



Draft Budget Medium Term Revenue and Expenditure Forecasts MFMA Section 16 Report

2025/2026 MTREF

Govan Mbeki Municipality

Table Of Contents

1. OVERVIEW	3
1.1 Purpose	3
1.2 Background	3
1.3 Long Term Financial Sustainability (LTFS)	4
1.4 2025/2026 MTREF Policy statements and guidelines	4
2. EXECUTIVE SUMMARY	5
2.1 Executive Summary	5
2.2 Consolidated overview	7
3. DETAILED OVERVIEW OF BUDGET	8
3.1 Total Revenue	8
3.2 Revenue	8
3.3 Operating Expenditure	11
4. BUDGET CASH-FLOW STATUS	25
5. CONSULTATION PROCESS	25
6. BUDGET RELATED POLICIES AND OVERVIEW OF TARIFF ADJUSTMENTS	26
6.1 Virement Policy (Annexure B)	26
6.2 Accounting policy (Annexure C)	26
6.3 Supply Chain Management Policy (Annexure D)	26
6.4 Credit control and Debt collection policy (Annexure E)	26
6.5 Investment policy (Annexure F)	26
6.6 Property Rates policy (Annexure G)	26
6.7 Tariff policy (Annexure H)	26
6.8 Fixed Asset Management Policy (Annexure I)	27
6.9 Short Term Risk and Liabilities Policy (Annexure J)	27
6.10 Funding and Reserves Policy (Annexure K)	27
6.11 Budget Policy (Annexure L)	27
6.12 Borrowing Policy (Annexure M)	27
6.13 Blacklisting Policy (Annexure N)	27
6.14 Indigent Management Policy (Annexure O)	27
6.15 Travelling and Subsistence Policy (Annexure P)	27
6.16 Provision for Doubtful Debt and Debt Write-Off Policy (Annexure Q)	27
6.17 Unclaimed Deposit Policy (Annexure R)	27
6.18 Retention Policy (Annexure S)	27
6.19 Cost Containment Policy (Annexure T)	27

7. OVERVIEW OF BUDGET ASSUMPTIONS.....	28
7.1 Key Financial indicators	28
7.2 Credit Rating	28
7.3 Borrowing and Investment of funds.....	28
7.4 Rates, tariffs, charges and timing of revenue collection.....	28
7.5 Collection rates for each revenue source	28
7.6 Price movements on specifics.....	29
7.7 Average salary increases.....	29
7.8 Changing Demand characteristics.....	29
7.9 Ability to the municipality to spend and deliver on programs	29
8. ALIGNMENT OF BUDGET TO THE INTEGRATED DEVELOPMENT PLAN.....	29
8.1 IDP Review and stakeholder participation.....	30
8.2 IDP link to the budget	30
9. BUDGET RECOMMENDATIONS.....	30

1. OVERVIEW

1.1 Purpose

The purpose of the report is to table the draft 2025/26 Medium-term Revenue and Expenditure Framework (MTREF) before Council in terms of Section 16(2) of the Local Government: Municipal Finance Management Act (MFMA), 2003 (Act 56 of 2003) prior to the community consultation process.

1.2 Background

Section 16(1) of the Municipal Finance Management Act (MFMA) stipulates that the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. Section 16(2) stipulates that in order to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

Section 22 of the MFMA also stipulates that immediately after an annual budget is tabled in a municipal council the accounting officer must make public the annual budget and documents in terms of Section 17 and invite the local community to submit representations in connection with the budget; and submit the annual budget to the National Treasury and the relevant provincial treasury in printed and electronic formats.

Section 23(2) of the MFMA stipulates further that “after considering all budget submissions, the Council must give the Executive Mayor an opportunity –

- a) To respond to the submissions; and
- b) If necessary, to revise the budget and table amendments for consideration by the council”.

The tabling of the Draft Budget and IDP will be followed by public consultation meetings with various stakeholders.

The 2025/26 MTREF will be considered for approval by Council in 31 May 2025 after taking into account the outcome of public consultation.

1.3 Long Term Financial Sustainability (LTFS)

The purpose of the long-term financial strategy is to ensure that the municipality is financially sustainable and able to respond to the Municipal Growth and Development Strategy, policies, priorities and infrastructure needs.

The objectives of the LTFS are:

- Prudent and sound medium-term to long-term financial framework.
- Resilience and able to absorb future shocks.
- Ensure sustainability of services.
- Investment in infrastructure.
- Adequate maintenance of infrastructure.
- Identify strategies that will ensure long-term financial sustainability:
- Operational efficiency initiatives,
- Sustainable and alternative revenue streams.
- Respond to the long-term strategy of the municipality.
- Improve the municipality’s credit rating.

Owing to the limited revenue base (municipal rates, user charges and grants/subsidies) the Municipality has to be proactive in the minimization of costs and the maximisation of efficiencies in order to respond to increased service delivery requirements.

The strategies and measures already implemented to ensure sustainability are:

- The Budget Policy;
- The Revenue Enhancement Strategy;
- Budget Principles and guidelines; and
- The Cash-Flow Management Intervention Initiatives.

Long-term Financial Model (LTFM)

The long-term Financial Model essentially informs the compilation of the MTREF with the emphasis on affordability and long-term sustainability. Although the LTFM is predominantly a financial planning tool to ensure long-term financial sustainability for the organisation, the financial planning process and LTFM run parallel to ensure the strategies and direction of the Municipality are at all times informed by best practice. The municipality is in a process of reviewing its plans and developing a long-term financial strategy.

1.4 2025/2026 MTREF Policy statements and guidelines

The IDP is the primary point of reference for preparation of the MTREF. Accordingly, the budget addresses the following strategic objectives:

- Provide basic services, roads and storm water.
- Economic growth and development and job creation.
- Sustainable communities with clean, healthy and safe environments and integrated social services.
- Participatory democracy and Batho Pele.
- Promote sound governance.
- Ensure financial sustainability.
- Organisational development and transformation.

The 2025/26 MTREF reflects the reality of the current budgetary pressures. The following budget guidelines directly informed the compilation of the budget;

- Scale down on baseline allocation as indicated by National Government.
- Approve a balanced budget and create cash surplus over the Medium-term.
- The budget must be funded in accordance with the funding compliance procedure set out in MFMA Circular 129 and the Funding Compliance Guideline.
- Reprioritise competing needs within the allocations.
- Ensure the timely delivery of the capital programmes (eliminate under spending of capital budget).
- Tariff and Property Rate increases should take into account the need to address infrastructure backlogs and other strategies and affordability of services.
- The percentage salary increases according SALGA guideline
 - *2025/26 Financial Year –5.05%*
- Special attention needs to be given to efficiency gains and the principle of value for money.
- Filling of vacancies should be reviewed within the available budget.

2. EXECUTIVE SUMMARY

2.1 Executive Summary

The preparation of the 2025/2026 Budget and Medium-Term Revenue and Expenditure Framework (MTREF) is based on the guidelines contained in the MFMA **Circular No.130** issued by National Treasury.

The other fundamental principles underlying the preparation of this draft budget is the application of sound Financial Management to ensure Financial Viability, and that municipal services provide sustainable, economically, and equitable to all communities.

Recommendations as outlined in the correspondence from CoGTA dated the 7th of February 2025 which related to the curbing of excessive property rates increases on implementation of the new valuation roll.

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

- Significant increase in operating expenditure with limited increase in operating revenue resulting in huge deficits.
- Cash flow constraints
- The need to re-prioritise expenditure within the existing resource given the cash flow realities and declining cash position.
- Unavailability of own-funding for capital budget; and

The following principles and guidelines will directly inform the draft 2025/26 MTREF:

- The budget of 2024/25 budget was used as baseline and was appropriate as upper limits.
- Guidelines from National Treasury except where specific sector increases are prescribed.
- Ensuring that drinking water meets the required quality standards at all times
- Identification of inefficiencies and elimination of no-priority spending
- Securing health of the assets by increasing the spending on repairs and maintenance
- Developing strategies in reducing water and electricity losses
- Developing tariffs that are cost reflective
- Maintaining a long financially sustainable environment
- Protect the poor from the worst impacts of the economic downturn at all times
- Job creation and poverty reduction

For the municipality to be able to deliver efficient and effective public services within the existing fiscal purse, tough decisions will have to be taken on the expenditure side. Priority ought to be given to the following areas:

- A performance culture where all the people are held accountable for their actions, accompanied by clear, measurable outcomes related to key developmental priorities.
- Limit outsourcing of work
- Procurement reforms
- Limit wastage and inefficient systems
- Strengthen the collection to reduce the debt book

The budget has been prepared with a vision of sustaining the financial capability of the municipality in the long term. A special effort was taken to improve the credibility of the budget. The tariffs have been set in line with tariff policy and the following factors were considered:

- The current collection rate
- The affordability of the community
- The social package
- The direct cost drivers

The tariffs for service charges have been adjusted as follows:

- Water 15.30% increase
- Electricity 12.74% increase
- Rates
 - Residential 9.74% decrease
 - Business and Commercial 1.7% decrease
 - Industrial Properties 1.7% decrease
 - Mining Properties 1.7% decrease
 - Organ of State 1.7% decrease
 - Vacant land 9.74 % decrease
 - Agricultural Properties 1.08% decrease
 - Public service infrastructure properties 1.08% decrease
 - Public Benefit Organisation Properties 1.08% decrease
- Waste management
 - Refuse removal 2.20% increase
- Sewer 2.20% increase
- Miscellaneous 2.20% increase

The social package is proposed as follows:

Description	2023/2024 VAT Inc	2024/2025 VAT Inc	2025/2026 VAT Inc
Free Electricity (50 kw)	86.15	90.37	103.14
Free Water (10 kl)	309.35	324.51	374.16
Equitable Share	303.00	318.00	304.85
Total	698.50	732.88	782.15

The municipality is implementing the inclining block tariffs on electricity and water. The IBT for the electricity is in-line with the NERSA guidelines. The water tariffs are also designed using the inclining block model to promote conservative approach to the domestic consumers.

The municipality will still ensure that the poor are protected through the indigent support scheme as per the indigent policy and debt collection strategy. The threshold for increasing free basic services for a household will be reviewed. The increase on the package indicates the municipality's commitment to protect the poor and also to ensure that those who cannot afford to pay are not burden with the unpaid accounts.

The council is committed in creating employment and reducing poverty as part of National Initiative, through meaningful local economic developmental initiatives and labour-intensive projects. Furthermore, the municipality will on the continuous basis engage with the service providers to ensure that labour intensive approaches are utilized. The municipality will also ensure that it implements the intern programs to provide the young people with on-the-job training.

A conservative approach in spending will be adopted to ensure financial sustainability. As a municipality we should also all pay serious attention to managing revenue and any cash streams effectively through revenue management processes and procedures.

2.2 Consolidated overview

The budget has been prepared in terms of guidelines as contained in **Circular 130** of the MFMA. The contents and format of the budget are in line with the requirements of the Municipal Budget and Reporting Regulations and any applicable legislation.

The 2025/2026 draft budget comprises **R3 649 billion** for operating expenditure and **R216 million** for capital investment programs. The total operating revenue budget is **R3 347 billion** resulting in an operating deficit of **R301 million**.

Municipal revenues and cash flows are expected to increase with all revenue enhancement intervention in place.

Table 1: Consolidated overview of the 2025/2026 Draft Budget

Description	Original Budget 2024/25	Adjusted Budget 2024/25	Draft Budget 2025/2026	Draft Budget 2026/2027	Draft Budget 2027/2028
Total Operating Revenue	3 300 377 587.00	3 306 726 372.46	3 347 929 489.50	3 151 599 423.33	3 334 872 896.87
Lees: Total Operating Expenditure	3 987 098 397.00	3 959 362 291.23	3 649 347 827.39	3 893 258 919.78	4 153 479 852.11
Deficit for year before capital grants & transfers	-686 720 810.00	-652 635 918.77	-301 418 337.89	-741 659 496.45	-818 606 955.24
Capital Grants and transfer revenue	117 651 000.00	126 934 378.00	110 975 000.00	94 078 000.00	102 385 000.00
Deficit after grants and transfers	-569 069 810.00	-525 701 540.77	-190 443 337.89	-647 581 496.45	-716 221 955.24
Total Capital Expenditure	273 903 300.00	304 143 478.61	216 314 250.00	200 301 677.00	213 946 950.79
Net deficit	842 972 810.00	-829 845 019.38	-406 757 587.89	-847 883 173.45	-930 168 906.03

Operating budget

The operating budget deals with day-to-day operations of the municipality to ensure that service delivery is sustained.

The draft operating expenditure budget has been decreased by R310 014 463.84 compared to the current adjusted budget of R3 959 362 291.23

The trend of the operating expenditure has been increasing over the years driven by:

- salary increments
- the need to repair infrastructure
- Inflation

Capital budget

An amount of R216 million has been allocated for the capital investment program for 2025/2026 financial year. This shows a decrease of the R 57.5 million compared to final budget for 2024/2025. The internal funding capital program amounts to R108.8 million, R40 million relates INEP and R67.4million relates to MIG.

3. DETAILED OVERVIEW OF BUDGET

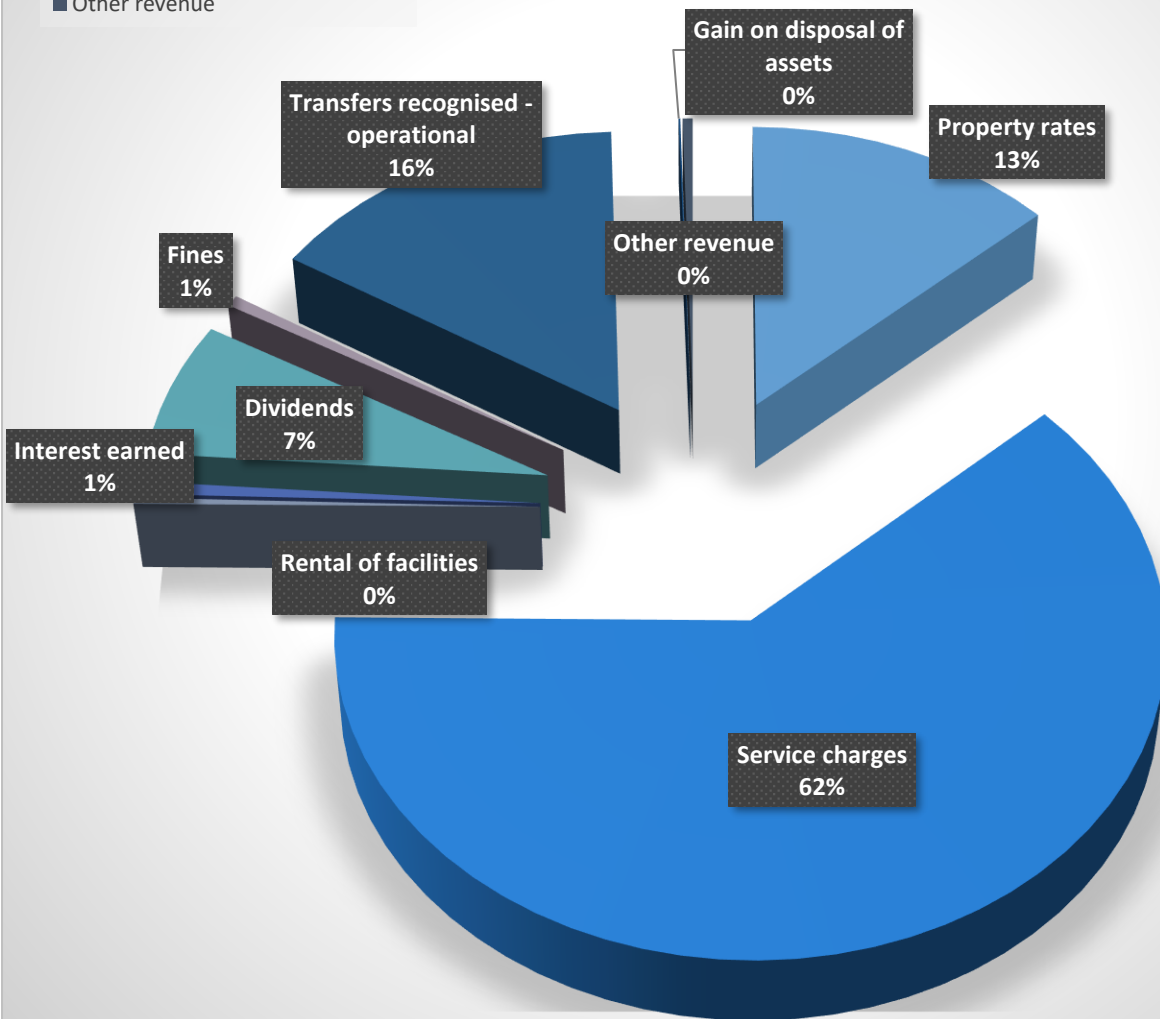
3.1 Total Revenue

Revenue	Final Budget 2024/25	Draft Budget 2025/26	Draft Budget 2026/27	Draft Budget 2027/28
Exchange Revenue	- 2 325 201 556.00	- 2 335 228 211.10	- 2 095 344 315.96	- 2 232 218 244.81
Interest Dividend and Rent on Land	- 230 002 675.00	- 238 969 834.52	- 250 688 195.58	- 261 718 476.18
Operational Revenue	- 6 507 982.00	- 6 564 665.66	- 6 643 603.87	- 6 715 922.44
Rental from Fixed Assets	- 10 467 877.00	- 10 928 463.59	- 11 409 315.99	- 11 911 325.89
Sales of Goods and Rendering of Services	- 7 289 478.00	- 7 831 703.33	- 8 107 130.23	- 8 463 843.96
<i>Service Charges</i>	<i>- 2 070 933 544.00</i>	<i>- 2 070 933 544.00</i>	<i>- 1 818 496 070.29</i>	<i>- 1 943 408 676.33</i>
Electricity	- 994 106 651.00	- 994 106 651.00	- 947 123 987.05	- 1 022 893 906.01
Waste Management	- 180 035 681.00	- 180 035 681.00	- 196 227 370.01	- 204 861 374.29
Waste Water Management	- 182 706 416.00	- 182 706 416.00	- 172 529 621.92	- 182 881 399.24
Water	- 714 084 796.00	- 714 084 796.00	- 502 615 091.32	- 532 771 996.80
Non-exchange Revenue	- 1 105 959 194.00	- 1 121 176 278.40	- 1 147 833 107.37	- 1 202 539 652.06
Fines Penalties and Forfeits	- 18 730 482.00	- 19 434 332.51	- 20 415 026.63	- 21 313 287.80
Interest	- 21 687 634.00	- 22 641 889.90	- 23 638 133.05	- 24 678 210.91
Property Rates by Usage	- 445 250 056.00	- 445 250 056.00	- 454 664 088.08	- 474 669 307.95
Transfers and Subsidies	- 620 291 022.00	- 633 850 000.00	- 649 115 859.62	- 681 878 845.40
<i>Capital</i>	<i>- 126 934 378.00</i>	<i>- 110 975 000.00</i>	<i>- 94 078 000.00</i>	<i>- 102 385 000</i>
<i>Operational</i>	<i>- 493 356 644.00</i>	<i>- 522 875 000.00</i>	<i>- 555 037 859.62</i>	<i>- 579 493 845.40</i>
Gains & Losses				
Disposal of Fixed and Intangible Assets	- 2 500 000.00	- 2 500 000.00	- 2 500 000.00	- 2 500 000.00
Grand Total	- 3 433 660 750.00	- 3 458 904 489.50	- 3 245 677 423.33	- 3 437 257 896.87

3.2 Revenue

Revenue 2025-2026

- Property rates
- Service charges
- Rental of facilities
- Interest earned
- Dividends
- Fines
- Transfers recognised - operational
- Gain on disposal of assets
- Other revenue



Comments on Operating Revenue

The property rates

The property rates amount to R 445 million for the 2025/2026 financial year. This revenue stream hasn't been changed from 2024/25 financial year based on actual billing projected for 2025/26 financial year. This revenue stream contributes 13% of the total revenue.

Service charges

Service charges include electricity, refuse, sewer and water. The service charges for 2025/2026 amount to R 2 070 billion. The service charges contribute 62% of the operating revenue.

Rental income

The rental income amounts to R 10.9 million. The stream contributes 0.2% of the total revenue.

Fines

The revenue estimates for the fines amounts to R 19.4 million this was done to make a provision as required by iGRAP1.

Grants and Subsidies – operating

The grants subsidies refer to the Division of Revenue Act allocations in the 2025/26 financial year, the operational grants allocations are as follows:

Source of funding	Original Budget 2024/25	Adjusted Budget 2024/25	Draft Budget 2025/26	Draft Budget 2026/27	Draft Budget 2027/28
Extended Public works Programme	1 597 000.00	1 597 000.00	2 939 000.00	3,068,318.00	3,203,322.00
Financial Management Grants	3 500 000.00	3 500 000.00	3 500 000.00	3 500 000.00	3 600 000.00
Infrastructure Skills Development Grant	24 400 000.00	24 400 000.00	22 774 000.00	24 288 000.00	24 859 000.00
Arts and Culture		91 608.25	0.00	0.00	0.00
LG Seta	1 000 000.00	1 153 860.68	1,200,000.00	1,200,000.00	1,200,000.00
Economic Development and Tourism		313 901.00	0.00	0.00	0.00
Gert Sibande District Municipality		274 580.00	0.00	0.00	0.00
Energy Efficiency Demand Grant		3 469.83	0.00	0.00	0.00
Point Duty Officer (SASOL)	3 400 000.00	992 525.00	0.00	0.00	0.00
Pre-Capacity grant		165 007.63	0.00	0.00	0.00
Equitable share	458 066 000.00	343 096 000.00	492 462 000.00	522 997 000.00	546 648 000.00
TOTAL	491 963 000.00	375 587 952.39	522,875,000.00	555,037,860.00	579,493,845.00

Grants and Subsidies – capital

The grants subsidies refer to the Division of Revenue Act allocations in the 2025/26 financial year, the capital grants allocations are as follows. The grants are allocated to serve specific purpose to the community which is improvement and/or construction of infrastructure.

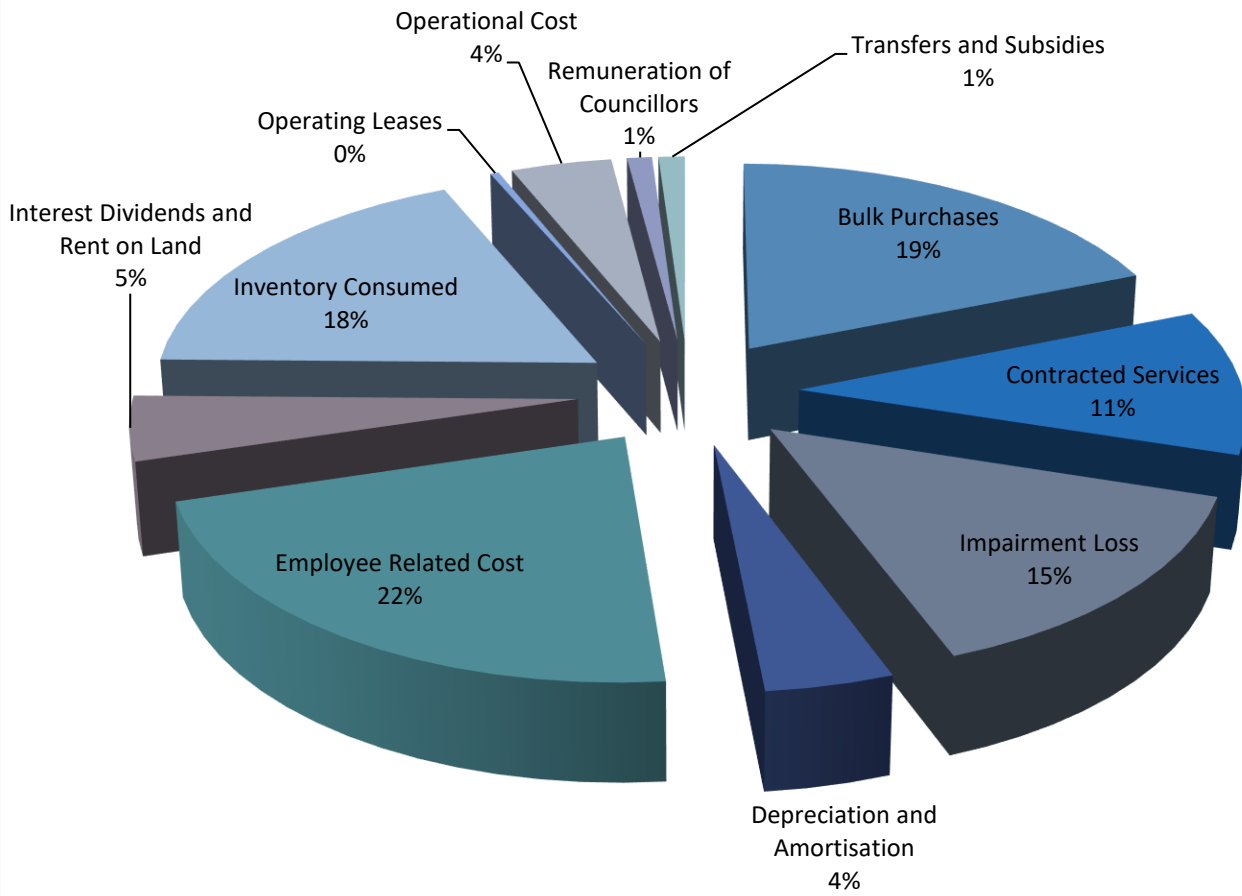
Source of funding	Original Budget 2024/25	Adjusted Budget 2024/25	Draft Budget 2025/26	Draft Budget 2026/27	Draft Budget 2027/28
INEP	32 240 000.00	32 240 000.00	40 000 000.00	17 000 000.00	17 768 000.00
MIG	77 528 000.00	77 418 000.00	70 975 000.00	77 078 000.00	80 617 000.00
WSIG	0	1 972 377.75	0	0	0
EEDSM	0	0	0	0	4 000 000
MDRG	7 883 000.00	15 304 126.00	0	0	0
TOTAL	117 651 000.00	126 934 503.75	110 975 000.00	94 078 000.00	102 385 000.00

3.3 Operating Expenditure

Description	Sum of Final Budget 2024/25	Sum of Draft Budget 2025/26	Sum of Draft Budget 2026/27	Sum of Draft Budget 2027/28
Bulk Purchases	1 101 612 629.00	689 741 639.32	784 920 970.47	887 714 648.10
Contracted Services	456 579 107.00	400 000 000.00	467 441 289.57	493 106 530.68
Impairment Loss	504 765 576.00	526 975 261.34	550 162 172.84	574 369 308.45
Depreciation and Amortisation	145 836 853.00	152 253 674.53	158 952 836.21	169 443 723.40
Employee Related Cost	787 367 687.00	800 000 000.00	836 779 215.64	873 597 501.13
Interest Dividends and Rent on Land	170 086 694.00	177 570 508.54	185 383 610.91	197 618 929.23
Inventory Consumed	553 147 878.00	664 021 886.28	647 675 110.17	679 860 932.46
Operating Leases	12 206 882.00	12 743 984.81	13 304 720.14	14 182 831.67
Operational Cost	154 918 568.00	150 000 000.00	168 974 516.33	180 123 618.89
Remuneration of Councillors	35 479 763.00	37 040 872.57	38 948 477.51	40 954 324.10
Transfers and Subsidies	37 360 647.00	39 000 000.00	40 716 000.00	42 507 504.00
Grand Total	3 959 362 284.00	3 649 347 827.39	3 893 258 919.78	4 153 479 852.11

EXPENDITURE 2025-2026

- Bulk Purchases
- Contracted Services
- Impairment Loss
- Depreciation and Amortisation
- Employee Related Cost
- Interest Dividends and Rent on Land
- Inventory Consumed
- Operating Leases
- Operational Cost
- Remuneration of Councillors



Comments on Operating Expenditure:

Employee related costs

The employee related costs and remuneration of councillors indicate a percentage of 22% of the total operating budget. The average salary increases by 5.1% per collective agreement. The overtime will have to be controlled and filling of vacant positions will have to be fast tracked.

General expenditure

In a bid to cut cost and ensure the funding of the overall budget was increased to R 162.7 million. The transport cost still needs to be controlled. General expenditure takes 4% of the total operating expenditure.

Bulk purchases: Electricity

The bulk purchases for electricity amounts to R689 million, which contributes 19% of the operating budget. The Eskom will increase the bulk purchases to the municipality by 12,74%.

Depreciation

Depreciation constitutes 4% of the budget. The budget increase was informed by historical trends as well as budgeted and forecasted additions.

Inventory Consumed

Inventory consumed is inclusive of Bulk purchases for water which amounts to R 664 million, Rand water will increase bulk purchases to municipality by 15.3%

Contracted services

Contracted services constitute 11% of total operating expenditure due to cashflow constraint this line item was decreased.

MP307 Govan Mbeki - 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
Revenue By Source											
Exchange Revenue											
Service charges - electricity	2	491 874	495 240	562 205	994 107	994 107	994 107	540 744	994 107	947 124	1 022 894
Service charges - water	2	473 294	518 932	456 094	714 085	714 085	714 085	332 430	714 085	502 615	532 772
Service charges - Waste Water Management	2	131 997	145 665	147 473	182 706	182 706	182 706	108 018	182 706	172 530	182 881
Service charges - Waste Management	2	134 739	141 373	143 706	180 036	180 036	180 036	103 355	180 036	196 227	204 861
Sales of Goods and Rendering of Services		5 271	5 341	7 512	6 455	7 289	7 289	4 520	7 832	8 107	8 464
Agency services		-	-	-	-	-	-	-	-	-	-
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from receivables		116 823	197 065	237 020	213 599	213 599	213 599	159 869	223 001	232 813	243 057
Interest earned from Current and non-Current Assets		9 052	16 773	14 911	16 375	16 375	16 375	3 682	15 969	17 875	18 662
Dividends		-	-	-	25	25	25	171	-	-	-
Rent on Land		-	-	-	3	3	3	-	-	-	-
Rental from Fixed Assets		8 878	7 340	6 630	5 698	10 468	10 468	6 083	10 928	11 409	11 911
Licence and permits		-	-	-	-	-	-	-	-	-	-
Operational Revenue		4 348	832	1 640	5 851	6 508	6 508	1 068	6 565	6 644	6 716
Non-Exchange Revenue											
Property Rates	2	373 524	380 428	396 103	445 250	445 250	445 250	252 325	445 250	454 664	474 669
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		3 867	3 118	4 107	19 836	18 730	18 730	5 287	19 434	20 415	21 313
Licence and permits		-	-	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational		341 671	370 000	459 861	492 163	493 357	493 357	363 609	522 875	555 038	579 494
Interest		11 067	20 580	27 032	21 688	21 688	21 688	21 832	22 642	23 638	24 678
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-
Gains on Disposal of Assets		8 771	-	-	2 500	2 500	2 500	-	2 500	2 500	2 500
Other Gains		-	-	35 658	-	-	-	5 066	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		2 115 176	2 302 687	2 499 952	3 300 377	3 306 726	3 306 726	1 908 059	3 347 930	3 151 599	3 334 873
Expenditure By Type											
Employee related costs	2	562 979	600 007	636 744	787 368	787 368	787 368	485 560	800 000	836 779	873 598
Remuneration of councillors		24 397	25 691	35 846	35 480	35 480	35 480	22 021	37 041	38 948	40 954
Bulk purchases - electricity	2	781 716	814 157	1 051 410	853 967	1 101 613	1 101 613	749 328	689 742	784 921	887 715
Inventory Consumed	8	506 173	474 074	617 801	515 279	553 148	553 148	351 030	664 022	647 675	679 861
Debt impairment	3	-	6	-	988 750	504 766	504 766	416 241	526 975	550 162	574 369
Depreciation and amortisation		165 922	136 236	126 208	165 837	145 837	145 837	80 526	152 254	158 953	169 444
Interest		150 605	303 632	279 604	140 087	170 087	170 087	139 162	177 571	185 384	197 619
Contracted services		204 050	257 003	329 674	329 863	456 579	456 579	206 618	400 000	467 441	493 107
Transfers and subsidies		118 679	23 010	38 490	28 361	37 361	37 361	25 301	39 000	40 716	42 508
Irrecoverable debts written off		-	88 067	-	-	-	-	-	-	-	-
Operational costs		75 093	86 520	108 744	143 537	167 125	167 125	78 530	162 744	182 279	194 306
Losses on disposal of Assets		-	-	-	-	-	-	-	-	-	-
Other Losses		-	8	36 038	-	-	-	5 059	-	-	-
Total Expenditure		2 589 614	2 808 411	3 260 559	3 988 529	3 959 364	3 959 364	2 559 376	3 649 348	3 893 259	4 153 480
Surplus/(Deficit)		(474 438)	(505 724)	(760 607)	(688 152)	(652 638)	(652 638)	(651 317)	(301 418)	(741 659)	(818 607)
Transfers and subsidies - capital (monetary)	6	67 594	131 253	118 018	117 651	126 934	126 934	-	110 975	94 078	102 385
Transfers and subsidies - capital (in-kind)	6	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		(406 844)	(374 471)	(642 589)	(570 501)	(525 704)	(525 704)	(651 317)	(190 443)	(647 581)	(716 222)
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		(406 844)	(374 471)	(642 589)	(570 501)	(525 704)	(525 704)	(651 317)	(190 443)	(647 581)	(716 222)

CONTRACTED SERVICES

Row Labels	Sum of Draft Budget 2025/26	Sum of Draft Budget 2026/27	Sum of Draft Budget 2027/28
1% SDL Trainings	3 600 781.06	3 759 215.42	4 007 323.64
Alien Vegetation Control	557 087.80	581 599.66	619 985.24
Arts and Culture Grant	-	99 846.86	106 436.75
Assessment Services	6 340 603.50	6 619 590.05	7 056 483.00
Bethal Electrical infrastructure	16 980 315.00	20 000 000.00	20 000 000.00
Buildings: Water Treatment Plant Building Maintenance (Water Distribution)	-	89 808.55	95 735.91
Burial Services	296 959.54	310 025.76	330 487.46
Business and Advisory - Accounting and A	2 689 118.50	2 807 439.71	2 992 730.73
Business and Advisory: Business and Financial Management	106 974.50	111 681.38	119 052.35
Business and Advisory: Audit Committee	404 000.00	377 695.52	402 623.43
Civil Structures: Maintenance of Civil Sewerage Equipment (Sewerage)	382 450.37	399 661.00	426 038.63
Cleaning of Reservoirs (Water Distribution)	-	50 632.98	53 974.75
Cleaning Services	2 282 085.86	2 382 497.64	2 539 742.49
Computer Equipment: Repairing Computers & Computer Equipment (ICT)	432 126.22	451 139.77	480 914.99
Connections-connection – Electricity	100 000.00	922 897.86	983 809.12
Contracted Services for the Lift (OTIS)	454 280.74	311 233.40	331 774.81
Data Cleansing Project	1 441 000.00	2 233 575.33	2 380 991.30
DC Systems: DC Systems Maintenance	20 000 000.00	22 000 000.00	22 000 000.00
Debt Collection and Credit Control	10 000 000.00	12 000 000.00	12 000 000.00
Disciplinary Committee Services	13 803.77	14 411.13	15 362.27
Drainage: Storm Water Drainage Maintenance (Storm Water Management)	1 462 197.17	1 526 533.84	1 627 285.08
Earthworks: Roads Maintenance (Roads)	6 500 000.00	7 875 078.61	8 394 833.80
Electrical Equipment: Maintenance of Electrical Equipment at the Offices (Facility)	1 040 752.34	106 644.79	113 683.34
Electricity Networks Maintenance	45 000 000.00	50 341 445.16	53 663 980.54
EPWP Expenditure	2 939 000.00	1 718 829.07	1 832 271.79
Financial landfill audit	589 866.29	617 738.67	658 509.42
Furniture and Office Equipment: Repairs & Maintenance of Office Furniture and Equipment	309 426.98	323 041.77	344 362.53
Gert Sibande Electrification (Expenditure)	283 529.52	296 004.82	315 541.14
Hiring of plant/equipment (Vacuum VIP & Septic truck)	6 049 400.00	11 771 308.80	12 548 215.18
Infrastructure Skills Development Grant (Expenditure)	24 400 000.00	24 400 000.00	24 400 000.00
Installation of Smart Meters	25 106 919.18	33 519 623.62	35 731 918.78
Labour Cases	2 841 976.80	2 967 023.78	3 162 847.35
Land: Landfill Site Maintenance Contract (landfill)	14 616 000.00	15 259 104.00	16 266 204.86
Land: Water Treatment Plant Maintenance Hiring of Plant (Water Distribution)	953 181.40	995 121.38	1 060 799.39
Landfill Valuation	130 463.46	136 203.85	145 193.31
Legal Cost – Collection	1 500 000.00	691 629.79	737 277.35
Legal Cost - Issue of Summons	-	157 428.18	167 818.44
Legal Cost - Legal Advice and Litigation	17 731 000.00	23 978 592.00	25 561 179.07
LG SETA _Expenditure	1 200 000.00	1 987 091.75	2 118 239.81
Machinery and Equipment: Maintenance of Generators (Fire)	234 323.51	135 874.69	144 842.42
Maintenance of Theatre and Museums	113 570.18	59 340.48	63 256.95
Maintenance	568 980.00	594 015.12	633 220.12
Maintenance of Unspecified Assets	91 034.08	95 130.70	101 409.33
Mechanical Equipment: Maintenance of Pump Station Mechanical Equipment (Sewerage)	11 526 536.93	11 882 492.08	12 666 736.56
Mechanical Equipment: Maintenance of Fire Extinguishers (Fire)	212 935.75	287 914.22	306 916.56
Mechanical Equipment: Maintenance of Halls Mechanical Equipment (Community Halls)	2 957 798.85	1 564 992.24	1 668 281.72
Mechanical Equipment: Mechanical Equipment Maintenance Reservoirs (Water District)		142 574.53	151 984.45
Mechanical Equipment: Mechanical Equipment Maintenance (Water Distribution)	1 381 460.80	1 443 627.86	1 538 907.30

Row Labels	Sum of Draft Budget 2025/26	Sum of Draft Budget 2026/27	Sum of Draft Budget 2027/28
Mechanical Equipment: Repairs of Waste Water Treatment Mechanical Equipment (Wast	-	2 239 212.48	2 387 000.50
Mechanical Equipment: Reservoirs Maintenance (Water Distribution)	-	169 551.53	180 741.94
Medical Tests	533 807.64	557 295.18	594 076.66
Meter Readings	5 724 381.46	5 976 254.24	6 370 687.02
mSCOA Compliance Alignment System and MFMP Training	1 510 400.00	1 307 923.20	1 394 246.13
MV Conductors' Networks Conductors Materials (Energy Operations)	1 195 236.97	1 247 827.40	1 330 184.01
MV Mini-substations: MV Networks Mini-Substations Repairs and Maintenance (Energy	3 721 300.93	1 508 459.43	1 608 017.76
MV Networks Equipment Repairs and Maintenance: Materials (Energy Operations)	1 345 945.68	1 405 167.29	1 497 908.33
MV Networks Equipment: Materials (Energy Operations)	1 135 547.32	1 185 511.40	1 263 755.15
MV Substation Equipment: MV Substation Maintenance of Equipment - Region 2 (Energy	754 117.16	25 097.96	26 754.42
MV Substation Equipment: MV Substations Maintenance of Equipment - Materials	1 271 897.89	1 327 861.40	1 415 500.25
MV Transformers Repairs and Maintenance: Materials (Energy Operations)	4 213 409.65	4 398 799.68	4 689 120.46
Outsourced Services: Administrative and Support Staff	640 198.55	668 367.28	712 479.52
Pavements: Roads Patching and Resealing (Roads)	1 674 413.14	1 748 087.31	1 863 461.08
Pest Control and Fumigation	66 000.00	34 039.79	36 286.42
Pipe Work: Hiring of Septic Tank Trucks (Sewerage)	8 560 800.00	8 937 475.20	9 527 348.56
Pipe Work: Pipe Work Materials (Sewerage)	-	697 541.60	743 579.35
Pipe Work: PVR Stations Maintenance (Water Distribution)	789 531.18	825 060.84	879 514.86
Pipe Work: Repairs (Waste Water Treatment)	1 535 226.12	1 604 312.77	1 710 197.41
Pipe Work: Repairs of Damaged Network System (Sewerage)	1 139 931.21	1 191 229.20	1 269 850.33
PMS System	2 000 000.00	-	-
Point Duty Officers (Expenditure)	-	-	-
Prepaid Electricity Vendors	38 924 800.00	42 725 491.20	45 545 373.62
Preparation of Annual Financial Statement	313 200.00	326 980.80	348 561.53
Professional Fees	500 000.00	522 000.00	544 968.00
Professional fees _Waste Water	500 000.00	6 840 274.85	7 291 732.99
Professional fees GIS	1 884 455.50	1 967 371.54	2 097 218.06
Public Lighting: Lights -	2 410 527.10	2 516 590.29	2 682 685.25
Relocation fees	765 586.08	799 271.87	852 023.81
Removal of Hazardous Waste	13 731.73	14 335.93	15 282.10
Risk Committee Fees	78 536.99	81 992.62	87 404.13
Security Services	50 464 000.00	61 036 416.00	65 064 819.46
Security Services - Cash In Transit	2 000 000.00	2 213 263.28	2 359 338.66
Sewerage Purification	10 000 000.00	18 690 282.47	19 923 841.12
Spatial Development Framework & Land Surveying	1 300 000.00	1 525 693.50	1 626 389.27
Township Establishment	1 500 000.00	1 914 401.74	2 040 752.25
Training for finance Employees	626 400.00	653 961.60	697 123.07
Training for Internal Auditing	50 000.00	65 396.16	69 712.31
Transfer stations and Landfill Sites	1 044 000.00	1 089 936.00	1 161 871.78
Transport Assets: Vehicles Maintenance (Community Services Administration)	4 371 742.78	4 568 510.34	4 870 032.03
Transport Assets: Vehicles Maintenance (Council Administration)	22 890.74	23 897.94	25 475.20
Transport Assets: Vehicles Maintenance (Technical Services Administration)	2 458 858.03	2 567 047.79	2 736 472.94
Urban design	2 300 000.00	1 089 936.00	1 161 871.78
VAT Recovery Services	3 132 000.00	3 269 808.00	3 485 615.33
Vetting of employees	1 705 186.08	1 780 214.27	1 897 708.41
Grand Total	400 000 000.00	467 441 289.57	493 106 530.68

Repairs and Maintenance

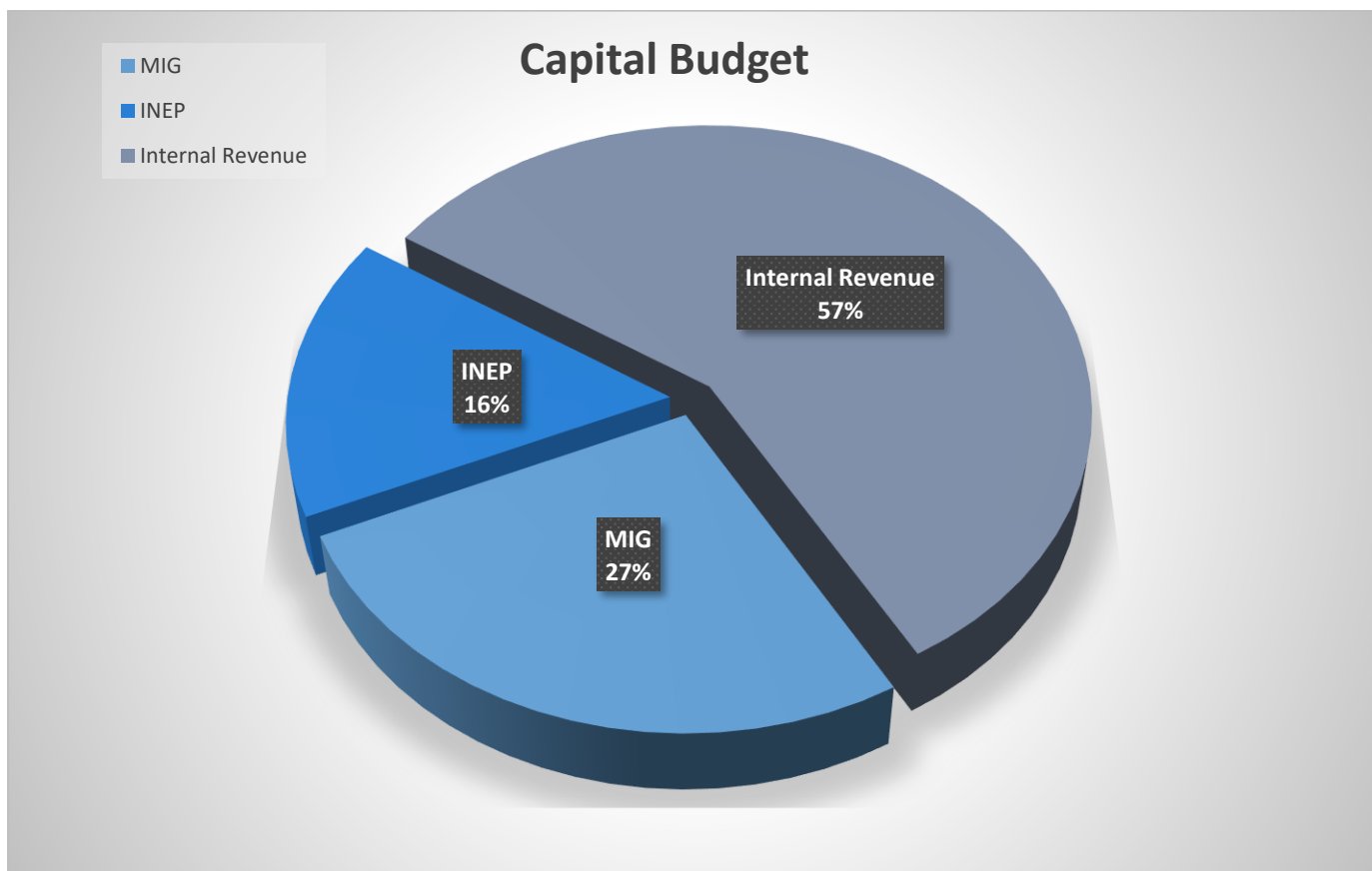
Function	Segment Description	Draft Budget 2025/26	Draft Budget 2026/27	Draft Budget 2027/28
Sewerage: Sewerage (Dept 0608)	Civil Structures: Maintenance of Civil Sewerage Equipment (Sewerage)	382 817.05	399 661.00	426 038.63
Recreational Facilities: Sports Recreation Arts and Culture(0406)	Maintenance of Theatre and Museums	110 000.00	59 340.48	63 256.95
Community Halls and Facilities: Facilities Maintenance (0602)	Electrical Equipment: Maintenance of Electrical Equipment at the Offices (Facility	102 150.18	106 644.79	113 683.34
Community Halls and Facilities: Facilities (Dept 0403)	Mechanical Equipment: Maintenance of Halls Mechanical Equipment (Community Halls)	1 499 034.71	1 564 992.24	1 668 281.72
Fire Fighting and Protection: Fire Fighting (Dept 0404)	Machinery and Equipment: Maintenance of Generators (Fire)	130 148.17	135 874.69	144 842.42
Community Halls and Facilities: Facilities Maintenance (0602)	Contracted Services for the Lift (OTIS)	298 116.29	311 233.40	331 774.81
Fire Fighting and Protection: Fire Fighting (Dept 0404)	Mechanical Equipment: Maintenance of Fire Extinguishers (Fire)	275 779.91	287 914.22	306 916.56
Core Function: Sewerage	Hiring of plant/equipment (Vacuum VIP & Septic truck)	11 275 200.00	11 771 308.80	12 548 215.18
Storm Water Management: Storm Water Management (Dept 0608)	Maintenance of Unspecified Assets	91 121.36	95 130.70	101 409.33
Community Halls and Facilities: Community Services Administration (Dept 0401)	Transport Assets: Vehicles Maintenance (Community Services Administration)	4 410 880.16	4 604 958.89	4 908 886.18
Electricity: Energy Operations (Dept 0609)	MV Mini-substations: MV Networks Mini-Substations Repairs and Maintenance (Energy	1 444 884.52	1 508 459.43	1 608 017.76
Sewerage: Sewerage (Dept 0608)	Pipe Work: Repairs of Damaged Network System (Sewerage)	3 345 865.49	1 191 229.20	1 269 850.33
Waste Water Treatment: Waste Water Treatment (Dept 0603)	Pipe Work: Repairs (Waste Water Treatment)	-	1 604 312.77	1 710 197.41
Water Distribution: Water Distribution (Dept 0604)	Pipe Work: PVR Stations Maintenance (Water Distribution)	790 288.16	825 060.84	879 514.86
Water Distribution: Water Distribution (Dept 0604)	Mechanical Equipment: Mechanical Equipment Maintenance (Water Distribution)	1 519 350.95	1 443 627.86	1 538 907.30
Water Distribution: Water Distribution (Dept 0604)	Mechanical Equipment: Mechanical Equipment Maintenance Reservoirs (Water District		142 574.53	151 984.45
Water Distribution: Water Distribution (Dept 0604)	Land: Water Treatment Plant Maintenance Hiring of Plant (Water Distribution)	953 181.40	995 121.38	1 060 799.39
Water Distribution: Water Distribution (Dept 0604)	Mechanical Equipment: Reservoirs Maintenance (Water Distribution)		169 551.53	180 741.94
Water Distribution: Water Distribution (Dept 0604)	Buildings: Water Treatment Plant Building Maintenance (Water Distribution)		89 808.55	95 735.91
Water Distribution: Water Distribution (Dept 0604)	Cleaning of Reservoirs (Water Distribution)		50 632.98	53 974.75
Electricity: Energy Operations (Dept 0609)	Electricity Networks Maintenance	45 000 000.00	50 341 445.16	53 663 980.54
Electricity: Energy Operations (Dept 0609)	MV Networks Equipment: Materials (Energy Operations)	1 135 547.32	1 185 511.40	1 263 755.15

Function	Segment Description	Draft Budget 2025/26	Draft Budget 2026/27	Draft Budget 2027/28
electricity: Energy Operations (Dept 0609)	MV Networks Equipment Repairs and Maintenance: Materials (Energy Operations)	1 345 945.68	1 405 167.29	1 497 908.33
electricity: Energy Operations (Dept 0609)	MV Substation Equipment: MV Substations Maintenance of Equipment - Materials (Ene	1 271 897.89	1 327 861.40	1 415 500.25
electricity: Energy Operations (Dept 0609)	MV Conductors: MV Networks Conductors Materials (Energy Operations)	1 195 236.97	1 247 827.40	1 330 184.01
Electricity: Energy Operations (Dept 0609)	MV Transformers Repairs and Maintenance: Materials (Energy Operations)	4 213 409.65	4 398 799.68	4 689 120.46
Electricity: Energy Operations (Dept 0609)	Public Lighting: Lights -	2 410 527.10	2 516 590.29	2 682 685.25
Electricity: Energy Operations (Dept 0609)	DC Systems: DC Systems Maintenance	25 000 000.00	22 000 000.00	22 000 000.00
Roads: Roads (Dept 0608)	Earthworks: Roads Maintenance (Roads)	6 500 000.00	7 875 078.61	8 394 833.80
Roads: Roads (Dept 0608)	Pavements: Roads Patching and Resealing (Roads)	1 674 413.14	1 748 087.31	1 863 461.08
Roads: Technical Services Administration (Dept 0601)	Transport Assets: Vehicles Maintenance (Technical Services Administration)	2 458 858.03	2 567 047.79	2 736 472.94
Sewerage: Sewerage (Dept 0608)	Pipe Work: Hiring of Septic Tank Trucks (Sewerage)	8 560 800.00	8 937 475.20	9 527 348.56
Solid Waste Disposal (Landfill Sites):Waste Disposal Landfill Sites (Dept 0409)	Land: Landfill Site Maintenance Contract (landfill)	14 616 000.00	15 259 104.00	16 266 204.86
Sewerage: Sewerage (Dept 0608)	Mechanical Equipment: Maintenance of Pump Station Mechanical Equipment (Sewerage)	13 526 536.93	11 882 492.08	12 666 736.56
Sewerage: Sewerage (Dept 0608)	Pipe Work: Pipe Work Materials (Sewerage)	-	697 541.60	743 579.35
Storm Water Management: Storm Water Management (Dept 0608)	Drainage: Strom Water Drainage Maintenance (Storm Water Management)	1 462 197.17	1 526 533.84	1 627 285.08
Waste Water Treatment: Waste Water Treatment (Dept 0603)	Mechanical Equipment: Repairs of Waste Water Treatment Mechanical Equipment (Wast	-	2 239 212.48	2 387 000.50
Administrative and Corporate Support: Administrative Services (Dept 0203)	Furniture and Office Equipment: Repairs & Maintenance of Office Furniture and Equipment	309 426.98	323 041.77	344 362.53
Information Technology: ICT (Dept 0205)	Computer Equipment: Repairing Computers & Computer Equipment (ICT)	432 126.22	451 139.77	480 914.99
Mayor and Council: Council Administration (Dept 0101)	Transport Assets: Vehicles Maintenance (Council Administration)	22 890.74	23 897.94	25 475.20
Police Forces Traffic and Street Parking Control: Traffic (Dept 0405)	Maintenance	568 980.00	594 015.12	633 220.12
Total		158 333 612.17	165 905 308.41	175 403 058.76

Capital Expenditure per source

Source of funding	Original Budget 2024/25	Adjusted Budget 2024/25	Draft Budget 2025/26	Draft Budget 2026/27	Draft Budget 2027/28
INEP	32 240 000.00	32 240 000.00	40,000,000.00	17,000,000.00	17,768,000.00
MIG	74 180 300.00	73 796 975.00	67 426 250.00	70 393 005.00	73 490 297.22
WSIG	0	1 972 377.75	-	-	0
MDRG	7 883 000.00	15 304 126.00	-	-	0
EEDSM	0	0	-	-	4,000,000.00
Internal Revenue	159 600 000.00	180 830 000.00	108,888,000.0 30	112,908,672.00	118,688,653.57
TOTAL	273 903 300.00	304 143 478.61	216 314 250.00	200 301 677.00	213 946 950.79

Capital Expenditure per source



MP307 Govan Mbeki – Table A5 Capital Expenditure

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 - Functional											
Governance and administration		35 991	59 562	6 741	37 050	29 380	29 380	6 720	12 200	12 998	13 570
Executive and council				740	300	630	630	33	1 500	1 723	1 798
Finance and administration		35 991	59 562	6 001	36 750	28 750	28 750	6 687	10 700	11 275	11 771
Internal audit											
Community and public safety		7 556	21 711	2 173	17 150	11 550	11 550	57	13 338	11 469	11 193
Community and social services		7 556	21 711	1 926	10 150	8 000	8 000	30	9 650	7 619	7 174
Sport and recreation				228	7 000	3 500	3 500	27	3 688	3 850	4 020
Public safety				19		50	50				
Housing											
Health											
Economic and environmental services		32 404	50 038	83 649	67 426	72 043	72 043	37 335	15 100	15 817	16 513
Planning and development		32 426	47 416	63 452	57 276	56 893	56 893	37 250	100	157	163
Road transport		1	2 622	15 547	10 150	15 150	15 150	85	15 000	15 660	16 349
Environmental protection		(23)	-	4 650							
Trading services		(108 673)	71 785	70 289	152 277	229 570	229 570	91 451	175 676	160 018	172 671
Energy sources		(161 749)	44 363	40 994	67 390	101 390	101 390	63 403	83 100	63 369	71 497
Water management		7 174	5 698	17 953	30 000	69 400	69 400	107	64 886	67 741	70 995
Waste water management		44 969	21 724	11 342	38 083	41 976	41 976	13 329	10 005	10 446	10 905
Waste management		933			16 804	16 804	16 804	14 612	17 685	18 463	19 275
Other											
Total Capital Expenditure - Functional	3	(32 722)	203 096	162 852	273 903	342 543	342 543	135 563	216 314	200 302	213 947
Funded by:											
National Government		104 848	99 041	103 627	114 053	123 313	123 313	87 520	107 426	87 393	95 258
Provincial Government				5 780							
District Municipality											
Transfers and subsidies - capital (in-kind)		4 061	-	-	-						
Transfers recognised - capital	4	108 909	99 041	109 407	114 053	123 313	123 313	87 520	107 426	87 393	95 258
Borrowing	6										
Internally generated funds		8 006	43 892	48 844	159 600	219 230	219 230	48 001	108 888	112 909	118 689
Total Capital Funding	7	116 915	142 933	158 251	273 653	342 543	342 543	135 521	216 314	200 302	213 947

Included in the capital projects are the following budgeted expenditures for 2025/2026 – 2027/2028

Description	Funding	2025/26 Budget	2026/27 Budget	2026/27 Budget
Electrification	EEDG	-	-	4 000 000.00
Emzinoni Substation Phase 3	INEP	40 000 000.00	17 000 000.00	17 768 000.00
Construction of Bulk water line and reservoir in Leandra	MIG	14 615 304.00	15 258 377.38	15 929 745.98
Embalenhle Bulk pipeline Replacement/Upgrade Phase 1	MIG	13 731 591.00	14 335 781.00	14 966 555.37
Emzinoni Bulk water supply	MIG	11 389 538.00	11 890 677.67	12 413 867.49
The Procurement of Specialised Vehicles for Waste Management	MIG	17 684 542.00	18 462 661.85	19 275 018.97
Installation of Sewer Reticulation, Pump station and Rising Main in Eendracht	MIG	10 005 275.00	10 445 507.10	10 905 109.41
Cameras	Revenue	100 000.00	104 400.00	108 993.60
Furniture and Equipment (MM)	Revenue	100 000.00	156 600.00	163 490.40
Furniture and Equipment (Speaker)	Revenue	200 000.00	261 000.00	272 484.00
Furniture and Equipment (Planning)	Revenue	100 000.00	156 600.00	163 490.40
Furniture and Equipment (Finance)	Revenue	100 000.00	156 600.00	163 490.40
Furniture and Equipment (Mayor & Council)	Revenue	100 000.00	156 600.00	163 490.40
Furniture and Equipment (Corporate Services)	Revenue	100 000.00	156 600.00	163 490.40
Furniture and Equipment (Community Services)	Revenue	100 000.00	156 600.00	163 490.40
Furniture and Equipment Civil Engineering)	Revenue	100 000.00	156 600.00	163 490.40
Furniture and Equipment (energy)	Revenue	100 000.00	156 600.00	163 490.40
Computers & Laptops	Revenue	2 000 000.00	2 088 000.00	2 179 872.00
Insurance assets replacement	Revenue	5 000 000.00	5 220 000.00	5 449 680.00
Smart Meters Acquisition	Revenue	30 000 000.00	31 000 000.00	33 000 000.00
Fencing of technical yard (brick wall)	Revenue	3 000 000.00	4 698 000.00	4 904 712.00
Air conditioners	Revenue	2 000 000.00	3 132 000.00	3 269 808.00
Boreholes	Revenue	1 000 000.00	1 044 000.00	1 089 936.00
Resealing of Roads	Revenue	15 000 000.00	15 660 000.00	16 349 040.00
Brush Cutter *	Revenue	800 000.00	835 200.00	871 948.80
Refurbishment of Lillian Ngoyi	Revenue	1 000 000.00	1 313 200.00	1 326 980.80
Cable Fault Locator (Thumper)*2	Revenue	3 000 000.00	3 132 000.00	3 269 808.00
Temper proof ground and pole mounted boxes	Revenue	10 000 000.00	10 440 000.00	10 899 360.00
Reconstruction of technical storeroom	Revenue	3 000 000.00	4 176 000.00	4 359 744.00
Installation Water storage tanks	Revenue	500 000.00	522 000.00	544 968.00
Resealing of Roof slab (secunda & Evander)	Revenue	2 600 000.00	2 714 400.00	2 833 833.60
Mobile Toilet	Revenue	288 000.00	300 672.00	313 901.57
Equipment (EPWP)	Revenue	1 000 000.00	1 044 000.00	1 089 936.00

Description	Funding	2025/26 Budget	2026/27 Budget	2026/27 Budget
Refurbishment on Bethal Stores	Revenue	3 500 000.00	3 654 000.00	3 814 776.00
Acquisition of water Meters	Revenue	9 000 000.00	9 396 000.00	9 809 424.00
Completion Replacement of asbestos Evander pipeline	Revenue	5 000 000.00	-	-
Replacement of asbestos Secunda	Revenue	5 000 000.00	5 440 000.00	5 899 360.00
Completion of Floating roof in Secunda Ext 22	Revenue	5 000 000.00	5 220 000.00	5 449 680.00
Procurement of books	Revenue	100 000.00	261 000.00	272 484.00
		216 314 250.00	200 301 677.00	213 946 950.79

4. BUDGET CASH-FLOW STATUS

Funding status	Reference	Amount
Total Expenditure	A	3 649 347 827.39
Add back non-cash items		
Depreciation	B	152,253,674.53
Impairment Loss	C	526,975,261.34
Add: Capital Expenditure	D	216 314 250.00
Total Cash Expenditure	E= (A-B-C+D)	3 186 433 141.52
Payment rate	F	75%
Actual Revenue	G	2 825 054 489.50
Grants (Operational and Capital)	H	633 850 000.00
Total revenue	I	3 458 904 789.50
Actual Cash i.e. 75% payment expected	J = (G x F)	2 188 790 863.13
Actual cash receivables	K = (H+ J)	2 752 640 867.13
Cash deficit	L= (K-E)	-433 792 274.39

Based on the above table the submitted budget's cash flow status is not favourable and it also means that the budget is unfunded.

Budget 2025/26 cannot be unfunded budgets, if unfunded the following are minimal requirements must be met:

- Cash Flow (A7) should have positive cash flows - the cashflow status is negative as a result the expenditure needs to be revised before the final budget submission on the 31 May 2025.
- Develop a plan to turnaround the situation – the municipality already have a plan (Financial Recovery Plan) in place to support the unfunded status.

5. CONSULTATION PROCESS

Section 22 of the Municipal Finance Management Act requires that after tabling of the Draft Budget, the municipality must make the budget available to the public and conduct community participation. Council to advice on how the community will be consulted in the midst of the pandemic.

The following are the key deadlines to be achieved through this process:

Detail	Date
Approval of Draft Budget	30 March 2025
Budget Workshop	03 April 2025
Public Consultation	04 April 2025-30 April 2025
Approval of Budget	29 May 2025

6. BUDGET RELATED POLICIES AND OVERVIEW OF TARIFF ADJUSTMENTS

The municipality's budgeting process is guided and governed by the relevant legislation and related policies.

The purpose of the budget related policies is to govern and guide the budget process and inform the projections of the medium term.

Listed below with a brief description are the municipalities budget related policies. The budget and accounting policies were reviewed during the year.

The accounting policy is reviewed on an on-going basis to incorporate changes required by the relevant Accounting Standards, apart from the changes to these policies as part of the budget process.

- Budget related policies are attached for review as follows:

6.1 Virement Policy (Annexure B)

The Virement policy establishes the framework for managers to manage their respective budgets within limitations, and also to ensure good budgeting practice and effective financial management.

6.2 Accounting policy (Annexure C)

The accounting policy guides the preparation of the Annual Financial Statements and is reviewed each year during the preparation to ensure compliance with Generally Recognized Accounting standards and other guiding principles such as International Financial Reporting.

6.3 Supply Chain Management Policy (Annexure D)

The supply chain management policy was adopted and amendments are as result of council resolution.

6.4 Credit control and Debt collection policy (Annexure E)

6.5 Investment policy (Annexure F)

The intention of the investment policy is to ensure investments are made in an efficient and effective manner which generates the best returns for the municipality while considering preservation and safety of the principal and appropriate liquidity.

6.6 Property Rates policy (Annexure G)

Section 3(1) of the Local Government Property Rates Act, 2004 (Act 6 of 2004) and Section 62 (1) (f) of the Municipal Finance Management Act, determines that a municipality must adopt and implement a rates policy on the levying.

6.7 Tariff policy (Annexure H)

The tariff policy covers levying of tariffs, fees and charges for municipal services. The tariff policy details electricity, water, sewer, refuse removal and miscellaneous tariffs.

6.8 Fixed Asset Management Policy (Annexure I)

The asset policy is designed to ensure management of Municipal assets in efficient and effective manner with regard to acquisition, utilization, control maintenance and disposal of assets. The policy guides Directorates in their responsibility and duties for control of their assets.

6.9 Short Term Risk and Liabilities Policy (Annexure J)

6.10 Funding and Reserves Policy (Annexure K)

6.11 Budget Policy (Annexure L)

6.12 Borrowing Policy (Annexure M)

6.13 Blacklisting Policy (Annexure N)

6.14 Indigent Management Policy (Annexure O)

6.15 Travelling and Subsistence Policy (Annexure P)

6.16 Provision for Doubtful Debt and Debt Write-Off Policy (Annexure Q)

6.17 Unclaimed Deposit Policy (Annexure R)

6.18 Retention Policy (Annexure S)

6.19 Cost Containment Policy (Annexure T)

7. OVERVIEW OF BUDGET ASSUMPTIONS

The budget assumptions are determined before the budget process, guided by the economic outlook, movements in terms of the markets and by the national treasury guidelines.

The assumptions are devised in such a way that they support the short- and long-term finances and strategy of the municipality.

7.1 Key Financial indicators

The growth parameters set by National treasury are set between 3 and 6 percent which are also target range for the inflation rate. All steps have been taken to be in line with these National Treasury guidelines however the following factors affect the municipal operations and the budget accordingly:

- Higher salaries
- Increase by Eskom and Rand water
- Job creation and protecting the poor

The 2025/2026 budget has been guided by the following inflation forecast:

Fiscal Year	2023/24 Actual	2024/25 Estimate	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
Real GDP Growth	1.8%	1.9%	1.75%	1.9%	1.8%
CPI Inflation	6.0%	4.4%	4.3%	4.6%	4.4%

7.2 Credit Rating

The municipality has not had a credit rating and with National Treasury support, the municipality will have to undertake it.

7.3 Borrowing and Investment of funds

The municipality does not have external loans.

The investments amount to R 24.8 million and due to negative cash flow, the municipality is unable to build more reserves.

7.4 Rates, tariffs, charges and timing of revenue collection

Accounts for rates, refuse, electricity, water and sanitation are issued on a monthly basis and are due and payable before the 7th of the month. Recovery procedures for non-payment may be commenced within 7 days of payment default. The electricity supply is cut and water supply is restricted when a client defaults. The municipality is committed in ensuring that collection levels are improved and that credit control will be enforced on those who can afford and not honouring their municipal accounts.

7.5 Collection rates for each revenue source

The collection rate for all the services is expected to be 75% average throughout; this is due to credit control actions that are taken against the defaulters. Where ESKOM is a service delivery agent, consumers who are not paying will be restricted water.

7.6 Price movements on specifics

The cost of bulk purchases amounts to R 1 289 billion for both electricity and water. The projections are informed by the increases from the Rand water and Eskom. Eskom has advised there will be an increase across the board of 12.74% on the bulk purchases of electricity.

The increase on both electricity and water tariff has been pegged at 12.74% and 15.3% respectively per NERSA and Rand Water.

7.7 Average salary increases

Circular issued by National Treasury was taken into account in budgeting for employee related costs it recommends an increase of average 4.3% CPI+0.75% per collective agreement.

7.8 Changing Demand characteristics

The demand for services is increasing yearly as the municipality is expected to deliver services to the indigent and pressure to reduce poverty.

7.9 Ability to the municipality to spend and deliver on programs

The 2025/2026 operating budget will be spent in line with the cost curtailment policy and all expenditures will be in line with the service delivery projects and deliverables. The challenges are still there in terms of maintaining the infrastructure and managing the breakaways of vehicles especially revenue generating.

8. ALIGNMENT OF BUDGET TO THE INTEGRATED DEVELOPMENT PLAN

8.1 IDP Review and stakeholder participation

The IDP has been prepared for the medium term to 2025/26. In the current financial year, the IDP has /undergone the review as required by the Municipal Systems Act and MFMA. Community needs and inputs were sought and the stake holders were consulted.

The IDP takes cognizance of the National, provincial and district priorities. The key focus and IDP priorities are:

- To provide, improve and sustain infrastructure
- To promote socio economic development in rural and urban areas
- To enable and speed up institutional transformation
- To strengthen democracy and good governance
- To improve and sustain financial management

8.2 IDP link to the budget

In compliance with Systems Act of 2000 and the Municipal Finance Management Act the budget is informed and aligned to the IDP priorities.

The budget will be fully aligned to the IDP.

9. BUDGET RECOMMENDATIONS

1. That the report on the Draft Medium-Term Revenue and Expenditure Framework for 2025/2026 and two outer years **BE ACKNOWLEDGED**.
2. That the budget comprising of operating revenue budget of **R 3 347 929 489.50**, operating expenditure budget of **R 3 649 347 827** and capital budget of **R 216 314 250.00** as set out to **BE CONSIDERED** for the adoption to ensure compliance with section 16 (2) of the Municipal Finance Management Act (No 56 of 2003):
3. That the budget related policies of Council mentioned in the report **BE REVIEWED**.
4. That the budget workshop **BE HELD** for all Councillors **TO DISCUSS** the tabled budget in details
5. That Office of the Speaker **TO CO-ORDINATE** budget consultation with communities after the approval of the tabled budget.

6. That proposed tariff increases **BE ADOPTED** as follows:

6.1 ASSESSMENT RATES

All property taxes to be adjusted as follows:

<i>Residential</i>	<i>9.74% decrease</i>
<i>Business and Commercial</i>	<i>1.7% decrease</i>
<i>Industrial Properties</i>	<i>1.7% decrease</i>
<i>Mining Properties</i>	<i>1.7% decrease</i>
<i>Organ of State</i>	<i>1.7% decrease</i>
<i>Vacant land</i>	<i>9.74 % decrease</i>
<i>Agricultural Properties</i>	<i>1.08% decrease</i>
<i>Public service infrastructure Properties</i>	<i>1.08% decrease</i>
<i>Public Benefit Organisation Properties</i>	<i>1.08% decrease</i>

6.2 SEWERAGE

All sewerage charges as per the 2024/2025 tariff book increased by 2.2%.

6.3 REFUSE

All refuse charges as per the 2024/2025 tariff book increased by 2.2%.

6.4 WATER

All basic water charges as per the 2024/2025 tariff book increased by 15.3%

6.5 ELECTRICITY

All basic electricity charges provisional proposing 12.74% while waiting for final approval from NERSA

6.6 DEPOSITS

Increase with 2.2%

6.7 MISCELLANEOUS TARIFFS

- *As per the 2024/25 tariff book increased by 2.2%.*
- *These are tariffs that are used on a need's basis.*

- *All tariffs exclude VAT except in the case of assessment rates that are zero-rate.*

6.8 *INTEREST / CAPITALIZED ARREARS*

- *No interest will be levied on those arrears for which the consumer made formal arrangements.*
- *Interest will only be levied on those arrears for which no formal arrangement exists and/or arrear as a result of not complying with the said arrangements.*
- *Interest rates will be levied at market related rates.*