



**ADJUSTMENT BUDGET  
2025-2026 MTREF  
25 FEBRUARY 2026**

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## ***PART 1 – ADJUSTMENT BUDGET***

### **1.1 Mayor's Report**

Honorable Speaker, Members of the Mayoral Committee, Councilors, Municipal Manager, Directors, ladies and gentlemen, good day.

As we gather here today, aftermath heavy rainfall disasters involving widespread destruction, including collapsed infrastructure (roads, homes), and severe economic losses and a loss of life of a young girl – and we continue to extend our heartfelt condolences to the family, friends and community of Makana at large. We are grateful to the members of the community who took it upon themselves and risk their lives by continuing with the **search, liyinene elithi Umntu ngumntu ngaBantu**. You have showed up and became exemplary of what community can do if united with a common purpose. Can we take a moment of silence to observe the child that has fallen during the heavy rains in Makhanda, **Endinako Dudu**.

Speaker it is with great pleasure that I present the 2025/2026 adjustment budget and Medium-Term Revenue and Expenditure framework (MTREF) to the Council and especially the community of Makana. I am specifically pleased to announce that our budget materially complies with the latest budget regulations as well as the requirements of National Treasury, for which I must thank the Municipal Manager and his staff for the work that was put in this adjusted budget accompanied by the adjusted SDBIP. The municipality continues to strive to improve the town for the betterment of its communities. Our municipality continues to face high rate of unemployment though the indigent register does not translate to this.

The Council's strategic objective of service delivery includes the continuation of the acceptable levels of service as well as the improvement in those areas where service delivery is still a challenge. The balancing act is to achieve these objectives with available limited financial resources, and to always consider the effect of revenue collection as means of improving service delivery.

Speaker, this adjustment budget seeks to address the efforts to improve the lives of our communities through service delivery and addressing infrastructure backlogs that our municipality is faced with. In this budget there is a capital injection of **R29,6 million** from the Office of the Premier for the roads project and **R742 thousand approved** rollover for WSIG for the installation of smart meter programme.

The capital budget Speaker increased by **R23 million** as there has been a reduction in the capital programmes funded by the municipality by **R6 million**, due to poor revenue collection.

To understand the financial resources required to fund this budget, the municipality needs to implement revenue collection strategies and revenue enhancement initiatives and a

commitment to rigorous expenditure controls, with particular emphasis on the elimination of non-essential expenditure and non-revenue generating activities.

The operating revenue budget for the 2025/26 Adjustment amounts to **R877 million**, a decrease of **R38,7 million or downward adjustment** when compared to **R917 million** for the 2025/26 MTREF Original Budget. The services that led to the decrease are reflected in the budget document. The operating expenditure has also decreased from R813 million in the approved budget to R771 million in this adjustment budget. This adjustment budget Speaker is presented at a time where the municipality is not doing well with capital spending in some programmes, however accelerated plans have been developed by the appointed contractors to ensure that the municipality fully spends its conditional grants.

As previously stated, the implementation of the adjusted budget and revenue collection is key to enabling the municipality to address the service delivery backlog, especially with the state of our roads and infrastructure. The capital injection from National Treasury for Electricity Smart Meters and DWS for Water Smart Meters was aimed at changing the state of our municipality. However, the municipality continues to hit a snag and reversed gains due to the vandalism of installed Smart Water Meters and cable theft.

These have a huge financial impact on the municipality in terms of revenue collection, billing and costs to repair the damaged infrastructure. The Municipality will soon be launching a comprehensive Anti-Vandalism Campaign to safeguard municipal infrastructure and promote civic responsibility among residents. This multi-channel campaign will seek to prevent vandalism across critical service areas, including electricity, water, sanitation, and public health infrastructure, through community engagement, strategic media interventions, and public awareness initiatives.

**Campaign Objectives:**

- Reduce incidents of vandalism across municipal infrastructure.
- Increase community awareness of the impacts of vandalism on service delivery.
- Foster a sense of civic pride and responsibility among residents.
- Encourage reporting of vandalism through dedicated municipal channels.

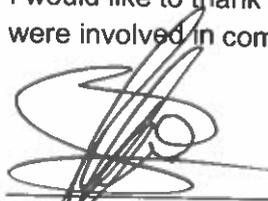
The municipality has started to see and witness the progress on the completion of various road construction funded by the OTP, Dept of Transport through the District and the 10km that was donated by SANRAL to change the state of our roads. Speaker the municipality is beginning to see efforts done by service delivery departments using the fleet procured in the current and past financial year, to address illegal dumping site and ensure sustainable water provision despite the municipality being hit hard by drought. The forged partnerships by community services department have not gone unnoticed Speaker as today the municipality is a recipient of the elimination of alien plant elimination grant and we have seen a number of young graduates employed through DFFE programmes.

Our responsibility as this sphere of government is to improve the lives of our communities and ensure that the rights of our citizens as enshired in the Constitution of the Republic are upheld. quality of life of all that live and work in Makana Municipality is improved.

We very much welcome the recent announcement by National Treasury that various structural reforms are underway, including “a comprehensive review of the local government fiscal framework”. Making emphasis that revenue collected for a specific purpose had to be used for that purpose.

We will continue to engage in both progressive and meaningful discussions with our communities to shape a clear path from which governance and development will draw guidance and direction. The Council will continue to pursue and encourage community participation programmes to ensure our plans are in line with community needs.

I would like to thank the Councillors, Municipal Manager, Directors and other personnel who were involved in compiling this adjustment budget that will lead to an adjusted SDBIP.

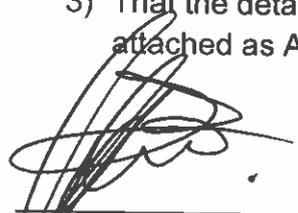


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**CLIVE YANDISWA VARA**  
**(EXECUTIVE MAYOR)**

## 1.2 Council Resolution

- 1) That Council approves the **2025/26** Adjustment Budget based on proposed expenditure and revenue for the MTREF.
- 2) That Council of Makana Municipality, acting in terms of section 28(2) of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - a) The adjustments budget of the municipality for the financial year 2025/26 and the multi-year and single-year capital appropriations as set out in the following tables:
    - i. Budgeted Financial Performance (revenue and expenditure by standard classification) – Table B2
    - ii. Budgeted Financial Performance (revenue and expenditure by municipal vote) – Table B3
    - iii. Budgeted Financial Performance (revenue by source and expenditure by type) – Table B4; and
    - iv. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source – Table B5.
  - a) 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:
    - i. Budgeted Financial Position – Table B6
    - ii. Budgeted Cash Flows – Table B7
    - iii. Cash backed reserves and accumulated surplus reconciliation – Table B8
    - iv. Asset management – Table B9; and
    - v. Basic service delivery measurement – Table B10.
- 3) That the detailed capital program per project, department and funding source attached as Annexure "B" be approved.



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**G.L.R. Y. VARA**  
**EXECUTIVE MAYOR**



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**M.P. KATE**  
**MUNICIPAL MANAGER**

### 1.3 Executive Summary

The municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from performing projects to nonperforming projects, wherein nonperforming projects were planned as multi-year projects to ensure that current year grants are fully utilised.

The Municipality has put some efforts to improve the financial health and implementation of strategic plans, such as decreasing the outstanding creditors book and increasing revenue through collection of outstanding debtors to improve the working capital. The two write-offs received from Eskom and DWS are a step in the right direction to improve the municipal cashflow, thus improving the liquidity position and cost coverage ratio.

National Treasury's MFMA Circular No. 129 and other applicable previous budget circulars were used to guide the compilation of the 2025/26 MTREF.

The following table is a consolidated overview of the adjusted Medium-term Revenue and Expenditure Framework for 2025/2026:

**Table 1: Consolidated Overview of the Adjusted 2025/26 MTREF**

EC104 Makana - Table B1 Adjustments Budget Summary - 2026/02/28

Description	2025/26									Budget Year 2026/27	Budget Year 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
R thousands	A	A1	B	C	D	E	F	G	H		
<b>Financial Performance</b>											
Property rates	143.607	-	-	-	-	-	(0)	(0)	143.607	153.659	164.415
Service charges	503.976	-	-	-	-	-	(11.598)	(11.598)	492.378	577.174	603.691
Investment revenue	5.281	-	-	-	-	-	-	-	5.281	5.309	5.819
Transfers recognised - operational	174.975	-	-	-	-	-	(27.242)	(27.242)	147.733	150.119	156.855
Other own revenue	88.841	-	-	-	-	-	109	109	88.950	99.238	102.868
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>916.679</b>						<b>(38,731)</b>	<b>(38,731)</b>	<b>877,948</b>	<b>985,496</b>	<b>1,033,640</b>
Employee costs	249.924	-	-	-	-	-	(12.256)	(12.256)	237.668	263.416	277.114
Remuneration of councillors	14.920	-	-	-	-	-	-	-	14.920	15.667	16.450
Depreciation & asset impairment	44.598	-	-	-	-	-	30,047	30,047	74.646	46.568	47.732
Finance charges	3.158	-	-	-	-	-	4,601	4,601	7.759	3.298	3.380
Inventory consumed and bulk purchases	226.794	-	-	-	-	-	(20.457)	(20.457)	206.336	236.573	243.352
Transfers and subsidies	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	284.296	-	-	-	-	-	(45.495)	(45.495)	238.801	266.091	269.979
<b>Total Expenditure</b>	<b>823.698</b>						<b>(43,560)</b>	<b>(43,560)</b>	<b>780,129</b>	<b>831,612</b>	<b>858,007</b>
<b>Surplus/(Deficit)</b>	<b>92.989</b>						<b>4,830</b>	<b>4,830</b>	<b>97,819</b>	<b>153,887</b>	<b>175,641</b>
Transfers and subsidies - capital (monetary allocations)	91.748	-	-	-	-	-	31.503	31.503	123.251	97.087	106.068
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	1.322	1.322	1.322	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>184.737</b>						<b>37,655</b>	<b>37,655</b>	<b>222,392</b>	<b>250,974</b>	<b>281,709</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>	<b>184.737</b>						<b>37,655</b>	<b>37,655</b>	<b>222,392</b>	<b>250,974</b>	<b>281,709</b>

The municipality budgeted for a decrease in operating revenue by **R38,7 million** or **4,2%** and a decrease in operating expenditure by **R43,6 million** or **5,3%** respectively. Capital Revenue and

Expenditure has however increased by **R30 million** or **32%** and **R26,4 million** or **23%** respectively when compared to the original budget that was adopted by Council in May 2025.

## Operating Revenue

To continue improving the quality of life through the delivery of high-quality services, it is necessary to generate sufficient revenue from rates and services charges. It is also important to ensure that all billable revenue is correctly charged and adequately collected.

The revenue management unit has been capacitated to aid and ensure that all revenue is accurately and efficiently billed and collected. The adjusted budget revenue projections of **R877,9 million** have decreased from **R917 million** in the 2025/26 MTREF Original Budget. The basis for the decreased budget is informed by realistically anticipated revenues informed during mid-year performance reviews. The refuse and sewerage revenue have shown a slight increase as reflected in the Mid-Year Assessment, though other services and revenue components have shown a decline like water and electricity.

Free basic services continue to be provided to the poor communities, unemployed and those receiving government old age/disability pension to ensure that basic services are extended to all communities. FBS is offered as an indigent subsidy to the communities.

The adjusted budget reflects a moderate surplus and this will enable the municipality to repay its creditors, build cash reserves to back statutory funds, provisions and build an operating as well as capital replacement reserve.

## Operating Expenditure

Total operating expenditure for the 2025/26 financial year has been adjusted downwards from **R823,7 million** to **R780,1 million** during the Mid-Year review and is informed by the following decreased:

- Decrease in employee related costs;
- Bulk Purchases Electricity;
- Contracted Services;
- Irrecoverable Debt Written Off;
- Transfers and Subsidies for Infill Human Settlement Grant.
- Decrease in Bulk Purchases for Water Inventory in line with Mid-Year performance.

Repayment of long outstanding debts continues to cripple financial muscle of the municipality especially Eskom Bulk Account. Service delivery cannot be properly addressed as the municipality is chasing its obligations from bulk suppliers.

## Capital Expenditure

The capital adjustment budget increased from **R114,6 million**, to **R140,8 million** for 2025/26 MTREF represents an increase of **R23,9 million** or **21%**. The capital programme increase is

attributable to the additional conditional grant funding of OTP for small town revitalization of **R29,6 million**, approved WSIG rollover of **R742,541**, a correction of MDRG grant by **R317,719** and a decrease in capital programmes that are funded internally by **R6,1 million** or **26,8%** due to a stagnant collection rate.

There is no borrowing in the Capital Budget due to the lack of cash resources to repay the annual instalments. The capital funding proposed from internal revenue amounts to **R19 million** and **R9,6 million** or **50,8%** is this is largely meant for the procurement of yellow fleet, cherry picker and service delivery vehicles. Funding has been reserved for the procurement of service delivery equipment, office furniture, and a records management system to mention a few. The municipality is still depending on national and provincial grants to maintain or refurbish its infrastructure.

**Table 2: Tabled Adjusted Capital Budget MTREF 2025/26 MTREF**

**EC104 MAKANA MUNICIPALITY ADJUSTED CAPITAL EXPENDITURE 2025/26 - FEBRUARY 2026**

	<b>2025/26 Budget</b>	<b>MIG Adjustment February 2026</b>	<b>Final Adjusted Budget</b>
Replacement of Ageing Asbestos pipes in Makhanda Phase 3	-	565 499.00	565 499.00
Replacement of Ageing Asbestos pipes in Makhanda Phase 4	1 430 650.00	1 950 198.00	3 380 848.00
Upgrade of Sports Facilities in Oval Stadium, Lavendar Valley Makhanda A	-	1 156 941.00	1 156 941.00
Upgrade of Sports Facilities in Oval Stadium, Lavendar Valley Makhanda B	4 596 865.75	-1 681 865.75	2 915 000.00
Upgrade of Makana way Phase 1	4 503 386.25	-1 990 772.25	2 512 614.00
Upgrade of Makana way Phase 2	14 144 348.00	-	14 144 348.00
Refurbishment of Water and Sanitation	2 903 100.00	-	2 903 100.00
	<b>27 578 350</b>	<b>-</b>	<b>27 578 350</b>
		<b>WSIG</b>	
	<b>2025/26 Budget</b>	<b>Adjustment February 2026</b>	<b>Final Adjusted Budget</b>
Installation of domestic smart water meters	20 681 000	742 541	21 423 541
	<b>20 681 000</b>	<b>742 541</b>	<b>21 423 541</b>
<b>Internally Generated Funds</b>	<b>2025/26 Budget</b>	<b>Adjustment February 2026</b>	<b>Final Adjusted Budget</b>
Equipment	3 620 000	-890 000	2 730 000
Replacement of Fleet-Vehicles	10 278 000	-639 280	9 638 720
Airconditioners	263 000	-103 000	160 000
Filling Cabinets	100 000	320 000	420 000
Computer equipment	918 280	40 000	958 280
Office Furniture	1 044 000	300 000	1 344 000
Municipal Branding	150 000	-150 000	-
Records Management Hardware	1 500 000	-	1 500 000
Buildings		2 220 000	2 220 000
Transformer 15MA_MAKANDA	5 000 000	-5 000 000	-
	<b>22 873 280</b>	<b>-3 902 280</b>	<b>18 971 000</b>
<b>Municipal Disaster Relief Grant</b>	<b>2025/26 Budget Allocation</b>	<b>Adjustment February 2026</b>	<b>Final Adjusted Budget</b>
Disaster Phase 2	28 488 585	-317 719	28 170 866
	<b>28 488 585</b>	<b>-317 719</b>	<b>28 170 866</b>
<b>OTP Grant</b>	<b>2025/26 Budget Allocation</b>	<b>Adjustment February 2026</b>	<b>Final Adjusted Budget</b>
Makana Internal Roads	15 000 000	29 624 243	44 624 243
	<b>15 000 000</b>	<b>29 624 243</b>	<b>44 624 243</b>
PMU OPERATIONS/MIG 5%	1 452 660	-1 110	10 1451 550
<b>Total Capital Budget</b>	<b>114 621 215</b>	<b>26 146 785</b>	<b>140 768 000</b>

2025/26 Adjustment Budget (MTREF)

If the municipality can do well in revenue collection the above capital expenditure remains possible. The municipality has put an acceleration plan to ensure that all conditional grants are spent and there are no monies that are withheld. The contractor for installation of water smart meters is on site and management would ensure that the WSIG funds are fully spent before the end of the financial year.

Though the contractor for flood damages and Makana Way Phase 2 were appointed late in the financial year, catch up plans were required from both contractors to ensure that both projects are concluded by the end of the financial year, to avoid applying for a rollover.

#### 1.4 Operating Revenue Framework 2025/2026 MTREF

The above table reflects the revenue sources that have been adjusted in line with the mid-year performance review. The operating revenue decreased by **R38,7 million** or **4,2%** when compared to the original budget that was approved by Council in May 2025.

EC104 Makana - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 2026/02/26

Description	Ref	2025/26									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore Unavoid	Nat. or Prov. Govt	Other Adjusts	Total Adjusts	Adjusted Budget	Adjusted Budget	2025/26
R thousands	1	A	1	4	5	6	7	8	9	10		
<b>Revenue By Source</b>												
Exchange Revenue												
Service charges - Electricity	2	241 613	-	-	-	-	-	(4 853)	(4 853)	236 760	277 692	277 654
Service charges - Water	2	177 438	-	-	-	-	-	(9 078)	(9 078)	167 560	204 054	222 419
Service charges - Waste Water Management	2	56 972	-	-	-	-	-	1 310	1 310	58 282	65 518	71 415
Service charges - Waste Management	2	27 953	-	-	-	-	-	1 824	1 824	29 776	29 910	32 003
Sale of Goods and Rendering of Services		-	-	-	-	-	-	-	-	-	-	-
Agency services		1 558	-	-	-	-	-	-	-	-	1 558	1 556
Interest		-	-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		68 153	-	-	-	-	-	-	-	68 153	77 534	85 585
Interest earned from Current and Non Current Assets		5 281	-	-	-	-	-	-	-	5 281	5 309	5 819
Dividends		-	-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		208	-	-	-	-	-	-	-	208	219	230
Special Rating Levies		-	-	-	-	-	-	-	-	-	-	-
Licence and permits		-	-	-	-	-	-	-	-	-	-	-
Operational Revenue		4 650	-	-	-	-	-	-	-	-	-	-
Non-Exchange Revenue		-	-	-	-	-	-	109	109	4 760	4 865	(230)
Property rates	2	143 607	-	-	-	-	-	(10)	(10)	143 607	153 659	164 415
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-	-
Fines penalties and forfeits		94	-	-	-	-	-	-	-	94	99	94
Licences or permits		266	-	-	-	-	-	-	-	266	280	294
Transfer and subsidies - Operational		174 975	-	-	-	-	-	-	-	-	-	-
Interest		13 913	-	-	-	-	-	(27 242)	(27 242)	147 733	150 119	156 655
Fuel Levy		-	-	-	-	-	-	-	-	13 913	14 609	15 343
Operational Revenue		-	-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		-	-	-	-	-	-	-	-	-	-	-
Other Gains		-	-	-	-	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>916 679</b>	-	-	-	-	-	<b>(38 731)</b>	<b>(38 731)</b>	<b>877 948</b>	<b>985 498</b>	<b>1 033 648</b>

**The following revenue sources necessitated a decrease and increase in operating revenue:**

- ✓ Electricity Services decreased by **R4,9 million** or **2%**;
- ✓ Water Services decreased by **R9,9 million** or **6%**;
- ✓ Transfers and Grants Operation from DHS decrease by **R27,2 million** or **15,6%** and this was due to the accounting treatment that to be applied in accounting for agency services;
- ✓ Sewerage increased by **R1,3 million**; and
- ✓ Refuse services increased by **R1,8 million**.

The above changes were as a result of the mid-year review that occurred in January 2026.

## **1.5 Operating Expenditure Framework**

EC104 Makana - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 2025/02/28

Description	Ref	2025/26									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum Funds	Multi-year capital	Unfore Unavoid.	Nat. or Prov Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	2025/27	2027/28
R thousands		A	A1	B	C	D	E	F	G	H	Adjusted Budget	Adjusted Budget
<b>Revenue By Source</b>												
Exchange Revenue												
Service charges - Electricity	2	241,613	-	-	-	-	-	(4,853)	(4,853)	236,760	277,892	277,854
Service charges - Water	2	177,438	-	-	-	-	-	(9,878)	(9,878)	187,560	204,054	222,419
Service charges - Waste Water Management	2	56,972	-	-	-	-	-	1,310	1,310	58,282	65,518	71,415
Service charges - Waste Management	2	27,953	-	-	-	-	-	1,824	1,824	29,778	29,910	32,003
Sale of Goods and Rendering of Services												
Agency services		1,556	-	-	-	-	-	-	-	-	-	-
Interest										1,558	1,633	1,556
Interest earned from Receivables		68,153	-	-	-	-	-	-	-	68,153	77,534	85,585
Interest earned from Current and Non Current Assets		5,281	-	-	-	-	-	-	-	5,281	5,309	5,819
Dividends		-	-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		208	-	-	-	-	-	-	-	208	219	230
Special Rating Levies		-	-	-	-	-	-	-	-	-	-	-
Licence and permits		-	-	-	-	-	-	-	-	-	-	-
Operational Revenue		4,650	-	-	-	-	-	-	-	-	-	-
Non-Exchange Revenue								109	109	4,760	4,865	(230)
Property rates	2	143,607	-	-	-	-	-	(8)	(8)	143,607	153,659	164,415
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		94	-	-	-	-	-	-	-	94	99	94
Licences or permits		266	-	-	-	-	-	-	-	266	280	294
Transfer and subsidies - Operational		174,975	-	-	-	-	-	-	-	174,975	150,119	156,855
Interest		13,913	-	-	-	-	-	(27,242)	(27,242)	13,913	14,609	15,340
Fuel Levy		-	-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		-	-	-	-	-	-	-	-	-	-	-
Other Gains		-	-	-	-	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>916,679</b>						<b>(38,731)</b>	<b>(38,731)</b>	<b>877,948</b>	<b>983,498</b>	<b>1,033,648</b>
<b>Expenditure By Type</b>												
Employee related costs		249,924	-	-	-	-	-	(12,256)	(12,256)	237,668	263,416	277,114
Remuneration of councillors		14,920	-	-	-	-	-	-	-	14,920	15,667	16,450
Bulk purchases - electricity		204,160	-	-	-	-	-	(19,160)	(19,160)	185,000	213,143	218,472
Inventory consumed		22,634	-	-	-	-	-	(1,297)	(1,297)	21,336	23,430	24,881
Debt impairment		-	-	-	-	-	-	27,999	27,999	27,999	-	-
Depreciation and amortisation		44,598	-	-	-	-	-	2,048	2,048	46,647	46,568	47,732
Interest		3,158	-	-	-	-	-	4,601	4,601	7,759	3,298	3,380
Contracted services		86,849	-	-	-	-	-	(24,261)	(24,261)	62,588	62,254	63,807
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-	-
Irrecoverable debts written off		145,217	-	-	-	-	-	(27,999)	(27,999)	117,218	151,606	155,397
Operational costs		52,230	-	-	-	-	-	6,765	6,765	58,995	52,230	50,775
Losses on disposal of Assets		-	-	-	-	-	-	-	-	-	-	-
Other Losses		-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>823,698</b>						<b>(43,568)</b>	<b>(43,568)</b>	<b>780,129</b>	<b>831,612</b>	<b>858,087</b>

The above table reflects the expenditure types that have been adjusted in line with the mid-year performance review. The operating expenditure decreased by **R43,6 million** or **5,3%** when compared to the original budget that was approved by Council in May 2025.

**The following expenditure types necessitated the increases and decreases in operating expenditure:**

- ✓ Employee Costs decreased by **R12,3 million** or **5%**;
- ✓ Bulk Purchases Electricity decreased by **R19,2 million** or **9,4%**;
- ✓ Finance Charges increased by **R4,6 million** to account for the interest portion of DBSA loan;

- ✓ Contracted Services decreased by **R24,3 million or 28%**; and
- ✓ Other Expenditure increased by **R6,8 million or 13%**.

The above changes were as a result of the mid-year review that occurred in January 2026.

## 1.6 Capital Revenue and Expenditure Framework

Capital Expenditure - Functional												
<b>Governance and administration</b>		6,348	-	-	-	-	-	(766)	(766)	5,582	4,902	(437)
Executive and council		1,376	-	-	-	-	-	104	104	1,400	1,261	(115)
Finance and administration		4,972	-	-	-	-	-	(870)	(870)	4,102	3,641	(323)
Internal audit		-	-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		6,467	-	-	-	-	-	461	461	6,928	5,394	(72)
Community and social services		-	-	-	-	-	-	130	130	-	-	-
Sport and recreation		5,187	-	-	-	-	-	81	81	5,248	5,119	(47)
Public safety		1,300	-	-	-	-	-	250	250	1,550	275	(25)
Housing		-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		61,467	-	-	-	-	-	23,846	23,846	85,313	57,261	147,799
Planning and development		1,100	-	-	-	-	-	20	20	1,120	1,008	(92)
Road transport		60,367	-	-	-	-	-	23,826	23,826	84,193	56,253	147,891
Environmental protection		-	-	-	-	-	-	-	-	-	-	-
Trading services		48,118	-	-	-	-	-	2,828	2,828	42,945	42,956	155,969
Energy sources		10,700	-	-	-	-	-	(2,400)	(2,400)	8,300	9,308	24,053
Water management		25,018	-	-	-	-	-	352	352	25,370	31,446	132,033
Waste water management		2,200	-	-	-	-	-	3,350	3,350	5,550	2,017	(100)
Waste management		2,200	-	-	-	-	-	1,525	1,525	3,725	183	(17)
Other		-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	114,400	-	-	-	-	-	26,369	26,369	140,768	110,514	303,259
<b>Funded by:</b>												
National Government		91,752	-	-	-	-	-	(14,580)	(14,580)	77,172	89,336	232,008
Provincial Government		-	-	-	-	-	-	44,626	44,626	44,626	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind)		-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	91,752	-	-	-	-	-	30,046	30,046	121,797	84,336	232,008
Borrowing		-	-	-	-	-	-	-	-	-	-	-
Internally generated funds		22,648	-	-	-	-	-	(3,677)	(3,677)	18,971	16,177	(1,154)
<b>Total Capital Funding</b>		114,400	-	-	-	-	-	26,369	26,369	140,768	110,514	230,853

The above table reflects the capital expenditure and its funding sources. The capital expenditure reflects an increase or upward adjustment of **R30 million**. This is due to increased additional grant in allocation of **R30 million** from the Office of the Premier, for undertaking the Small Towns Revitalization Project. The projects funded from own revenue decreased by **R3,7 million** to ensure that no expectations are created and to adhere to the funds available for this expenditure

## Adjusted Budget Tables

Please see attached PDF B Schedule Budget Document.

## **PART 2 – SUPPORTING DOCUMENTATION**

### **2.1 Overview of the Annual Budget Process**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the stewardship of the Executive Mayor.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the municipal budget related policies and service delivery priorities set out in the Councils IDP and the budget, taking into account the need to protect the financial viability and sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### **2.1.1 Budget Process Overview**

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2025) a time schedule that sets out the process to revise the IDP and prepare the budget for the following financial year.

The Executive Mayor in the last financial year tabled in Council the IDP and budget time table or schedule of key deadline date in August 2025, to craft the way forward for the review of the IDP and the preparation of the MTREF budget.

#### **SCHEDULE OF KEY DEADLINES SUMMARY**

<b>AUGUST 2025</b>	<b>Planning</b>
<b>SEPTEMBER 2025</b>	<b>Public Participation (Inputs)</b>
<b>OCTOBER 2025</b>	<b>Management Planning</b>
<b>NOVEMBER 2025</b>	<b>Mayoral Committee / Council Planning</b>
<b>DECEMBER 2025– MARCH 2026</b>	<b>Budget Process / IDP Development Draft IDP Review and Budget Approvals</b>

<b>APRIL 2026</b>	<b>Public Participation (Report Back)</b>
<b>MAY 2026</b>	<b>Final approval of IDP and Budget</b>
<b>JUNE 2026</b>	<b>Performance System Development (SDBIP)</b>

### **2.1.2 IDP and Service Delivery and Budget Implementation Plan**

The draft Integrated Development Plan (IDP) for the 2025/26 – 2029/30 financial years is to be submitted to Council for approval in March 2026.

The Municipality's IDP is its principle strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into strategic goals, strategic objective, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

**The Process Plan applicable to the annual revisions of IDP included the following key IDP processes and deliverables:**

- Registration of community needs;
- Compilation of departmental strategic plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2025/26 MTREF, based on the approved MTREF budget and Mid-year Review. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

The municipality needs to plan for cash-backed provisions and reserves and was unable to do so over the previous period and in the current year due to its financial instability. The current portion of long-term employee benefits consisting of medical aid contributions for retired personnel and for the payment of long service bonuses should be cash backed and included in table A8, but no funding is available on reserves to support these provisions. Business planning links back to priority needs and master planning and informed the detail operating budget appropriations and three-year capital programme.

## **2.2 Overview of Budget Assumptions**

### **2.2.1 External factors**

The world economy is expected to grow by 4.4 per cent during the current financial year. This is lower than the 4.9 per cent that was anticipated when tabling the medium-term budget policy statement (MTBPS).

The South African economy has not been shielded from these global developments. National Treasury has revised South Africa's economic growth estimate for 2025/2026 was 4.4 per cent and decreased to 3.7 percent, 3.3. per cent and 3.2 per cent in the upcoming MTREF.

Makana Local Municipality still finds itself in a position where economic growth is stagnant and the cash flow is under pressure resulting in limited financial resources being available for service delivery. This is also evident in the inability of the municipality to internally fund the ageing infrastructure, due to poor collection rate from its communities. This leads to the municipality making choices on spending on only things that would support service delivery to improve the lives of its communities. It therefore requires management to carefully evaluate spending decisions and to ensure value for money in all procurement processes undertaken.

### **2.2.2 General inflation outlook and its impact on the municipal activities**

There are many factors that have been taken into consideration in the compilation of the 2025/2026 MTREF the list hereunder represents a few of these:

- National Government macro-economic targets.
- The general inflationary outlook and the impact on the municipality's residents and businesses.
- The impact of municipal cost drivers.
- The increase in prices for bulk electricity and water; and
- Employee related costs comprise of **26%** or **27,8%** inclusive of councillor's allowance to the total operating expenditure in the 2024/2025 financial year and are budgeted MTREF and includes critical vacancies.at

### **2.2.3 Credit rating outlook**

The Municipality has not had a credit rating done and considering the current financial position it is not advisable to have it performed, as it is not planning to undertake any loans to fund capital expenditure.

### **2.2 4 Collection rate for revenue services**

The base assumption is that tariff and ratings will increase at a rate higher than CPI over the MTREF to aid the financial distress experience by the municipality. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the

forecasted term, however the interest rates have declined in the medium term providing some form of relief to cash strapped consumers.

The rate of revenue collection is currently expressed as a percentage of annual billings versus cash collected. Cash flow is assumed to be **60%** of billing, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored. The collection rate is also measured through the performance of individual services, as the electricity service and property rate are currently high performers in the collection of services.

Economic circumstances as well as past deficiencies in the application of the credit control and debt collection policy, a write-off of debt that has become irrecoverable will once again be inevitable during the 2025/26 financial year, including arrear debt for indigent and deceased households.

#### **2.2.5 Salary increases**

Employee-related costs have been decreased **R12,3 million** or **5%** and this has been necessitated by the performance of these costs in the two previous financial years and the stance of the municipality to only fill critical positions due to cash flow challenges.

#### **2.2.6 Ability of the municipality to spend and deliver on the programmes**

It is estimated that a spending rate of **70%** will be achieved on operating expenditure and **95%** on grant funded projects during 2025/2026 MTREF of which performance has been factored into the cash flow budget.

As the municipality needs to recover financially, austerity measures are still applied to ensure savings on all categories of expenditure. The spending on the operating budget will be dependent on the realising the revenue as per the revenue and cash flow estimates for the 2025/2026 MTREF.

### **2.3 Overview of budget funding**

Funding of the Budget Section 18(1) of the MFMA determines that an annual budget can only be funded from:

- Realistically expected revenue to be collected.
- Cash-backed accumulated funds of preceding years' surpluses not earmarked for other purposes;
- Additional grant funding received from National or Provincial Government; and
- Borrowed funds, but only for the capital budget referred to in Section 19.

## **Long Term Financial Planning**

The municipality is the process of updating the long-term financial plan with current financial and statistical information for the MTREF. The municipality is not in a position to borrow funds for capital project due to the financial constraints faced by the municipality.

The municipality needs to plan for cash-backed provisions and reserves to ensure that the deteriorating infrastructure can be replaced or maintained at regular intervals to protect service delivery. The current portion of long-term employee benefits consisting of medical aid contributions for retired personnel and for the payment of long service bonuses should be cash backed and are included in table A8, but no funding is available for these provisions. The fact that salary related expenditure and councillors allowances are within the acceptable norm reflects that the municipality is intentional in ensuring compliance with the applicable laws and regulations, including but not limited to cost containment regulations.

### **2.4 Legislation Compliance Status**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

#### **1) In-Year Reporting**

On a monthly basis section 71 is reported to the Executive Mayor (within 10 working days) after the end of the month and is loaded on the Igportal as required by National and Provincial Treasury.

#### **2) Internship Program**

Makana Municipality is participating in the Municipal Financial Management Internship program. Position for Five interns will be advertised, and subsequently appointed, before the end of the financial year will be funded through the FMG. There is currently an appointed intern through FMG and the intern is placed at the Internal Audit Section.

#### **3) The Budget and Treasury Office**

Has been established in accordance with the MFMA, the municipality reviews its organizational structure every year, during the review of the IDP and preparation of the budget. The staffing of BTO is receiving priority and the necessary budgetary allocation has been made over the MTREF.

4) There are members of the Audit Committee appointed and the municipality has a functional Audit Committee.

5) The municipality has adjusted its SDBIP with the adjusted budget and it will be approved in accordance with the legislative framework after the budget approval and it is directly aligned and informed by the 2025/26 adjusted MTREF.

6) Annual report is compiled in terms of the MFMA and National Treasury requirements. The draft annual report was tabled in Council in January 2026 and is currently available for public comments before submission to the oversight committee and thereafter final adoption by Council.

7) Minimum competency training

The municipal staff has not undergone the Minimum competency training during the current financial year. All Senior Managers and the Municipal Manager have undergone this training. All BTO managers have undergone this training and some managers across different directorates within the municipality.

8) mSCOA Implementation

The municipality is not compliant in respect of all mSCOA requirements as certain modules/registers of the core financial system such as asset management, SCM module, grant register and inventory module are not fully integrated and still needs to be implemented. The monthly data strings for section 71 are submitted by the municipality and passed the validation test. These data strings, however, needed to be looked at to ensure that the actual performance of the budget is implemented on strings that are budgeted for.

The municipality during the month of February 2026 engaged the system vendor to address some of the concerns raised by Provincial Treasury on the misalignment of the municipal data strings thus affecting the funding and credibility of the budget. The municipality realized that the employee related costs and revenue data strings were transacting in areas that did not have the budget due to quick codes that were not properly aligned.

The revenue quick codes were attended on Monday, 16 February 2026 and this necessitated journals to be processed to ensure that revenue is sitting on correct data strings. The same exercise needs to be undertaken on payroll to ensure that payroll is transacting on correct segments. A number of data strings were corrected as funding was in many areas reflecting non- funding transactions and the projects for grants had to be aligned to the correct funding and function. This is work in progress and the BTO will work tirelessly to ensure the credibility of data in the draft and final budget.

With the submitted adjustment budget there has been a significant improvement in the data strings submitted.



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### **Municipal Manager's Quality Certification**

#### **Quality Certificate**

I, P.M. Kate, Municipal Manager of EC104 Makana Municipality, hereby certify that the 2025/26 MTREF adjusted budget and supporting documentation has been prepared in accordance with the Municipal Finance Management Act (No. 56 of 2003) and the regulations made under that Act, and that the budget and supporting documentation are consistent with the Integrated Development Plan of the municipality.

**P.M. KATE**  
**MUNICIPAL MANAGER**  
**Makana Municipality EC104**  
**27 February 2026**