billed to customers, procedures for recovery of arrear accounts, etc. Tokologo Local Municipality annually revises policy and approved the revised policy together with the annual budget approval.

- Investment and Cash Management Policy

Every municipal council is required in terms of Section 13(2) of the Municipal Finance Management Act (MFMA) no 56 of to approve a Cash and Investments Policy for the Council. The primary objective of the investment policy is to gain the highest possible return, without unnecessary risk, during periods when excess funds are not being used

- Budget Policy

The annual budget is the central financial planning document that entails all revenue and expenditure decisions. It establishes the level of services to be provided by each department. The accounting officer confirms the municipality's priorities in the formulation of the Final and the final budget document. A budget, as per S71 of the MFMA, is subject to monthly control and reporting to Council with recommendations of action to be taken to achieve the budget's goals

- Tariff Policy

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

- Indigent Policy

The criterion for benefits under this scheme is part of the credit control policy. An indigent register is maintained in order administer indigent support. The

survey forms to qualify for the indigent support must be completed annually. The Municipality may annually, as part of its budgetary process, determine the municipal services and levels thereof which will be subsidized in respect of indigent customers in accordance with the national policy, but subject to principles of sustainability and affordability.

- Property Rates Policy

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

- Supply Chain management Policy

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

- Virement Policy

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

OVERVIEW OF BUDGET ASSUMPTIONS

Budgets are prepared in an environment of uncertainty. To prepare meaningful budgets, assumptions need to be made about internal and external factors that could influence the budget. Documentation of the assumptions used in preparing the budget assists understanding of the information. This section provides a comprehensive summary of all the assumptions used in preparing the budget.

The budget was developed using the incremental budgeting method, based on the expectation that the costs of goods and services previously budgeted will rise by a percentage higher than the current CPI, while a zero-based budgeting approach was applied specifically to Petrol.

The following tariffs have been raised:

- Sewerage by 6.0%,
- Refuse by 6.0%,
- Water by 6.0%, and
- Electricity by 10.82% (Based on previous year's tariff).

The Municipality will continue to give rebates to the Indigent household as per the Municipal Indigent policy as follows:

Water	6KL
Electricity	50kwh
Sanitation	100%
Refuse	100%
Property Rates	As per the approved threshold by NERSA.

An increase of 5.15% has been allocated for salaries, following the collective agreement on salaries set by the South African Local Bargaining Council. National Treasury MFMA circulars served as a reference for additional budget assumptions, and the following assumptions were established:

- The economic conditions and poverty rates in the municipality are expected to stay consistent throughout most of the financial year due to the lack of significant economic activities in the area.
- Operational expenses will either remain consistent with current figures or be decreased as part of cost-saving initiatives; if there is a significant drop in revenue collection rates, spending will need to be cut by the same percentage.

Municipal infrastructure and assets will be maintained as per maintenance plans and no provision has been made for major breakages but provision for unplanned maintenance has been made.

OVERVIEW OF BUDGET FUNDING

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

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

Tokolologo Local Municipality operating budget totals to **R 307 280 000** and is funded from:

- Grants (Equitable Share, EPWP, FMG and RBIG)
- Service Charges (Electricity, Water, Sewer and Refuse)
- Other Revenue (Camp Rentals, Clearance certificate, Building Plans, etc.)

The capital budget of the municipality amounts to **R 42 080 000** and is funded from:

- MIG
- WSIG

The municipality's average collection rate is standing at 33% and the municipality anticipate to collect 45% in the year 2025/2026

The allocation for municipal grants are as follows:

- Equitable share is **R 81 778 000**
- Financial management grant (FMG) **R 3 000 000**
- Extended Public Works Programme (EPWP) **R 1 256 000**
- Regional Bulk Infrastructure Grant (RBIG) **R 55 148 000**
- Municipal Infrastructure Grant (MIG) **R 19 263 000**
- Water Services Infrastructure Grant (WSIG) **R 23 780 000**

EXPENDITURE ON ALLOCATIONS AND GRANTS PROGRAMMES

Total Grants Allocated to Tokologo Local Municipality are disclosed on table A5 and they are as follows:

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

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

- Pay salaries of the 5 interns appointed and their MFMP training
- Pay SAIPA Membership fees for finance employees
- Acquisition, upgrade and maintenance of financial management systems (InzaloEMS)³
- Strengthen capacity and upskill officials in the Budget and Treasury Office (BTO), Internal Audit and Audit Committees

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

The Expanded Public Works Programme (EPWP) is a key government initiative aimed at providing temporary employment and skills development opportunities to marginalized communities. The program targets areas such as infrastructure development, community services, and environmental management, with a focus on poverty alleviation and the creation of job opportunities for those who are unemployed.

In the 2025-2026 the municipality has been allocated R 1 256 000 in an aim to alleviate poverty and unemployment by creating work opportunities and income support to the unemployed members of the community and the municipality aims to spend this grant fully in the 2025/2026 financial year on the following project:

EPWP PROJECTS	EPWP 2025/2026
Patching of potholes in Boshof.	840,000.00
Cleaning of all Towns	416,000

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

The total allocation for 2025/2026 financial year is **R 19 263 000**, and this money will be spent as follows:

MIG PROJECTS	MIG 2025/2026	MIG 2026/2027	MIG 2027/2028
PMU Operations	963 150		
Boshof/Seretse: Upgrading of 1.5km paved road and storm water channel Phase 2.	7,473,078.08	-	-
Boshof/Seretse: Refurbishment of existing water elevated tank and construction of new elevated tank.	7,236,044.50	-	-
Tokolologo Procurement of two specialized vehicles & equipment for waste management.	2,706,657.42	1,916,559.12	-
Construction of multi-purpose court in Tshwaraganang (Dealesville).	884,070.00	2,059,619.04	
Dealesville/Tshwaraganang: Construction of 2km Stormwater drainage.	-	13,922,912.17	20,735,352.50
Boshof/Seretse: The Construction of a new sewer network for 200 New sites.	-	2,682,909.67	611,647.50
Construction of multi-purpose court in Tshwaraganang (Dealesville).			
TOTAL MIG CAPITAL EXPENDITURE	19,263,000.00	20,582,000.00	21,347,000.00

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

Allocation to the municipality for 2025/2026 financial year is R 23 780 000 and it will be spent as follows:

Boshof - Construction of Bulk sewer infrastructure.	-	-	-
Upgrading of Dealesville/Tshwaraganang WWTW.	23,780,000	26,740,000	22,077,000

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

Allocation for this grant amounts to R 55 148 000, the money will be spent on the following projects:

Riverton Abstraction Point – Civil Works.	-	10,000,000	25,104,000
Boshof/kimberley: Construction of 10km (01) pumping main pipeline and associated works.	8,060,459	10,000,000	9,414,000
Boshof/kimberley: Construction of 10km (02) pumping main pipeline and associated works.	9,060,459	10,000,000	9,414,000
Boshof/kimberley: Construction of 5km (03) pumping main pipeline and associated works	13,845,703	-	-
Boshof/kimberley: Construction of 5km (04) pumping main pipeline and associated works.	8,060,459	10,000,000	9,414,000
Boshof/kimberley: Construction of 5km pumping main pipeline and associated works.	8,060,459	10,000,000	9,414,000
Stormwater implementation for Boshof bulk water scheme and associated components of the scheme-cuvil works.	8,060,459	12,760,000	3,138,000
TOTAL RBIG CAPITAL EXPENDITURE	55,148,000	62,760,000	65,898,000

- **The Equitable Share:**

EQS allocated to the municipality is R 81 778 000 and will be spent on the following:

- Salaries
- Indigents
- Contracted Services
- Operational Costs

MUNICIPAL MANAGER'S QUALITY CERTIFICATION

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

Name: _____

Name of Municipality: Tokologo Local Municipality

Signature: _____

Date: _____