ANNEXURE A

Draft Budget Medium Term Revenue and Expenditure Forecasts

MFMA Section 16 Report

2026/2027 MTREF

Govan Mbeki Municipality

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1. OVERVIEW

1.1 Purpose

The purpose of the report is to table the draft 2026/27 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 2026/27 MTREF will be considered for approval by Council on 31 May 2026 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 2026/2027 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 2026/27 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 132 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
    - *2026/27 Financial Year –4.75%*
- 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 2026/2027 Budget and Medium-Term Revenue and Expenditure Framework (MTREF) is based on the guidelines contained in the MFMA **Circular No.132** 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 2026/27 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 2026/27 MTREF:

- The budget of 2025/26 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:

- Electricity 12.74%
- Water 11.00%
- Waste Water 11.00%
- Rates 3.70%
- Miscellaneous 3.70%

The social package is proposed as follows:

Description	2024/2025 VAT Inc	2025/2026 VAT Inc	2026/2027 VAT Inc
Free Electricity (50 kw)	90.37	103.65	116.85
Free Water (10 kl)	324.51	374.16	415.32
Equitable Share	318.00	304.85	316.13
Total	**732.88**	**782.15**	**848.30**

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 132** 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 2026/2027 draft budget comprises **R4 168 billion** for operating expenditure and **R192 million** for capital investment programs. The total operating revenue budget is **R3 819 billion** resulting in an operating deficit of **R349 million.**

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

Table 1: Consolidated overview of the 2026/2027 Draft Budget

Description	Original Budget 2025/26	Adjusted Budget 2025/26	Draft Budget 2026/2027	Draft Budget 2027/2028	Draft Budget 2028/2029
Total Operating Revenue	3 359 877 309.70	3 410 870 874.24	3,819,283,387.01	3,876,626,155.68	4,167,567,890.86
Less: Total Operating Expenditure	3 788 023 028.11	3 837 219 593.90	4,168,651,808.30	4,564,679,709.02	4,880,393,589.40
Deficit for year before capital grants & transfers	**-428 145 718.41**	**-426 348 719.66**	**- 349,368,421.30**	**- 688,053,553.34**	**- 712,825,698.54**
Capital Grants and transfer revenue	110 975 000.00	115 201 530.75	110,009,000.00	97,549,000.00	104,869,000.00
Deficit after grants and transfers	**-317 170 718.41**	**-311 147 188.91**	**- 239,359,421.30**	**- 590,504,553.34**	**- 607,956,698.54**
Total Capital Expenditure	216 314 250.00	220 540 907.98	192,866,949.00	183,208,600.00	193,719,750.00
Net deficit	**533 484 968.41**	**- 531 688 096.89**	**- 432,226,370.30**	**- 773,713,153.34**	**- 801,676,448.54**

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 increased by R331 432 214.40 compared to the current adjusted budget of R3 837 219 593.90

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

- salary increments
- increase in bulk purchase
- Inflation

Capital budget

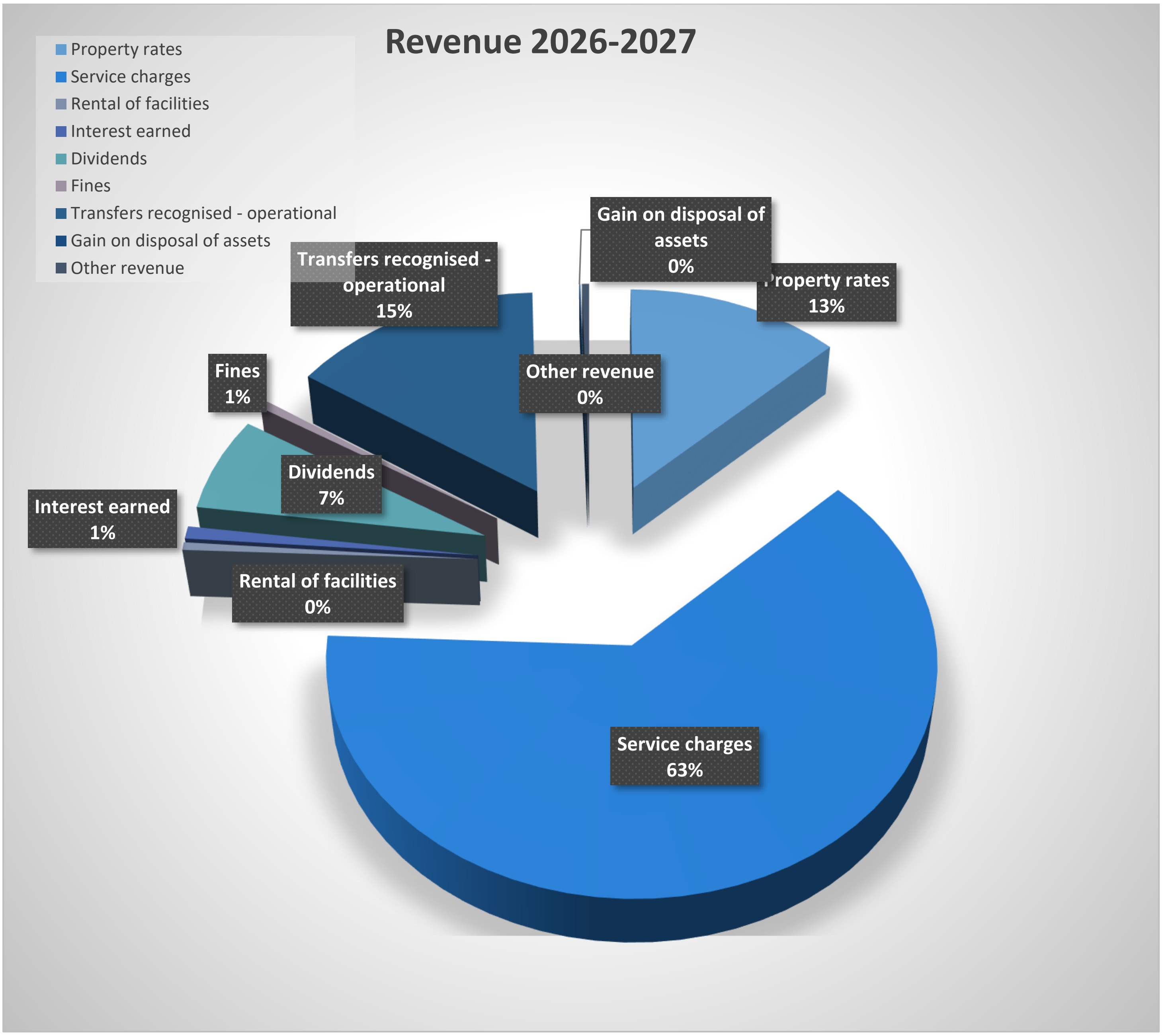
An amount of R192 million has been allocated for the capital investment program for 2026/2027 financial year. This shows a decrease of the R 27.6 million compared to adjusted budget for 2025/2026.The internal funding capital program amounts to R 86.4 million, R35.7 million relates INEP, R 2.4 million relates to MDRG and R68.2 million relates to MIG.

3. DETAILED OVERVIEW OF BUDGET

3.1 Total Revenue

Revenue	Original Budget 2025-26	Adjusted Budget 2025-26	Draft Budget 2026-27	Draft Budget 2027-28	Draft Budget 2028-29
Exchange Revenue	**- 2,336,143,022**	**- 2,375,102,887**	**- 2,621,541,276**	**- 2,638,652,689**	**- 2,892,970,124**
Interest Dividend and Rent on Land	- 239,892,789	- 242,910,969	- 251,915,055	- 261,239,676	- 270,905,543
Licences or Permits	-	- 7,000	- 80,000	- 82,960	- 86,030
Operational Revenue	- 6,566,990	- 6,566,990	- 6,437,516	- 3,727,823	- 3,791,753
Rental from Fixed Assets	- 10,917,995	- 19,812,995	- 20,546,076	- 21,306,281	- 22,094,613
Sales of Goods and Rendering of Services	- 7,831,703	- 7,831,703	- 9,187,002	- 8,421,971	- 8,733,584
Service Charges	- 2,070,933,545	- 2,097,973,230	- 2,333,375,627	- 2,574,614,471	- 2,842,104,487
Electricity	- 994,106,652	- *1,021,146,337*	- *1,047,455,149*	- *1,180,900,935*	- *1,331,347,714*
Waste Management	- 180,035,681	- *180,035,681*	- *180,035,681*	- *194,438,535*	- *209,993,618*
Waste Water Management	- 182,706,416	- *182,706,416*	- *182,706,416*	- *197,322,929*	- *213,108,764*
Water	- 714,084,796	- *714,084,796*	- *714,084,796*	- *771,211,580*	- *832,908,506*
Non-exchange Revenue	**-1,132,209,283**	***- 1,148,469,527***	***- 1,195,212,111***	***- 1,235,443,466***	***- 1,272,067,767***
Fines Penalties and Forfeits	- 19,535,892	- *19,535,892*	- *21,804,725*	- *25,033,023*	- *27,035,665*
Interest	- 22,620,202	- *31,723,892*	- *32,897,679*	- *34,114,893*	- *35,377,144*
Property Rates by Usage	- 456,203,189	- *456,203,199*	- *473,082,707*	- *490,586,767*	- *508,738,478*
Transfers and Subsidies	- 633,850,000	**- 641,006,544**	**- 667,427,000**	**- 685,708,783**	**- 700,916,480**
Capital	- 110,975,000	- *115,201,530*	- *110,009,000*	- *97,549,000*	- *104,869,000*
Operational	- 522,875,000	- *525,805,014*	- *557,418,000*	- *588,159,783*	- *596,047,480*
Gains & Losses	**- 2,500,000**	**- 2,500,000**	**- 2,530,000**	**- 2,530,000**	**- 2,530,000**
Disposal of Fixed and Intangible Assets	- 2,500,000	- 2,500,000	- 2,500,000	- 2,500,000	- 2,500,000
Fair Value Adjustments			- 30,000	- 30,000	- 30,000
GRAND TOTAL	**- 3,470,852,296**	**- 3,526,072,405**	**- 3,819,283,387**	**- 3,876,626,156**	**- 4,167,567,891**

3.2 Revenue



Comments on Operating Revenue

The property rates

The property rates amount to R 473 million for the 2026/2027 financial year. This revenue stream has increase by 16.8 million from 2025/206 budget. This revenue stream contributes 13% of the total revenue.

Service charges

Service charges include electricity, refuse, sewer and water. The service charges for 2026/2027 amount to R 2 333 billion. The service charges contribute 63% of the operating revenue.

Rental income

The rental income amounts to R 20.5 million. The stream contributes 0.5% of the total revenue.

Fines

The revenue estimates for the fines amounts to R 21.8 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 2026/27 financial year the operational grants allocations are as follows:

Source of funding	Original Budget 2025-26	Adjusted Budget 2025/26	Draft Budget 2026-27	Draft Budget 2027-28	Draft Budget 2028-29
Equitable Share	492,462,000.00	492,462,000.00	523,359,000.00	553,795,000.00	561,573,000.00
Infrastructure Skills Development Grant	22,774,000.00	22,774,000.00	24,000,000.00	24,000,000.00	24,000,000.00
Financial Management Grant	3,500,000.00	3,500,000.00	3,500,000.00	3,500,000.00	3,500,000.00
Extended Public Works Programme	2,939,000.00	2,939,000.00	2,859,000.00	2,964,783.00	3,074,479.97
LG Seta	1,200,000.00	1,200,000.00	1,300,000.00	1,500,000.00	1,500,000.00
Point Duty Officer (SASOL)	-	2,153,926.00	2,400,000.00	2,400,000.00	2,400,000.00
Economic Development & Tourism Grant	-	313,901.00	-	-	-
Arts and Culture Grant	-	91,608.00	-	-	-
Pre Capacity Grant	-	92,529.00	-	-	-
Gert Sibande Grant	-	274,580.00	-	-	-
Energy Efficiency & Demand Management	-	3,470.00	-	-	-
	522,875,000.00	**525,805,014.00**	**557,418,000.00**	**588,159,783.00**	**596,047,479.97**

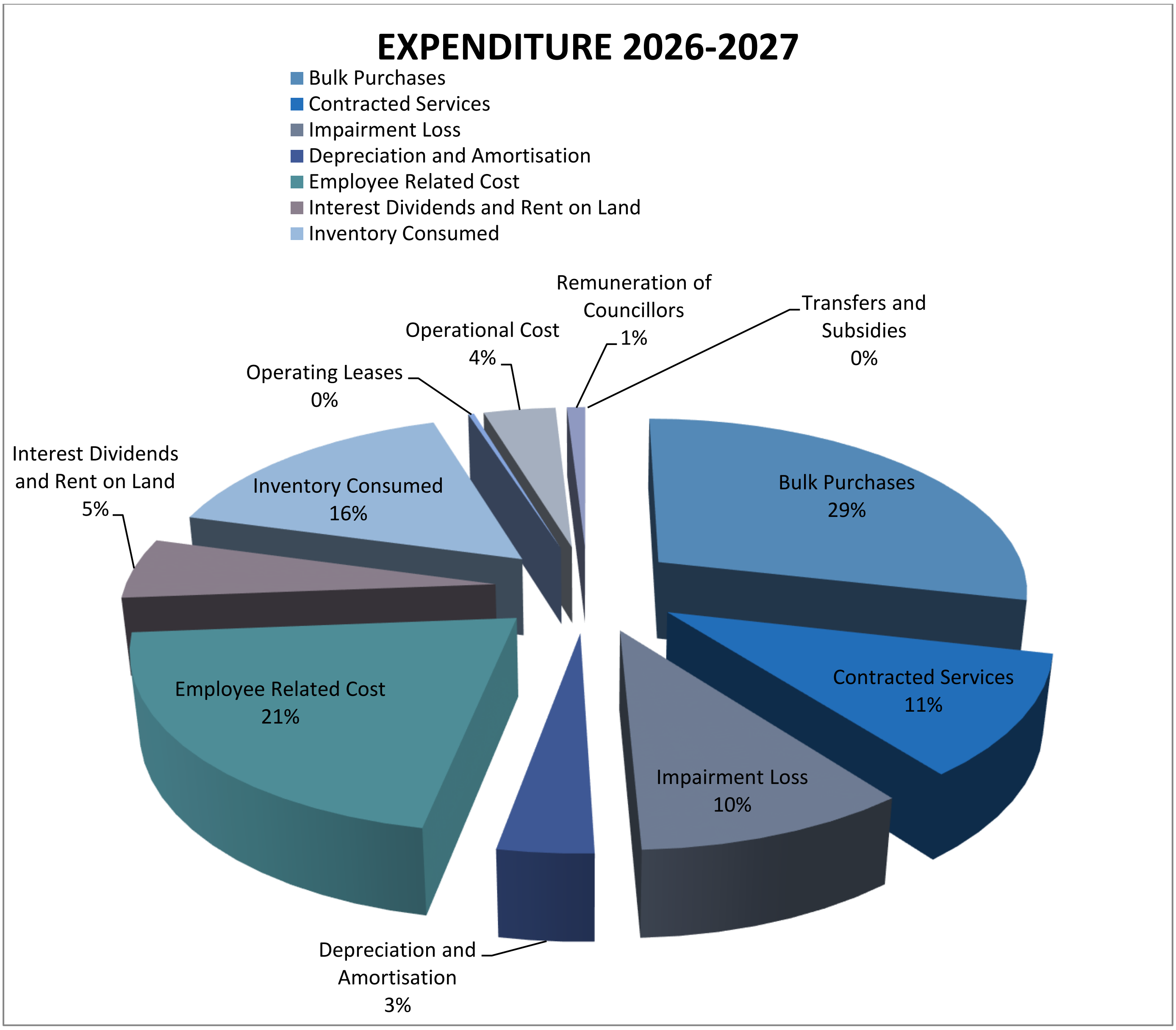
Grants and Subsidies – capital

The grants subsidies refer to the Division of Revenue Act allocations in the 2026/27 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 2025-26	Adjusted Budget 2025/26	Draft Budget 2026-27	Draft Budget 2027-28	Draft Budget 2028-29
INEP	40,000,000	40,000,000	35,748,000	17,768,000	22,571,000
MIG	70,975,000	70,975,000	68,268,949	75,791,950	78,183,100
WSIG	-	1,972,378	-	-	-
MDRG	-	2,254,153	2,400,000	-	-
TOTAL	**110,975,000**	**115,201,531**	**106,416,949**	**93,559,950**	**100,754,100**

3.3 Operating Expenditure

Expenditure	Original Budget 2025-26	Adjusted Budget 2025/26	Draft Budget 2026-27	Draft Budget 2027-28	Draft Budget 2028-29
Bulk Purchases	828,129,512	828,129,512	1,150,000,000	1,408,794,226	1,577,849,532.57
Contracted Services	399,999,996	440,298,638	442,584,150	458,021,613	473,912,247.89
Depreciation and Amortisation	152,107,839	134,208,571	139,195,331	144,345,558	149,686,343.83
Employee Related Cost	800,000,214	800,000,270	838,370,513	878,193,113	919,907,285.64
Interest Dividends and Rent on Land	177,400,422	197,400,422	222,949,034	231,198,148	239,752,479.74
Impairment losses	526,975,262	526,975,262	396,654,974	411,331,209	426,550,463.26
Inventory Consumed	576,933,223	584,682,355	634,067,307	676,719,398	724,188,605.40
Irrecoverable Debts Written Off	126,727,380	126,727,380	146,133,966	151,540,923	157,147,936.92
Operating Leases	12,743,985	12,043,985	12,043,985	12,489,612	12,951,728.11
Operational Cost	149,999,989	149,748,129	148,907,047	153,545,499	159,176,546.95
Remuneration of Councillors	37,005,393	37,005,393	37,745,501	38,500,411	39,270,419.09
Grand Total	**3,788,023,215**	**3,837,219,917**	**4,168,651,808**	**4,564,679,709**	**4,880,393,589**


EXPENDITURE 2026-2027
Bulk Purchases
Contracted Services
Impairment Loss
Depreciation and Amortisation
Employee Related Cost
Interest Dividends and Rent on Land
Inventory Consumed
Remuneration of Councillors 1%
Transfers and Subsidies 0%
Operational Cost 4%
Operating Leases 0%
Interest Dividends and Rent on Land 5%
Inventory Consumed 16%
Bulk Purchases 29%
Contracted Services 11%
Employee Related Cost 21%
Impairment Loss 10%
Depreciation and Amortisation 3%

Comments on Operating Expenditure:

Employee related costs

The employee related costs and remuneration of councillors indicate a percentage of 21% of the total operating budget. The average salary increases by 4.75% 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 160.9 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 R1 150 billion, which contributes 29% of the operating budget. The Eskom will increase the bulk purchases to the municipality by 12,74%.

Depreciation

Depreciation constitutes 3% 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 634 million, Rand water will increase bulk purchases to municipality by 16%

Contracted services

Contracted services constitute 11% of total operating expenditure.

CONTRACTED SERVICES

Description	Draft Budget 2026-2027	Draft Budget 2027-28	Draft Budget 2028-29
Security Services	61,464,000.00	63,738,168.00	66,096,480.22
Electricity Networks Maintenance	52,027,720.00	53,952,745.64	55,948,997.23
Prepaid Electricity Vendors	38,924,800.00	40,365,017.60	41,858,523.25
Sewerage Purification	25,925,000.00	26,884,225.00	27,878,941.33
Installation of Smart Meters	25,106,919.00	26,035,875.00	26,999,202.38
Infrastructure Skills Development Grant (Expenditure)	24,000,000.00	24,000,000.00	24,000,000.00
Land: Landfill Site Maintenance Contract (landfill)	20,916,000.00	21,689,892.00	22,492,418.00
Legal Cost - Legal Advice and Litigation	20,695,409.00	21,461,139.13	22,255,201.28
Reservoir Pump Station (Sewerage)	20,526,537.00	21,286,018.87	22,073,601.57
DC Systems: DC Systems Maintenance	20,000,000.00	20,740,000.00	21,507,380.00
Bethal Electrical infrastructure	17,971,627.91	18,636,578.14	19,326,131.54
Debt Collection and Credit Control	13,100,000.00	13,584,700.00	14,087,333.90
Hiring of plant/equipment (Vacuum VIP & Septic truck)	11,049,400.00	11,458,227.80	11,882,182.23
Pipe Work: Repairs of Damaged Network System (Sewerage)	7,539,931.00	7,818,908.45	8,108,208.06
Pavements: Roads Patching and Resealing (Roads)	6,974,413.00	7,232,466.28	7,500,067.53
Pipe Work: Hiring of Septic Tank Trucks (Sewerage)	5,560,800.00	5,766,549.60	5,979,911.94
Assessment Services	5,340,603.00	5,538,205.31	5,743,118.91
Transport Assets: Vehicles Maintenance (Community Services Administration)	4,406,655.00	4,569,701.24	4,738,780.18
1% SDL Trainings	3,600,781.00	3,734,009.90	3,872,168.26
Professional fees _Waste Water	3,500,000.00	3,629,500.00	3,763,791.50
VAT Recovery Services	3,132,000.00	3,247,884.00	3,368,055.71
EPWP Expenditure	2,859,000.00	2,964,783.00	3,074,479.97
Labour Cases	2,841,977.00	2,947,130.15	3,056,173.96
Business and Advisory - Accounting and A	2,639,118.00	2,788,615.37	2,891,794.13
Transport Assets: Vehicles Maintenance (Technical Services Administration)	2,458,858.00	2,549,835.75	2,644,179.67
Point Duty Officers (Expenditure)	2,400,000.00	2,400,000.00	2,400,000.00
MV Mini-substations: MV Networks Mini-Substations Repairs and Maintenance (Energy	2,337,481.00	2,423,967.80	2,513,654.61
Pipe Work: Repairs (Waste Water Treatment)	2,135,226.00	2,214,229.36	2,296,155.85
Security Services - Cash in Transit	2,074,000.00	2,150,738.00	2,230,315.31
PMS System	2,000,000.00	2,074,000.00	2,150,738.00
Professional fees GIS	1,884,455.00	1,954,179.84	2,026,484.49
Maintenance of pipe lines	1,853,181.00	1,921,748.70	1,992,853.40
Vetting of employees	1,705,186.00	1,768,277.88	1,833,704.16
Equipment and Tools	1,681,461.00	1,743,675.06	1,808,191.03
Urban design	1,600,000.00	1,659,200.00	1,720,590.40
Relocation fees	1,465,586.00	1,519,812.68	1,576,045.75
Drainage: Storm Water Drainage Maintenance (Storm Water Management)	1,462,197.00	1,516,298.29	1,572,401.33
Earthworks: Roads Maintenance (Roads)	1,447,152.00	1,500,696.62	1,556,222.40
Pipe Work: PVR Stations Maintenance (Water Distribution)	1,389,531.00	1,440,943.65	1,494,258.56
Township Establishment	1,350,000.00	1,399,950.00	1,451,748.15
Electrical Equipment: Maintenance of Electrical Equipment at the Offices (Facility)	1,040,752.00	1,079,259.82	1,119,192.44
Spatial Development Framework & Land Surveying	1,000,000.00	1,037,000.00	1,075,369.00
Public Lighting	989,999.00	1,026,628.96	1,064,614.23
mSCOA Compliance Alignment System and MFMP Training	886,800.00	1,186,800.00	1,186,800.00
Maintenance of Unspecified Assets	679,574.00	704,718.24	730,792.81
Meter Readings	632,773.00	656,185.60	680,464.47
Computer Equipment: Repairing Computers & Computer Equipment (ICT)	632,126.00	655,514.66	679,768.70

Description	Draft Budget 2026-2027	Draft Budget 2027-28	Draft Budget 2028-29
Preparation of Annual Financial Statement	613,200.00	313,200.00	313,200.00
Training for finance Employees	595,000.00	595,000.00	595,000.00
Financial landfill audit	589,866.00	611,691.04	634,323.61
Alien Vegetation Control	557,088.00	577,700.26	599,075.17
Medical Tests	533,808.00	553,558.90	574,040.58
Business and Advisory: Audit Committee	484,000.00	501,908.00	520,478.60
Contracted Services for the Lift (OTIS)	454,281.00	471,089.40	488,519.70
Mechanical Equipment: Mechanical Equipment Maintenance Reservoirs (Water District)	400,000.00	414,800.00	430,147.60
Civil Structures: Maintenance of Civil Sewerage Equipment (Sewerage)	382,450.00	396,600.65	411,274.87
Mechanical Equipment: Maintenance of Fire Extinguishers (Fire)	349,936.00	362,883.63	376,310.33
Burial Services	296,959.00	307,946.48	319,340.50
MV Transformers Repairs and Maintenance: Materials (Energy Operations)	285,550.00	296,115.35	307,071.62
Cleaning Services	282,086.00	292,523.18	303,346.54
Maintenance	268,980.00	278,932.26	289,252.75
Disciplinary Committee Services	200,000.00	66,164.75	68,612.84
Machinery and Equipment: Maintenance of Generators (Fire)	184,323.00	191,142.95	198,215.24
Landfill Valuation	130,463.00	135,290.13	140,295.87
Maintenance of Theatre and Museums	113,570.00	117,772.09	122,129.66
Furniture and Office Equipment: Repairs & Maintenance of Office Furniture and Equipment	109,427.00	320,875.80	332,748.20
Business and Advisory: Business and Financial Management	106,974.00	110,932.04	115,036.52
Legal Cost - Collection	100,000.00	103,700.00	107,536.90
Risk Committee Fees	78,537.00	81,442.87	84,456.26
Pest Control and Fumigation	66,000.00	68,442.00	70,974.35
Pest Control	65,000.00	67,405.00	69,898.99
Training for Internal Auditing	50,000.00	50,000.00	50,000.00
Data Cleansing Project	41,000.00	42,517.00	44,090.13
Transport Assets: Vehicles Maintenance (Council Administration)	22,891.00	23,737.97	24,616.27
Removal of Hazardous Waste	13,732.00	14,240.08	14,766.97
Total	**442,584,149.91**	**458,021,613.21**	**473,912,247.89**

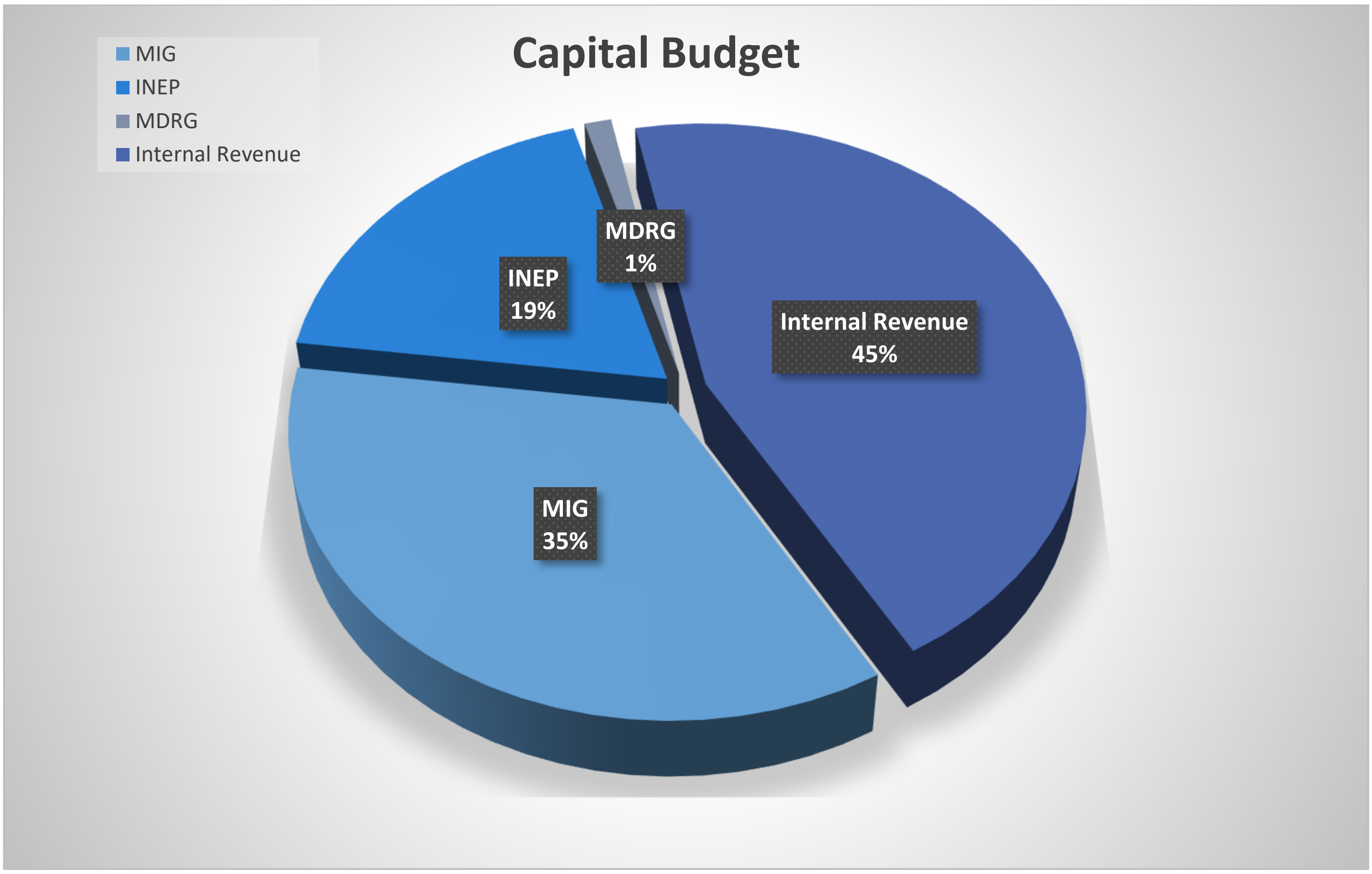
REPAIRS AND MAINTENANCE

FUNCTION	SEGMENT DESCRIPTION	DRAFT BUDGET 2026-2027	DRAFT BUDGET 2027-2028	DRAFT BUDGET 2028-2029
Electricity: Energy Operations (Dept 0609)	Electricity Networks Maintenance	52,027,720.00	53,952,745.640	55,948,997.23
Solid Waste Disposal (Landfill Sites): Waste Disposal Landfill Sites	Land: Landfill Site Maintenance Contract (landfill)	20,916,000.00	21,689,892.000	22,492,418.00
Sewerage: Sewerage (Dept 0608)	Reservoir Pump Station (Sewerage)	20,526,537.00	21,286,018.869	22,073,601.57
Electricity: Energy Operations (Dept 0609)	DC Systems: DC Systems Maintenance	20,000,000.00	20,740,000.000	21,507,380.00
Core Function: Sewerage	Hiring of plant/equipment (Vacuum VIP & Septic truck)	11,049,400.00	11,458,227.800	11,882,182.23
Sewerage: Sewerage (Dept 0608)	Pipe Work: Repairs of Damaged Network System (Sewerage)	7,539,931.00	7,818,908.447	8,108,208.06
Roads: Roads (Dept 0608)	Pavements: Roads Patching and Resealing (Roads)	6,974,413.00	7,232,466.281	7,500,067.53
Sewerage: Sewerage (Dept 0608)	Pipe Work: Hiring of Septic Tank Trucks (Sewerage)	5,560,800.00	5,766,549.600	5,979,911.94
Community Halls and Facilities: Community Services Administration (Dept 0401)	Transport Assets: Vehicles Maintenance (Community Services Administration)	4,406,655.00	4,569,701.235	4,738,780.18
Roads: Technical Services Administration (Dept 0601)	Transport Assets: Vehicles Maintenance (Technical Services Administration)	2,458,858.00	2,549,835.746	2,644,179.67
Electricity: Energy Operations (Dept 0609)	MV Mini-substations: MV Networks Mini-Substations Repairs and Maintenance (Energy)	2,337,481.00	2,423,967.797	2,513,654.61
Waste Water Treatment: Waste Water Treatment (Dept 0603)	Pipe Work: Repairs (Waste Water Treatment)	2,135,226.00	2,214,229.362	2,296,155.85
Water Distribution: Water Distribution (Dept 0604)	Maintenance of pipe lines	1,853,181.00	1,921,748.697	1,992,853.40
Water Distribution: Water Distribution (Dept 0604)	Equipment and Tools	1,681,461.00	1,743,675.057	1,808,191.03
Storm Water Management: Storm Water Management (Dept 0608)	Drainage: Storm Water Drainage Maintenance (Storm Water Management)	1,462,197.00	1,516,298.289	1,572,401.33
Roads: Roads (Dept 0608)	Earthworks: Roads Maintenance (Roads)	1,447,152.00	1,500,696.624	1,556,222.40
Water Distribution: Water Distribution (Dept 0604)	Pipe Work: PVR Stations Maintenance (Water Distribution)	1,389,531.00	1,440,943.647	1,494,258.56
Community Halls and Facilities: Facilities Maintenance (0602)	Electrical Equipment: Maintenance of Electrical Equipment at the Offices	1,040,752.00	1,079,259.824	1,119,192.44
Electricity: Energy Operations (Dept 0609)	Public Lighting	989,999.00	1,026,628.963	1,064,614.23
Storm Water Management: Storm Water Management (Dept 0608)	Maintenance of Unspecified Assets	679,574.00	704,718.238	730,792.81
Information Technology: CT (Dept 0205)	Computer Equipment: Repairing Computers & Computer Equipment (ICT)	632,126.00	655,514.662	679,768.70
Community Halls and Facilities: Facilities Maintenance (0602)	Contracted Services for the Lift (OTIS)	454,281.00	471,089.397	488,519.70
Water Distribution: Water Distribution (Dept 0604)	Mechanical Equipment: Mechanical Equipment Maintenance Reservoirs	400,000.00	414,800.000	430,147.60
Sewerage: Sewerage (Dept 0608)	Civil Structures: Maintenance of Civil Sewerage Equipment (Sewerage)	382,450.00	396,600.650	411,274.87
Fire Fighting and Protection: Fire Fighting (Dept 0404)	Mechanical Equipment: Maintenance of Fire Extinguishers (Fire)	349,936.00	362,883.632	376,310.33
Electricity: Energy Operations (Dept 0609)	MV Transformers Repairs and Maintenance: Materials (Energy Operations)	285,550.00	296,115.350	307,071.62
Police Forces Traffic and Street Parking Control: Traffic (Dept 0405)	Maintenance	268,980.00	278,932.260	289,252.75
Fire Fighting and Protection: Fire Fighting (Dept 0404)	Machinery and Equipment: Maintenance of Generators (Fire)	184,323.00	191,142.951	198,215.24
Recreational Facilities: Sports Recreation Arts and Culture (0406)	Maintenance of Theatre and Museums	113,570.00	117,772.090	122,129.66
Administrative and Corporate Support: Administrative Services	Furniture and Office Equipment: Repairs & Maintenance of Office Furniture and Equipment)	109,427.00	320,875.799	332,748.20
Mayor and Council: Council Administration (Dept 0101)	Transport Assets: Vehicles Maintenance (Council Administration)	22,891.00	23,737.967	24,616.27
TOTAL		**169,680,402.00**	**176,165,976.874**	**182,684,118.02**

Capital Expenditure per source

Source of funding	Original Budget 2025-2026	Adjusted Budget 2025-2026	Draft Budget 2026-2027	Draft Budget 2027-2028	Draft Budget 2028-2029
INEP	40,000,000	40,000,000	35,748,000	17,768,000	22,571,000
MIG	67,426,250	67,426,250	68,268,949	75,791,950	78,183,100
WSIG	-	1,972,378	-	-	-
MDRG	-	2,254,153	2,400,000	-	-
Internal Revenue	108,888,000	108,888,000	86,450,000	89,648,650	92,965,650
TOTAL	**216,314,250**	**220,540,781**	**192,866,949**	**183,208,600**	**193,719,750**

Capital Expenditure per source



Included in the capital projects are the following budgeted expenditures for 2026/2027 – 2028/2029

Project Name	User Department	Funding	Draft Budget 2026-2027	Draft Budget 2027-2028	Draft Budget 2028-2029
Construction of Bulk water line and reservoir in Leandra	Civil Engineering	MIG	3,200,000.00		
Embalenhle Bulk pipeline Replacement/Upgrade Phase 1	Civil Engineering	MIG	8,000,000.00		
Emzinoni Bulk water supply	Civil Engineering	MIG	34,384,407.00		
The Procurement of Specialised Vehicles for Waste Management	Civil Engineering	MIG	17,684,542.00		
Upgrading of Lebohang Stadium - Phase 2	Civil Engineering	MIG	5,000,000.00		
	MIG PROJECTS			75,791,950.00	78,183,100.00
Electrification of Emzinoni Extension 11	Energy	INEP	1,687,000.00		
New 88/22 kV, 40MVA Emzinoni Substation Phase 6	Energy	INEP	34,061,000.00		
	INEP PROJECTS			17,768,000.00	22,571,000.00
Reconstruction of Road and Stormwater System, at Vincent Shabalala Street	Civil Engineering	MDRG	1,500,000.00		
Reconstruction of stormwater concrete pipeline in Embalenhle Ext 16	Civil Engineering	MDRG	900,000.00		
Installation of Sewer Reticulation; Pump Station in Eendracht **(Co-funding)**	Civil Engineering	Revenue	9,000,000.00	9,333,000.00	9,678,321.00
Acquisition of Water Meters **(Revenue Enhancement)**	Civil Engineering	Revenue	9,000,000.00	9,333,000.00	9,678,321.00
Completion of Floating roof in Secunda Ext 22	Civil Engineering	Revenue	12,000,000.00	12,444,000.00	12,904,428.00
Installation of Bulk Check Meter with Chambers	Civil Engineering	Revenue	3,000,000.00	3,111,000.00	3,226,107.00
Refurbishment of WWTW and Reservoirs Fencing **(Section 105 Court Order)**	Civil Engineering	Revenue	5,000,000.00	5,185,000.00	5,376,845.00
Construction of Charl Cilliers bulk line, reservoir and pumpstation	Civil Engineering	Revenue	5,000,000.00	5,185,000.00	5,376,845.00
Kinross waste treatment plant **(Unlock WSIG Funding)**	Civil Engineering	Revenue	10,000,000.00	10,370,000.00	10,753,690.00
Furniture & Equipment	Civil Engineering	Revenue	200,000.00	207,400.00	215,073.80
Furniture & Equipment	Community Services	Revenue	200,000.00	207,400.00	215,073.80
Lillian Ngoyi Refurb	Community Services	Revenue	2,000,000.00	2,074,000.00	2,150,738.00
Firearms & accessories	Community Services	Revenue	1,000,000.00	1,037,000.00	1,075,369.00
Furniture & Equipment	Corporate Service	Revenue	200,000.00	207,400.00	215,073.80
Computer & Laptops	Corporate Service	Revenue	2,000,000.00	2,074,000.00	2,150,738.00
Furniture & Equipment	Energy	Revenue	200,000.00	207,400.00	215,073.80
TLB * 3	Energy, Workshop & Maintenance	Revenue	4,000,000.00	4,148,000.00	4,301,476.00
Thumper	Energy, Workshop & Maintenance	Revenue	3,000,000.00	3,111,000.00	3,226,107.00
Crane Truck 30 Ton	Energy, Workshop & Maintenance	Revenue	4,500,000.00	4,666,500.00	4,839,160.50
Fencing Of Facilities	Energy, Workshop & Maintenance	Revenue	10,000,000.00	10,370,000.00	10,753,690.00
Furniture & Equipment (MM office)	Executive & Council	Revenue	200,000.00	207,400.00	215,073.80

Project Name	User Department	Funding	Draft Budget 2026-2027	Draft Budget 2027-2028	Draft Budget 2028-2029
Furniture & Equipment (Mayor's Office)	Executive & Council	Revenue	200,000.00	207,400.00	215,073.80
Furniture & Equipment (Speakers Office)	Executive & Council	Revenue	200,000.00	207,400.00	215,073.80
Furniture & Equipment	Finance	Revenue	200,000.00	207,400.00	215,073.80
Insurance refund	Finance	Revenue	5,000,000.00	5,185,000.00	5,376,845.00
Furniture & Equipment	Planning & Development	Revenue	200,000.00	207,400.00	215,073.80
Hailing System	Speaker's Office	Revenue	150,000.00	155,550.00	161,305.35
TOTAL			**192,866,949**	**183,208,600**	**193,719,750**

4. BUDGET CASH-FLOW STATUS

Funding status	Reference	Amount
Total Expenditure Add back non-cash items	A	4 168 651 808
Depreciation	B	139 195 331
Impairment Loss	C	396 654 974
Add: Capital Expenditure	D	192 866 949
Total Cash Expenditure	**E= (A-B-C+D)**	**3 825 668 452**
Payment rate	F	75%
Actual Revenue	G	3 151 856 387
Grants (Operational and Capital)	H	667 427 000
Total revenue	I	3 819 283 387
Actual Cash i.e. 75% payment expected	J = (G x F)	2 363 892 290
Actual cash receivables	K = (H+ J)	3 031 319 290
Cash deficit	**L= (K-E)**	**-794 349 161**

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 2026/27 cannot be unfunded budgets, if unfunded the following are minimal requirements must be met:

- Cash Flow 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 2026.
- 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	25 March 2026
Budget Workshop	31 March 2026
Public Consultation	08 April 2026-20 April 2026
Approval of Budget	29 May 2026

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 2026/2027 budget has been guided by the following inflation forecast:

Fiscal Year	2024/25 Actual	2025/26 Estimate	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast
CPI Inflation	4.4%	3.3%	3.7%	3.3%	3.2%`

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 47.2 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 1 633 billion for both electricity and water. The projections are informed by the increases of from the Rand water and Eskom

The increase on both electricity and water tariff has been pegged at 12.74% and 11% respectively per NERSA and Rand Water notification.

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% +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 2026/2027 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.