

DRAFT ANNUAL BUDGET OF
KUMKANI Mhlontlo
Local Municipality



KUMKANI MHLONTLO
LOCAL MUNICIPALITY

2026/27 TO 2028/29
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Abbreviations and Acronyms

ASGISA	Accelerated and Shared Growth Initiative	MFMA	Municipal Financial Management Act Programme
BPC	Budget Planning Committee	MIG	Municipal Infrastructure Grant
CBD	Central Business District	MMC	Member of Mayoral Committee
CFO	Chief Financial Officer	MPRA	Municipal Properties Rates Act
CM	Municipality Manager	MSA	Municipal Systems Act
CPI	Consumer Price Index	MTEF	Medium-term Expenditure Framework
CRRF	Capital Replacement Reserve Fund	MTREF	Medium-term Revenue and Expenditure Framework
DBSA	Development Bank of South Africa	NERSA	National Electricity Regulator South Africa
DoRA	Division of Revenue Act	NGO	Non-Governmental organisations
DWA	Department of Water Affairs	NKPIs	National Key Performance Indicators
EE	Employment Equity	OHS	Occupational Health and Safety
EEDSM	Energy Efficiency Demand Side Management	OP	Operational Plan
EM	Executive Mayor	PBO	Public Benefit Organisations
FBS	Free basic services	PHC	Provincial Health Care
GDP	Gross domestic product	PMS	Performance Management System
GRAP	General Recognised Accounting Practice	PPE	Property Plant and Equipment
HR	Human Resources	PPP	Public Private Partnership
HSRC	Human Science Research Council	PTIS	Public Transport Infrastructure System
IDP	Integrated Development Strategy	RG	Restructuring Grant
IT	Information Technology	RSC	Regional Services Council
kℓ	kilolitre	SALGA	South African Local Government Association
km	kilometre	SAPS	South African Police Service
KPA	Key Performance Area	SDBIP	Service Delivery Budget Implementation Plan
KPI	Key Performance Indicator	SMME	Small Micro and Medium Enterprises
kWh	kilowatt		
ℓ	litre		
LED	Local Economic Development		
MEC	Member of the Executive Committee		

Part 1 – Annual Budget

1.1 Mayor’s Report

The Municipality is again preparing for the 2026/2027 Draft Annual Budget. The task is to provide sustainable and economically viable local governance to our communities. The provision of affordable and sustainable, quality services to all our communities remain high on the agenda. We find ourselves in a position where we must continuously adapt our strategies to suit prevailing economic circumstances as we cannot isolate ourselves from the global economy.

According to MFMA circular number 132, the National Treasury, Gross Domestic Product (GDP) growth is expected to average 1.8 per cent from 2025 to 2027.

Headline inflation is declined to 4.5 per cent in the fourth quarter of 2025, resulting in average inflation of 4.4 per cent for the year. Consumer inflation is projected to average 3.3 per cent in 2025/2026 and 3.7 per cent in 2026/27.

It is expected that municipal revenue and cash flows will remain under pressure for the rest of the financial year of 2025/2026. The municipality has adopted a conservative approach when projecting our revenues and cash receipts for 2026/2027.

The Municipality must, against the background of a very difficult financial year, provide quality services to the community.

The annual budget I am tabling here today was prepared in accordance with the prescripts of the Municipal Finance Management Act, (Act 56 of 2003) and complies with Generally Recognized Accounting Practice as applicable to Local Government.

The following underlying factors were also taken into consideration with the compilation of the 2026/2027 annual budget:

- The current socio-economic circumstances of our communities and especially the high rate of unemployment;
- External factors having a direct impact on the budget such heavy rains experienced for the majority of the financial year resulting in damaged roads.

FOCUS OF THE 2025/2026 ANNUAL BUDGET

With the 2026/2027 budget, emphasis is placed on: -

- the **core** service delivery obligations assigned to the municipality in the constitution.
- Maintenance of existing infrastructure does not enjoy preference once again as the municipality is concentrating on rehabilitating the existing infrastructure.
- Provision of basic services, improvement of the quality of housing, infrastructure as well as sustainable service delivery.

The capital budget flows from the IDP process and contains information obtained from relevant stakeholders and communities through a public participation process as well as ward committee processes where applicable.

The annual capital budget for the 2026/2027 financial year amounts to R122 million will decrease to R77 million in the 2027/2028. This is due to the decrease in equitable share allocation per the DORA allocations and the municipal disaster grant allocation coming to an end.

We cannot expect to do the same old things and expect different results. Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Kumkani Mhlontlo Local Municipality.

Budgeting is primarily about the choices that the municipality must make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that Mhlontlo remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

1.2 Council Resolutions

1. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the Annual Budget and budget related policies of Mhlontlo Municipality for the financial year 2026/2027; and indicative allocations for the two projected outer years 2027/2028 and 2028/2029; and the multi-year and single year capital appropriations are approved as set-out in the following tables:
 - 1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
 - 1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.4. Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.
2. That the Annual Financial Position, Cash Flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are adopted as set-out in the following tables:
 - 2.1. Budgeted Financial Position;
 - 2.2. Budgeted Cash Flows;
 - 2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 2.4. Asset management; and
 - 2.5. Basic service delivery measurement.
3. That in terms of section 24(2)(c)(iii) of the Municipal Finance Management Act, 56 of 2003, the measurable performance objectives for capital and operating expenditure by vote for each year of the medium-term revenue and expenditure framework as set out in Supporting Table SA4 to SA7 are approved.
4. That the final documents be available for inspection and comments at the following places:
Qumbu Municipal office and Tsolo Municipal Office

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Mhlontlo's financial plan is essential and critical to ensure that the Mhlontlo remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The municipality's business and service delivery priorities were reviewed as part of this year's adjustment budget process. Where appropriate, funds were transferred from low- to high-priority programs so as to maintain sound financial stewardship.

A critical review was also undertaken of expenditures on noncore and '**nice to have**' items. Key areas where savings were realized were on telephone and internet usage, printing, workshops, accommodation, and contracted services.

Treasury's guide and deliberations on unfunded budgets was used to guide the compilation of the 2026/2027 Draft Annual Budget.

The main challenges experienced during the compilation of the 2026/2027 Draft Annual Budget can be summarised as follows:

- The ongoing difficulties in the national and local economy.
- Heavy rains that are damaging the already poorly maintained road network
- The need to reprioritise projects and expenditure within the existing resource envelope
- Wage increases for municipal staff, as well as the need to fill critical vacancies.
- Low municipal collection rate

The following budget principles and guidelines directly informed the compilation of the 2026/2027 Draft Annual Budget:

- CPI index increase on employee related costs;
- Reduction on operation projects.

The following table is a consolidated overview of the Draft Annual Budget 2026/2027 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2026/2027 MTREF

Description	2025/2206	2026/27 Medium Term Revenue & Expenditure Framework		
		Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
R thousands	Adjusted Budget			
TOTAL OPERATING REVENUE	332 494 669	325 364 245	312 470 565	332 748 898
TOTAL OPERATING EXPENDITURE	394 215 618	353 354 269	321 953 185	331 966 043
SURPLUS/(DEFICIT) FOR THE YEAR	- 61 720 949	- 27 990 024	- 9 482 620	782 855
TOTAL CAPITAL EXPENDITURE	177 998 985	122 688 000	77 544 650	74 727 450

Total operating revenue has increased by R7,13 million for the 2026/2027 financial year when compared to the 2025/2026 Adjustments Budget. Operational revenue will decrease for 2027/2028 by R12,89 million and decrease by R20,1 million in the 2028/2029 financial year thus equating to a total revenue decline of R0,8 million over the MTREF when compared to the 2025/2026 financial year. This is due to a decrease in equitable share allocations in the following outer year and an operational grant of human settlement that will come to an end.

Total operating expenditure for the 2026/2027 financial year has been appropriated at R353 million. Operational expenditure has decreased by R40,8 million in the 2026/2027 budget and by R31,4 million and an increase of R10 million for each of the respective outer years of the MTREF.

The capital budget of R122,6 million for 2026/2027 is R55,3 million less when compared to the 2025/26 Adjustment Budget. The capital budget decreases to R77 million and R74 million for the outer years. A portion of the capital budget is funded from internally generated funds thus the decrease in the outer years will be because of a decrease equitable share allocation and Disaster recovery grant will come to an end.

1.4 Operating Revenue Framework

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

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a per cent annual collection rate for property rates and service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services remains a challenge;
- The municipality's Indigent Policy and rendering of free basic services; and

The following table is a summary of the 2026/2027 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

EC156 Mhlontlo - Table A1 Budget Summary

Description	Adjusted Budget	2026/27 Medium Term Revenue & Expenditure Framework		
		Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
R thousands				
Financial Performance				
Property rates	49 052	50 061	51 740	53 422
Service charges	2 462	2 918	3 014	3 110
Investment revenue	6 914	7 170	7 406	7 643
Transfer and subsidies - Operational	258 766	253 672	238 386	256 268
Other own revenue	15 300	11 543	11 924	12 305
Total Revenue (excluding capital transfers and contributions)	332 495	325 364	312 471	332 749

Table 3 Operating Transfers and Grant Receipts

Description	2026/2027 Adjusted Budget	2026/27 Medium Term Revenue & Expenditure Framework		
		Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
R thousand				
Operating Transfers and Grants				
National Government:	246 368	240 708	236 462	254 283
Equitable Share	239 367	233 431	230 814	248 440
Expanded Public Works Programme Integrated Grant	1 982	2 025	-	-
Local Government Financial Management Grant	2 300	2 500	2 600	2 700
Municipal Infrastructure Grant	2 719	2 752	3 048	3 143
Provincial Government:	10 602	11 102	-	-
(S) HUMAN SETTLEMENT DEVELOPMENT GRANT REVENUE	6 500	10 000	-	-
(S) LIBRARY SUPPORT	4 102	1 102	-	-
Other grant providers:	1 796	1 862	1 924	1 985
<i>Transport, Education and Training SETA</i>	1 796	1 862	1 924	1 985
Total Operating Transfers and Grants	258 766	253 672	238 386	256 268
Capital Transfers and Grants				
National Government:	132 293	93 868	68 825	71 107
Integrated National Electrification Programme Grant	19 400	24 580	10 906	11 399
Municipal Disaster Response Grant	61 235	17 000	-	-
Municipal Infrastructure Grant	51 658	52 288	57 919	59 708
Provincial Government:	8 000	-	-	-
(S)N2 TO SHOWBARY - REVENUE ALLOCATION	8 000	-	-	-
Total Capital Transfers and Grants	140 293	93 868	68 825	71 107
TOTAL RECEIPTS OF TRANSFERS & GRANTS	399 059	347 540	307 211	327 375

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R15 000 reduction on the market value of a property will be granted in terms of the Municipality's own Property Rates Policy;
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependents without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

Property rates tariffs will have been increased for the 2026/27 by 2,08% for the financial year starting on the 1 July 2026.

Table 4 Comparison of proposed rates to levied for the 2025/2026 financial year

			3,7%	3,3%	3,2%
WITHOUT VAT		Proposed Tariff Vat Excluded	Proposed Tariff Vat Excluded	Proposed Tariff Vat Excluded	Proposed Tariff Vat Excluded
2	ASSESMENT RATES	2025/2026	2026/2027	2027/2028	2028/2029
7.1	<i>Residential</i> First R30 000 discount	R0,0093587	R0,009705	R0,010025	R0,010346
7.2	<i>Vacant Land</i>	R0,0093587	R0,009705	R0,010025	R0,010346
7.3	<i>Commercial</i>	R0,0206342	R0,021398	R0,022104	R0,022811
7.4	<i>Government (P)</i> State owned properties	R0,0188601	R0,019558	R0,020203	R0,020850
7.5	<i>Government</i> Public service infrastructure (PSI)	R0,0022733	R0,002357	R0,002435	R0,002513
7.6	<i>Farms</i> Apply for R30 000 residential discount.	R0,0023397	R0,002426	R0,002506	R0,002587

1.4.2 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration.

A 3,7 per cent increase in the waste removal tariff is proposed from 1 July 2026. Any increase higher than 3,7 per cent will not be viable in 2026/2027 and would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2026:

Table 5 Comparison between current waste removal fees and increases

			3,7%	3,3%	3,2%
WITHOUT VAT		Proposed Tariff Vat Excluded	Proposed Tariff Vat Excluded	Proposed Tariff Vat Excluded	Proposed Tariff Vat Excluded
1	REFUSE REMOVAL CHARGES	2025/2026	2026/2027	2026/2027	2026/2027
1.1	<i>Government</i>				
(a)	Each property shall be charged a basic service charge per month.	R383,04	R397,21	R410,32	R423,45
(b)	<i>Hospitals (per week)</i>	R556,43	R577,01	R596,06	R615,13
1.2	<i>Domestic Removals</i>	R0,00	R0,00	R0,00	R0,00
(a)	Every owner or occupier of premises from which refuse is removed weekly shall pay the Council a fee per month.	R91,28	R94,66	R97,78	R100,91
		R0,00	R0,00	R0,00	R0,00
1.3	<i>Commercial Removals</i>	R0,00	R0,00	R0,00	R0,00
(a)	Each individual/separate business shall be charged a basic service charge per week.	R568,25	R589,28	R608,72	R628,20
1.4	<i>Availability Charge</i>	R0,00	R0,00	R0,00	R0,00
	A availability fee , is charged to any vacant commercial erven located in the town areas of Tsolo and Qumbu	R383,04	R397,21	R410,32	R423,45

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2026/2027 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high-level summary of the 2026/2027 budget and MTREF (classified per main type of operating expenditure):

Table 6 Summary of operating expenditure by standard classification item

Description	2025/2026	2026/27 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
R thousand				
Expenditure				
Employee related costs	133 596	139 162	143 737	147 958
Remuneration of councillors	25 005	25 930	26 786	27 643
Inventory consumed	11 927	9 295	4 169	4 069
Debt impairment	20 091	20 976	21 668	22 362
Depreciation, amortisation and impairment	31 653	31 653	31 653	31 653
Contracted services	72 261	39 801	21 954	24 534
Transfers and subsidies	7 103	2 650	-	800
Operational costs	92 580	83 887	71 986	72 948
Total Expenditure	394 216	353 354	321 953	331 966

The budgeted allocation for employee related costs for the 2026/2027 financial year totals to R165,8 million including remuneration of councillors, which equals 46.2 per cent of the total operating expenditure. However, when it's calculated from total operating expenditure excluding non-cash items it jumps to 54,8 per cent which is alarming. At this stage, the employee-related costs been increased by 3,7% from prior year adjustment budget which below the CPI-index. This will be corrected in the final budget.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public

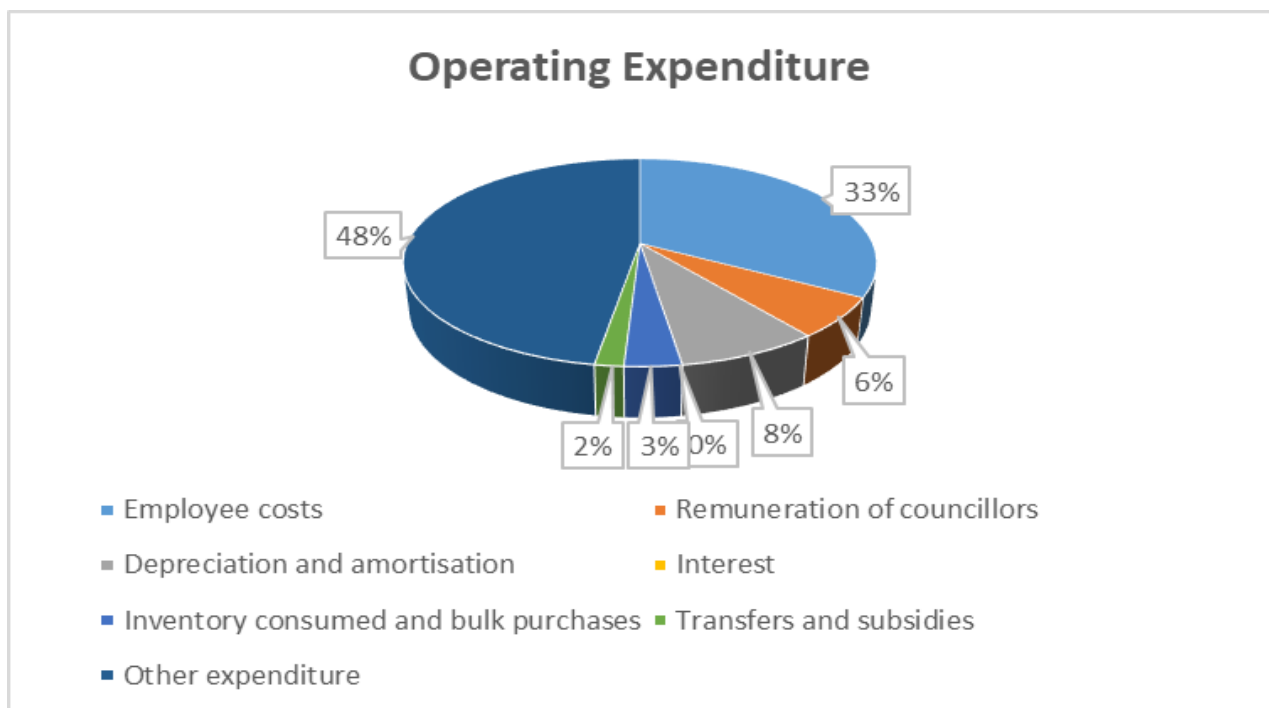
Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been considered in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 55 per cent of the Municipality. For the 2026/2027 financial year this amount equates to R20 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R31,6 million for the 2026/2027 financial and equates to 8,9 per cent of the total operating expenditure.

Other expenditure comprises of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and electricity.

Figure 1 Main operational expenditure categories for the 2026/2027 financial year



SUMMARY OPERATING EXPENDITURE (PROJECTS)

Project Name	Amount
Pound	
Animal medicine - Qumbu and Tsolo	500 000
Animal Feed - Qumbu and Tsolo	400 000
Fencing – Qumbu and Tsolo	150 000
	1 050 000
Council	
Moral Regeneration	250 000
Initiation	330 000
Traditional leaders	550 000
MPAC	600 000
Heritage Celebration	800 000
Woman's Caucus	600 000
Public participation	2 000 000
Open ordinary council	1 000 000
Training of councillors	1 750 000
Training of ward committees	750 000
	8 630 000
Waste Management	
Municipal EPWP	3 000 000
Purchase of refuse Bags and distribution to households	1 000 000
Protective clothing	400 000
Rehabilitation and Maintenance of Landfill Site	1 000 000
	5 400 000
Local Economic Development	
Hosting of LED Forum and Monitoring of LED Strategy	150 000
SAGRIPP - Fencing of Arable Land	1 000 000
SAGRIPP - Hold Annual Kumkani Mhlontlo Agricultural Show and Attend Royal Agricultural Show	800 000
SAGRIPP - Purchase of Agricultural inputs	1 500 000
SAGRIPP - Vegetable Support Programme	300 000
SAGRIPP - Shearing Equipment Support Programme	300 000
SAGRIPP - Fodder Production Support Programme	300 000
SAGRIPP - Tsolo Nursey Support Programme	200 000
SMME Funding Support Programme targeting 6 commodities	1 000 000
TIP - One Investment Ready SMME Supported	300 000
TIP - Rural Enterprises Support Programme	450 000
TIP - Packaged Investment Project Supported	300 000
Tourism - Bajodini Horse Racing Event	600 000

Tourism - Representation of Kumkani Mhlontlo in Tourism and Trade events	350 000
Tourism - Purchasing of LEDPARD Branding Material	150 000
Brick-Making Project	500 000
	8 200 000
LED – Housing	
Building maintenance	1 500 000
Tsolo Junction LSDF	300 000
Housing Needs Register	90 000
Signage of Municipal Land	300 000
Local Housing Forum	150 000
	2 840 000
Mayor’s office	
Mayoral outreach	1 300 00
Bursaries	250 000
	1 550 00
Municipal Manager’s office	
Legal fees	6 000 000
Co-sourced internal auditors (consultant)	1 300 000
Risk management consultant	200 000
IDP	1 200 000
PMS	300 000
	9 000 000
Budget and Treasury	
Audit fees	6 000 000
Free basic electricity	4 000 000
Free basic alternative energy (Paraffin)	3 500 000
Asset Management	1 300 000
	14 800 000
Public Safety	
Provision of security Services	12 800 000
Law enforcement	300 000
Purchase of Traffic Employees Protective Clothing	350 000
Maintain road signs ad markings	580 000
Awareness campaigns on community safety plan	330 000
	15 860 000
Corporate Services	
Policy review	200 000
Employee Busaries	300 000
CPMD Training	400 000

SALGA and COIDA FEES	2 500 000
Training	400 000
	3 800 000
ICT	
Annual software licences	5 500 000
Telephone and internet	5 500 000
MACHINE Rentals	2 300 000
	13 300 000

1.5.1 Repairs and maintenance

Repairs and maintenance expenditure have been prioritised to ensure sustainability of the Municipality's infrastructure. For 2026/2027 the appropriation against this group of expenditure totals to million.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

The repairs and maintenance budget is R19,6 million for 2026/27.

Description	2025/2026	2026/27 Medium Term Revenue & Expenditure Framework		
		Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
R thousand	Adjusted Budget			
Repairs and maintenance expenditure by Asset Class/Sub-class				
Infrastructure	20 147	15 400	15 400	15 700
Roads Infrastructure	20 147	15 400	15 400	15 700
<i>Roads</i>	20 147	15 400	15 400	15 700
Other assets	2 950	2 300	800	2 800
Operational Buildings	2 950	2 300	800	2 800
<i>Municipal Offices</i>	2 650	2 000	500	2 500
<i>Yards</i>	300	300	300	300
Transport Assets	2 679	1 929	1 929	3 029
Transport Assets	2 679	1 929	1 929	3 029
Total Repairs and Maintenance Expenditure	25 776	19 629	18 129	21 529

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 7 2025/2026 Medium-term capital budget per vote

Vote Description	2025/2026	2026/27 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
R thousand				
Single-year expenditure to be appropriated				
Vote 11 - (11: CAPEX)	191	–	–	–
Vote 20 - ROAD TRANSPORT (42: CAPEX)	–	–	–	–
Vote 21 - RATES AND GENERAL SERVICES (61: CAPEX)	177 808	122 688	77 545	74 727
Capital single-year expenditure sub-total	177 999	122 688	77 545	74 727
Total Capital Expenditure - Vote	177 999	122 688	77 545	74 727
Capital Expenditure - Functional				
Governance and administration	14 476	12 200	3 600	3 000
Executive and council	1 974	–	–	–
Finance and administration	12 502	12 200	3 600	3 000
Community and public safety	8 325	9 075	9 434	70
Community and social services	6 712	6 005	7 364	–
Public safety	1 613	3 070	2 070	70
Economic and environmental services	136 489	74 333	51 105	60 258
Planning and development	12 769	10 000	–	–
Road transport	123 720	64 333	51 105	60 258
Trading services	18 709	27 080	13 406	11 399
Energy sources	16 870	24 580	10 906	11 399
Waste management	1 839	2 500	2 500	–
Total Capital Expenditure - Functional	177 999	122 688	77 545	74 727
Funded by:				
National Government	143 048	93 868	68 825	71 107
Provincial Government	8 000	–	–	–
Transfers recognised - capital	151 048	93 868	68 825	71 107
Internally generated funds	26 951	28 820	8 720	3 620
Total Capital Funding	177 999	122 688	77 545	74 727

For 2026/2027 an amount of R122 million has been appropriated for the development of infrastructure which represents 24 per cent of the total budget.

Total new assets represent 100 per cent or R122 million of the total capital budget. Further detail relating to asset classes and proposed capital expenditure is contained in Table 17 MBRR A9 (Asset Management) on page 31. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class.

Below is a list of all capital projects to be undertaken over the medium term.

MUNICIPAL INFRASTRUCTURE GRANT (MIG) – INFRASTRUCTURE PROJECTS

Project Name	Amount	Ward
Matshona-Toleni Access Road	1 500 000,00	25
Mpindweni-Gabazi Access Road	6 329 970,00	13
Mampingeni Access Road	7 884 192,30	10
Mahlubini-Nggadu Access Road	6 375 150,15	4
Mpumlwana to Sigubudwini Access Road (Planning)	2 634 145,28	18
Qumbu Solar High Mast Lights (Planning)	1 470 880,00	15
Tsolo Solar high Mast Lights (Planning)	1 350 310,00	6
Gqukungu Pre-school	2 114 427,79	21
Qumbu Pre-school	2 114 427,79	15
Sithangameni Community Hall	1 500 000,00	18
Upper Malepelepe Community Halls	1 775 690,64	24
Mchathu-Sidwadweni Community Halls	7 442 082,05	26
Kwancithi via Maweleni to Matyhamini Access Road	4 846 612,00	16
Gungwana to lower Malepe-lepe Accrss Road	4 950 112,00	24
	52 288 000,00	

INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME (INEP) – INFRASTRUCTURE PROJECTS

Project Name	Amount	Ward
Electrification of village Extensions	24 580 000	various

MUNICIPAL DISASTER RECOVERY GRANT (MDRG) – INFRASTRUCTURE PROJECTS

Project Name	Amount
Refurbishment of Gotyibeni Bridge	2 138 750,00
Refurbishment of Tyeni Bridge	2 530 300,00
Khokonxa Bridge	3 494 250,00
Bomvini - Hlabathi	3 026 700,00
	17 000 000,00

These projects are currently in progress. They were awarded at the beginning of March 2026. However, we anticipate they will still be in progress in 2026/2027 Financial year hence they have been included in the DRAFT budget.

DEPARTMENT OF HUMANSSETTLEMENTS GRANT – IMPLEMENTING AGENT

Project Name	Amount	Ward
RDP Housing Construction (260 houses)	10 000 000	Various

The municipality is an implementing agent for the department.

EQUITABLE SHARE FUNDED – INFRASTRUCTURE PROJECTS

Project Name	Amount	Ward
Construction of Tsolo Waste Transfer Station	2 500 000	6
Upgrading of traffic offices	3 000 000	15
Municipal Main building	5 000 000	15
	10 500 000	

EQUITABLE SHARE FUNDED – CAPITAL PURCHASES (PPE)

Project Name	Amount
Technical services	
Diesel bowser Trailer with pump	400 000
Porthole repair machinery (cutter and small roller)	1 500 000
	1 900 000
Corporate Services	
Furniture and Office equipment	2 000 000
Computer equipment	800 000
Upgrade IT Infrastructure	2 000 000
	4 800 000
Community Services	
Installation of cameras	700 000
Library equipment	400 000
	1 100 000
Budget and Treasury (Fleet management)	
Motor vehicles (3x)	2 400 000

1.7 Annual Budget Tables - Parent Municipality

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2026/2027 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 8 MBRR Table A1 - Budget Summary

Description	2025/2026	2026/27 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2026/27	Budget Year +1 2027/28
R thousands				
Financial Performance				
Property rates	49 052	50 061	51 740	53 422
Service charges	2 462	2 918	3 014	3 110
Investment revenue	6 914	7 170	7 406	7 643
Transfer and subsidies - Operational	258 766	253 672	238 386	256 268
Other own revenue	15 300	11 543	11 924	12 305
Total Revenue (excluding capital transfers and contributions)	332 495	325 364	312 471	332 749
Employee costs	133 596	139 162	143 737	147 958
Remuneration of councillors	25 005	25 930	26 786	27 643
Depreciation, amortisation and impairment	31 653	31 653	31 653	31 653
Inventory consumed and bulk purchases	11 927	9 295	4 169	4 069
Transfers and subsidies	7 103	2 650	–	800
Other expenditure	184 932	144 664	115 608	119 843
Total Expenditure	394 216	353 354	321 953	331 966
Surplus/(Deficit)	(61 721)	(27 990)	(9 483)	783
Transfers and subsidies - capital (monetary allocations)	140 293	93 868	68 825	71 107
Transfers and subsidies - capital (in-kind)	–	–	–	–
	78 572	65 878	59 342	71 890
Surplus/(Deficit) after capital transfers & contributions				
Surplus/(Deficit) for the year	78 572	65 878	59 342	71 890
Capital expenditure & funds sources				
Capital expenditure	177 999	122 688	77 545	74 727
Transfers recognised - capital	151 048	93 868	68 825	71 107
Internally generated funds	26 951	28 820	8 720	3 620
Total sources of capital funds	177 999	122 688	77 545	74 727
Financial position				
Total current assets	133 775	85 646	113 272	156 717
Total non current assets	641 943	687 174	733 066	776 140
Total current liabilities	59 037	94 428	108 603	123 232
Total non current liabilities	–	–	–	–
Community wealth/Equity	(664 207)	(678 393)	(737 735)	(809 625)
Cash flows				
Net cash from (used) operating	134 085	62 300	71 410	89 743
Net cash from (used) investing	(204 119)	(129 591)	(89 176)	(85 937)
Cash/cash equivalents at the year end	(70 034)	4 150	(13 616)	(9 810)
Cash backing/surplus reconciliation				
Cash and investments available	(70 034)	4 150	(13 616)	(9 810)
Application of cash and investments	59 273	56 234	55 031	63 852
Balance - surplus (shortfall)	(129 307)	(52 085)	(68 647)	(73 662)
Asset management				
Asset register summary (WDV)	425 702	1 091 567	1 059 914	1 028 261
Depreciation	31 653	31 653	31 653	31 653
Renewal and Upgrading of Existing Assets	15 121	7 500	2 500	–
Repairs and Maintenance	25 776	19 629	18 129	21 529

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasis the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality has always had a positive cash balance.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 9 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Functional Classification Description	2025/2026	2026/27 Medium Term Revenue & Expenditure Framework		
		Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
R thousand	Adjusted Budget			
Revenue - Functional				
<i>Governance and administration</i>	169 906	161 519	161 151	176 957
Executive and council	30 097	30 097	30 097	30 097
Finance and administration	139 809	131 422	131 054	146 860
<i>Community and public safety</i>	38 086	35 265	34 328	38 567
Community and social services	4 137	1 139	38	39
Public safety	33 949	34 126	34 290	38 528
<i>Economic and environmental services</i>	192 447	144 431	121 345	123 241
Planning and development	158 291	118 232	97 171	99 067
Road transport	34 156	26 199	24 174	24 174
<i>Trading services</i>	72 348	78 017	64 471	65 092
Energy sources	19 400	24 580	10 906	11 399
Waste management	52 948	53 437	53 565	53 693
Total Revenue - Functional	472 787	419 232	381 295	403 856
Expenditure - Functional				
<i>Governance and administration</i>	204 860	191 379	181 174	183 736
Executive and council	71 147	60 788	59 543	54 869
Finance and administration	133 470	130 524	121 564	128 801
Internal audit	243	67	67	67
<i>Community and public safety</i>	53 243	46 914	36 465	37 365
Community and social services	1 640	1 626	1 596	1 640
Sport and recreation	465	482	498	514
Public safety	51 138	44 805	34 370	35 211
<i>Economic and environmental services</i>	107 067	89 299	78 299	84 656
Planning and development	54 077	37 502	28 003	30 914
Road transport	52 990	51 797	50 296	53 741
<i>Trading services</i>	29 045	25 763	26 015	26 209
Waste management	29 045	25 763	26 015	26 209
Total Expenditure - Functional	394 216	353 354	321 953	331 966
Surplus/(Deficit) for the year	78 572	65 878	59 342	71 890

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. This is not the case with Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.

Table 10 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2025/2026	2026/27 Medium Term Revenue & Expenditure Framework		
		Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
R thousand	Adjusted Budget			
Revenue by Vote				
Vote 1 - EXECUTIVE AND COUNCIL (11: IE)	33 264	33 264	33 264	33 264
Vote 2 - FINANCE AND ADMIN (12: IE)	139 844	131 458	131 092	146 899
Vote 3 - PLANNING AND DEVELOPMENT (13: IE)	32 719	36 232	26 244	26 256
Vote 4 - COMMUNITY AND SOCIAL SERVICES (15: IE)	26	27	28	29
Vote 5 - PUBLIC SAFETY (17: IE)	66 472	63 650	62 712	66 949
Vote 7 - WASTE MANAGEMENT (20: IE)	24 500	24 989	25 115	25 242
Vote 8 - ROAD TRANSPORT (22: IE)	175 961	129 612	102 840	105 217
Total Revenue by Vote	472 787	419 232	381 295	403 856
Expenditure by Vote to be appropriated				
Vote 1 - EXECUTIVE AND COUNCIL (11: IE)	85 663	72 475	70 605	65 555
Vote 2 - FINANCE AND ADMIN (12: IE)	109 617	113 478	106 086	110 390
Vote 3 - PLANNING AND DEVELOPMENT (13: IE)	33 237	24 171	13 415	18 534
Vote 4 - COMMUNITY AND SOCIAL SERVICES (15: IE)	2 366	2 776	2 776	2 776
Vote 5 - PUBLIC SAFETY (17: IE)	41 893	38 204	28 366	29 002
Vote 6 - SPORT AND RECREATION (18: IE)	465	482	498	514
Vote 7 - WASTE MANAGEMENT (20: IE)	32 076	28 019	28 385	28 692
Vote 8 - ROAD TRANSPORT (22: IE)	77 260	71 448	70 593	75 244
Total Expenditure by Vote	382 578	351 054	320 725	330 708
Surplus/(Deficit) for the year	90 210	68 178	60 570	73 148

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the Municipality.

Table 11 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	2025/2026	2026/27 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2026/27	Budget Year +1 2027/28
R thousand				
Revenue				
Exchange Revenue				
Service charges - Waste Management	2 462	2 918	3 014	3 110
Sale of Goods and Rendering of Services	114	119	123	127
Agency services	1 496	1 552	1 603	1 654
Interest earned from Receivables	883	915	946	976
Interest earned from Current and Non Current Assets	6 914	7 170	7 406	7 643
Rental from Fixed Assets	49	50	52	54
Licence and permits	265	274	283	293
Non-Exchange Revenue				
Property rates	49 052	50 061	51 740	53 422
Fines, penalties and forfeits	1 919	1 990	2 055	2 121
Licences or permits	1 366	1 417	1 464	1 511
Transfer and subsidies - Operational	258 766	253 672	238 386	256 268
Interest	4 837	5 016	5 182	5 348
Gains on disposal of Fixed and Intangible Assets	4 371	209	216	223
Total Revenue (excluding capital transfers and contributions)	332 495	325 364	312 471	332 749
Expenditure				
Employee related costs	133 596	139 162	143 737	147 958
Remuneration of councillors	25 005	25 930	26 786	27 643
Inventory consumed	11 927	9 295	4 169	4 069
Debt impairment	20 091	20 976	21 668	22 362
Depreciation, amortisation and impairment	31 653	31 653	31 653	31 653
Contracted services	72 261	39 801	21 954	24 534
Transfers and subsidies	7 103	2 650	-	800
Operational costs	92 580	83 887	71 986	72 948
Total Expenditure	394 216	353 354	321 953	331 966

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R325 million in 2026/2027 and decreases to R312 million and R332 million respectively in the 2 outer years.
2. Revenue to be generated from property rates is R50 million in the 2026/2027 financial year and increases to R51 million by 2027/28 which represents 9,5 per cent of the operating revenue base of the Municipality and therefore remains a limited funding source for the municipality. The amount is after rebates have been factored in.

3. Revenue generated from services charges amounts to R2,9 million in the 2026/2027 financial year, and increases to R3 million by 2027/2028 and R3,1 million by 2028/2029. This amount was supposed to be increased by 3,7%, this will be corrected before the final adoption of the budget. **The amount is after rebates have been factored in.**
4. All other revenue items have increased by 3,7 percentage in the 2026/2027 financial year and 3,3 percent and 3,2 percent respectively in the two outer years. This is inline with projected CPI Index.
5. Transfers recognized – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF.
6. Employee related costs amounts to R139 million for the 2026/27 financial year. There's an increase of 3,9% from the adjusted budget amount. The municipality notes this amount is above the projected CPI index of 3,7% this is to cover the salary progression of 2,5% that is paid to certain employees who have not reached the ceiling of their respective Task grades.
7. Remuneration of councillors amounts to R25,9 million for the 2026/29 financial year. There's an increase of 3,7% from the adjusted budget amount.
8. Other operating expenditure is R83 million in 2026/2027 and decreases to R81 million and R82 million respectively in the 2 outer years. The decrease is due to the uncertainty of the operational projects which would be undertaken in those years and the limited revenue available within the municipality.
9. Contracted services is R39 million in 2026/2027 and decreases to R21 million and R24 million respectively in the 2 outer years. The decrease is due to the uncertainty of the operational projects which would be undertaken in those years and the limited revenue available within the municipality.
10. Depreciation and amortisation is R31,6 million in 2026/2027 and remain the same for the 2 outer years respectively.
11. Debt impairment is R20,9 million in 2026/2027 and increases to R21,6 million and R22,3 million respectively in the 2 outer years. The debt impairment is calculated on the collection rates of the municipality billed revenue.

Table 12 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	2025/2026	2026/27 Medium Term Revenue & Expenditure Framework		
		Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
R thousand	Adjusted Budget			
Single-year expenditure to be appropriated				
Vote 11 - (11: CAPEX)	191	–	–	–
Vote 20 - ROAD TRANSPORT (42: CAPEX)	–	–	–	–
Vote 21 - RATES AND GENERAL SERVICES (61: CAPEX)	177 808	122 688	77 545	74 727
Capital single-year expenditure sub-total	177 999	122 688	77 545	74 727
Total Capital Expenditure - Vote	177 999	122 688	77 545	74 727
Capital Expenditure - Functional				
Governance and administration	14 476	12 200	3 600	3 000
Executive and council	1 974	–	–	–
Finance and administration	12 502	12 200	3 600	3 000
Community and public safety	8 325	9 075	9 434	70
Community and social services	6 712	6 005	7 364	–
Public safety	1 613	3 070	2 070	70
Economic and environmental services	136 489	74 333	51 105	60 258
Planning and development	12 769	10 000	–	–
Road transport	123 720	64 333	51 105	60 258
Trading services	18 709	27 080	13 406	11 399
Energy sources	16 870	24 580	10 906	11 399
Waste management	1 839	2 500	2 500	–
Total Capital Expenditure - Functional	177 999	122 688	77 545	74 727
Funded by:				
National Government	143 048	93 868	68 825	71 107
Provincial Government	8 000	–	–	–
Transfers recognised - capital	151 048	93 868	68 825	71 107
Internally generated funds	26 951	28 820	8 720	3 620
Total Capital Funding	177 999	122 688	77 545	74 727

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

- Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
- Single-year capital expenditure has been appropriated at R122 million for the 2026/2027 financial year and then decreases over the MTREF at levels of R77 million and R74 million respectively for the two outer years.

3. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
4. The capital programme is funded from capital and provincial grants and transfers, and internally generated funds. For 2026/2027, capital transfers totals to R93,8 million (76 per cent).
5. Internally generated funding totaling R28,8 million, R8,7 million and R3,6 million for each of the respective financial years of the MTREF. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 13 MBRR Table A6 - Budgeted Financial Position

Description	2025/2026	2026/27 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2026/27	Budget Year +1 2027/28
R thousand				
ASSETS				
Current assets				
Cash and cash equivalents	61 396	50 022	57 968	93 524
Trade and other receivables from exchange transaction	18 756	5 233	5 556	3 997
Receivables from non-exchange transactions	13 818	16 348	35 705	45 152
VAT Receivable	–	179 658	179 658	179 658
Other current assets	39 805	(165 614)	(165 614)	(165 614)
Total current assets	133 775	85 646	113 272	156 717
Non current assets				
Investment property	5 983	17 239	17 239	17 239
Property, plant and equipment	635 916	669 948	961 647	1 004 758
Intangible assets	44	(13)	(245 820)	(245 857)
Total non current assets	641 943	687 174	733 066	776 140
TOTAL ASSETS	775 718	772 821	846 338	932 857
LIABILITIES				
Current liabilities				
Trade and other payables from exchange transactions	14 882	31 739	31 739	31 739
Trade and other payables from non-exchange transaction	5 120	1 866	1 866	1 866
Provision	35 321	40 106	54 281	68 910
VAT Payable	–	7 588	7 588	7 588
Other current liabilities	3 713	13 129	13 129	13 129
Total current liabilities	59 037	94 428	108 603	123 232
Non current liabilities				
Other non-current liabilities	–	–	–	–
Total non current liabilities	–	–	–	–
TOTAL LIABILITIES	59 037	94 428	108 603	123 232
NET ASSETS	716 682	678 393	737 735	809 625
COMMUNITY WEALTH/EQUITY				
Accumulated surplus/(deficit)	(664 207)	(678 393)	(737 735)	(809 625)
TOTAL COMMUNITY WEALTH/EQUITY	(664 207)	(678 393)	(737 735)	(809 625)

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets Less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in

order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table 66 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 14 MBRR Table A7 - Budgeted Cash Flow Statement

Description	2025/2026	2026/27 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2026/27	Budget Year +1 2027/28
R thousand				
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	29 922	30 223	31 247	32 273
Service charges	1 727	2 047	2 114	2 182
Other revenue	11 870	15 156	15 656	16 157
Transfers and Subsidies - Operational	256 970	251 810	236 462	254 283
Transfers and Subsidies - Capital	140 293	93 868	68 825	71 107
Interest	5 720	5 931	(3)	6 323
Payments				
Suppliers and employees	(312 417)	(336 735)	(282 891)	(292 582)
NET CASH FROM/(USED) OPERATING ACTIVITIES	134 085	62 300	71 410	89 743
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments				
Capital assets	(204 119)	(129 591)	(89 176)	(85 937)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(204 119)	(129 591)	(89 176)	(85 937)
CASH FLOWS FROM FINANCING ACTIVITIES				
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD	(70 034)	(67 292)	(17 766)	3 806
Cash/cash equivalents at the year begin:		71 442	4 150	(13 616)
Cash/cash equivalents at the year end:	(70 034)	4 150	(13 616)	(9 810)

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality keep falling are looking bleak over the 2027/2028 up to 2028/2029 period.
4. Cash and cash equivalents have a positive balance as at the end of the 2026/2027 financial year and also positive for the outer years.

Table 15 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	2025/2026	2026/27 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2026/27	Budget Year +1 2027/28
R thousand				
Cash and investments available				
Cash/cash equivalents at the year end	(70 034)	4 150	(13 616)	(9 810)
Cash and investments available:	(70 034)	4 150	(13 616)	(9 810)
Application of cash and investments				
Unspent conditional transfers	5 115	3 957	3 957	3 957
Statutory requirements	1 252	(2 022)	(1 396)	(786)
Other working capital requirements	10 448	14 193	(1 811)	(8 229)
Other provisions	42 458	40 106	54 281	68 910
Reserves to be backed by cash/investments				
Total Application of cash and investments:	59 273	56 234	55 031	63 852

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. Considering the requirements of section 18 of the MFMA, it can be concluded that the 2026/2026 MTREF is not funded. **This is subject to confirmation by the Provincial Treasury during their budget assessment in April.**
6. As part of the budgeting and planning guidelines that informed the compilation of the 2027/2028 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Part 2 – Supporting Documentation

1.8 Overview of the annual budget process

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

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

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

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

1.8.1 Budget Process Overview

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

The Mayor tabled in Council the required the IDP and budget time schedule on 29 August 2025. Key dates applicable to the process were:

- **August 2025** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2026/27 MTREF;
- **November 2025** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 March 2026** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2026** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **28 January 2026** - Council considers the 2025/26 Mid-year Review and Adjustments Budget;

- **March 2026** - Recommendations of the Executive Committee are communicated to the Budget Steering Committee, and on to the respective departments. The annual 2026/2027 MTREF is revised accordingly;
- **31 March 2026** - Tabling in Council of the 2026/27 IDP and 2026/27 MTREF for public consultation;
- **April 2026** – Public consultation;
- **6 May 2026**- Closing date for written comments;
- **6 to 21 May 2026** – finalisation of the 2026/27 IDP and 2026/27 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **30 May 2026** - Tabling of the 2026/27 MTREF before Council for consideration and approval.

There were deviations from the key dates set out in the Budget Time Schedule tabled in Council.

1.8.2 IDP and Service Delivery and Budget Implementation Plan

This is the first IDP of the new Council. It started in September 2025 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2026/2027 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

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

The IDP has been taken into a business and financial planning process leading up to the 2026/2027 MTREF, based on the approved 2026/2026 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2026/2027 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2026/2027 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

1.8.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2026/2027 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2026/2027 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2025/2026 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritisation process.

1.8.4 Community Consultation

The draft 2026/2027 MTREF will be tabled before Council on the 31st March 2026 and for community consultation it will be published on the municipality's website.

All documents in the appropriate format (electronic and printed) will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Budget and IDP roadshow will be undertaken in April 2026 in all wards as part community consultation process. The applicable dates and venues were published in social media, radio and print media (daily dispatch).

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and where relevant considered as part of the finalisation of the 2026/2027 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The Municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- Pensioners cannot afford the tariff increases due to low annual pension increases; and

- During the community consultation process large sections of the community made it clear that they are not in favour of any further tariff increases to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.

1.9 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;

- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2026/2027 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 16 IDP Strategic Objectives

2026/2027 Financial Year	2026/2027 MTREF
1. Provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Economic growth and development that leads to sustainable job creation	2. Economic growth and development that leads to sustainable job creation
3. Fight poverty and build clean, healthy, safe and sustainable communities Integrated Social Services for empowered and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service	4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5. Promote sound governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide waste removal;
 - Provide roads and storm water;
 - Maintaining the infrastructure of the municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the Municipality;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour-intensive approaches in the delivery of services and the building of infrastructure.

- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
 - Effective implementation of the Indigent Policy;
 - Extending waste removal services and ensuring effective Municipality cleansing;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning;
- 3.2 Integrated Social Services for empowered and sustainable communities
 - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
 - Optimising effective community participation in the ward committee system; and
 - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
 - Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
 - Reviewing the use of contracted services
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
 - Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;

- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area-based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2025/26 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

1.10 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

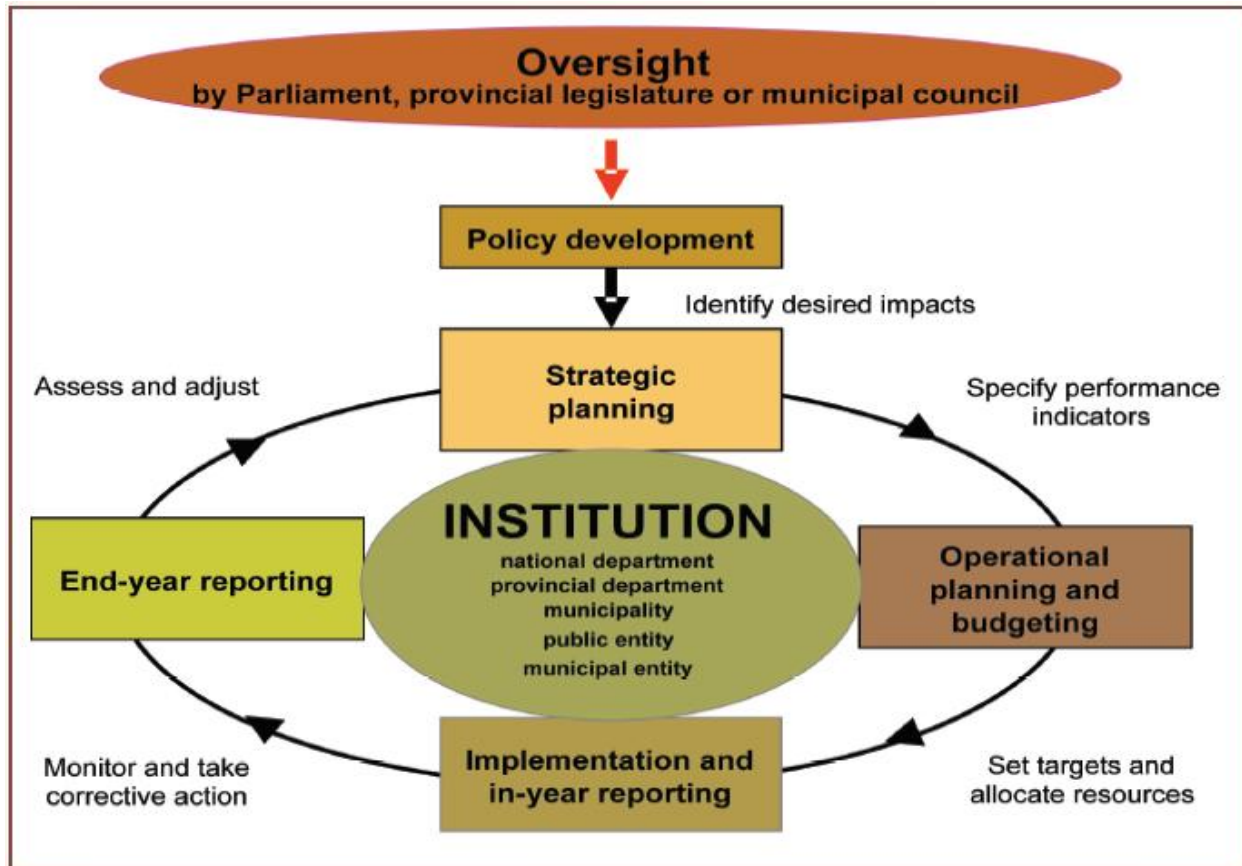


Figure 2 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

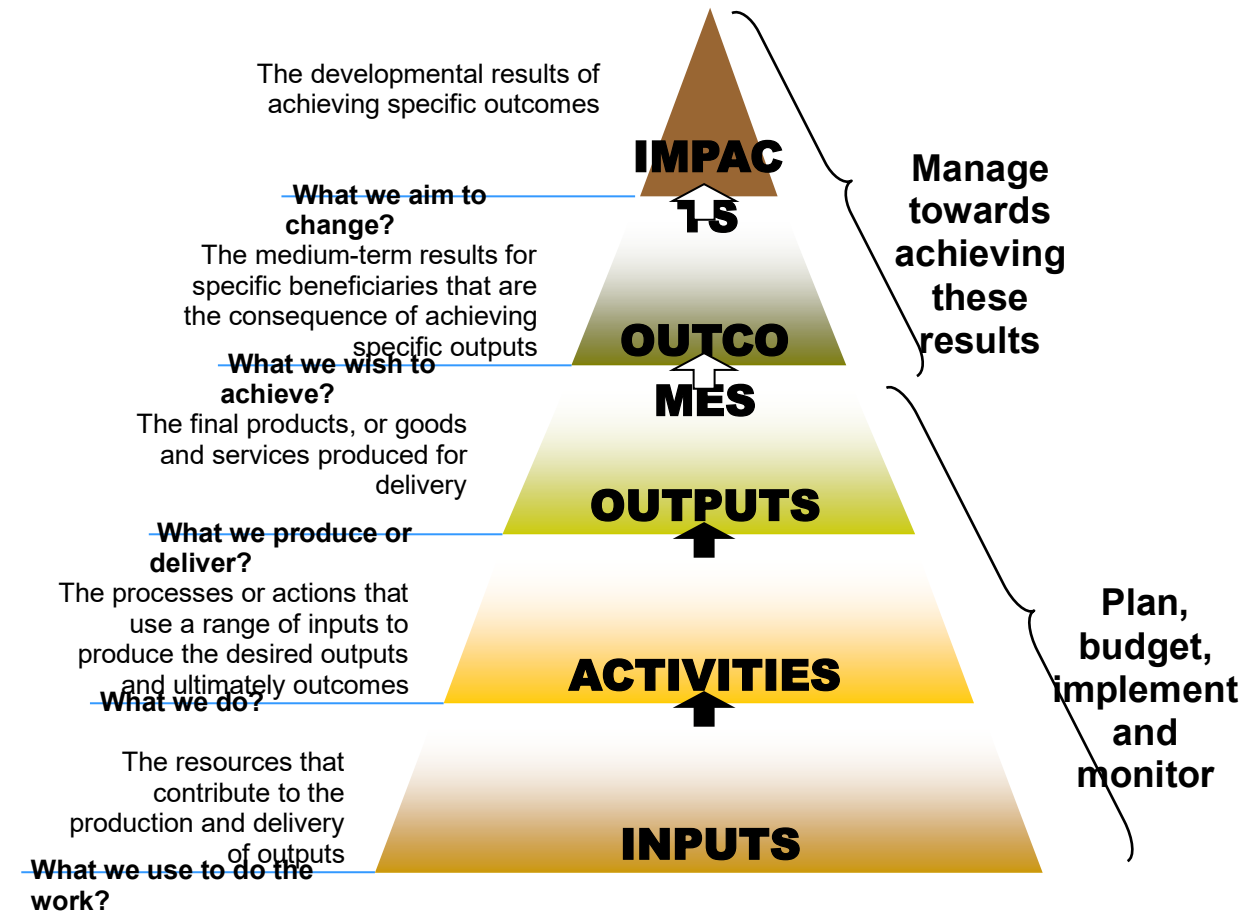


Figure 3 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

The following table sets out the municipality's main performance objectives and benchmarks for the 2026/27 MTREF.

Table 17 MBRR Table SA8 - Performance indicators and benchmarks

1.10.1 Performance indicators and benchmarks

1.10.1.1 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2026/2027 MTREF the current ratio is 0.8 in the 2027/28 financial year and 0.8 for the two outer years of the MTREF. Going forward it will be necessary to maintain these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2026/2027 financial year the ratio was 0.5 and as part of the financial planning strategy it has been increased to 0.3 in the 2025/2026 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer-term financial planning objectives this ratio will have to be set at a minimum of 1.

1.10.1.2 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

1.10.1.3 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 95 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

1.10.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

In terms of the Municipality's indigent policy registered households are entitled to 50 kwh of electricity or 20 liters of paraffin per quarter, free refuse removal on indigent households as well as a discount on their property rates.

1.11 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

1.11.1 Review of credit control and debt collection procedures/policies

The Credit Control and Debt Collection Policy was approved by Council in May 2025 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition, emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2026/2027 MTREF has been prepared basis of achieving an average debtors' collection rate of 55 per cent on property rates and 4,6 per cent on refuse removal. In addition, the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy. 5% interest will be levied on all debtors that are in excess of 90days outstanding.

1.11.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition, the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

1.11.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

1.11.4 Supply Chain Management Policy

The Supply Chain Management Policy was reviewed by Council in May 2025. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

1.11.5 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy was reviewed by Council in May 2025 in respect of both Operating and Capital Budget Fund Transfers.

1.11.6 Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy was amended by Council in May 2025. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

1.11.7 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

1.12 Overview of budget assumptions

1.12.1 External factors

According to the National treasury the CPI is forecasted at 4,7% in 2026/27, 3,3 in 2027/28 and 3,2% in 2028/29. The world economy is expected to grow by 1.2 per cent this year. This is lower than the 1.4 per cent that was anticipated when tabling the medium-term budget policy statement (MTBPS). The Omicron variant of the coronavirus caused many countries to impose restrictions to manage its spread. In addition, continued imbalances in global value chains have limited the pace of the world's economic recovery.

The South African economy has not been shielded from these global developments. National Treasury has revised South Africa's economic growth estimate for 2026 to 1.8 per cent.

This revision reflects a combination of the impact of changes in the global environment, along with South Africa's own unique challenges. Commodity prices, which have supported South Africa's economic recovery, slowed in the second half of 2023.

Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (55 per cent) of annual billings. Cash flow is assumed to be 55 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections

will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

1.12.2 Growth or decline in tax base of the municipality

Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition, the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

1.12.3 Salary increases

The municipality's assumption is that all permanent employees' salaries will increase by 3,7% for the MTREF.

1.12.4 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and, in this regard, various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

1.13 Overview of budget funding

Economic and Fiscal Environment South Africa's economy is expected to grow by 1.2 per cent in 2025/26, down from the 1.4 per cent estimated in the 2025/26 budget. Real GDP growth is forecast to strengthen, averaging 1.8 per cent over the medium-term, supported by a revival in investment as new infrastructure allocations take effect and reform implementation builds. The following macro-economic forecasts must be considered when preparing the 2026/27 MTREF municipal budgets.

The following macro-economic forecasts must be considered when preparing the 2026/27 MTREF municipal budgets.

Table 1: Macroeconomic performance and projections, 2023 – 2029

Fiscal year	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Actual	Actual	Estimate	Forecast		
CPI Inflation	6.9%	5.9%	4.4%	3.3%	3.7%	3.3%	3.2%

Source: National Treasury Budget Review 2025.

Headline inflation declined to 4.4 per cent in the fourth quarter of 2024/25, resulting in average inflation of 4.4 per cent for the year. Consumer inflation is projected to average 3.3 per cent in 2025/26 and 3.7 per cent in 2026/27. In the short term, reducing the inflation target to 3 per cent will result in more cuts in interest rates than would be the case under a 4.5 per cent target. Over time, a lower target will decrease inflation and inflation expectations, creating the space for permanently lower interest rates, which will support household spending and investment – boosting economic growth and job creation.

The lower inflation will support higher levels of real economic growth. South Africa's inflation target will be more in line with its trading partners and peer economies, making the economy more competitive. Household spending and private investment will rise due to higher real disposable income and lower borrowing costs. Source: National Treasury MFMA Budget Circular No. 132 of 2025

- The need for the upgrading and rehabilitation of core services infrastructure remains high. This demand is clearly visible in the draft capital budget;
- The addressing of service delivery shortcomings as identified in the adjustments budget in February 2026 and its effect on the available funding;
- The municipality needs to focus on its core functions. During the February 2026 adjustments budget the Budget Committee and portfolio councillors in conjunction with the heads of departments, scrutinized the budget to affect all possible savings and to align the capital budget to achievable goals;

The February 2025/26 adjustments budget was the base for the 2026/27 MTREF;

- The need to maximize revenue through efficiencies and the way we do business before we decide to increase our rates, service charges and other tariffs was again emphasized;
- Revenue “enhancement” assessment to ensuring that all consumers are billed correctly and are contributing to the municipality's revenue as set out in our tariff policy;
- The need to ensure an optimised credit control and debt collection process was also stressed to improve the debt collection ratio. A 55% ratio was assumed for this budget;

- A contribution of R20,9 million was made to the provision for debtor's impairment in the operating budget. The writing off of irrecoverable debt will continue to be scrutinized through the business processes of the internal credit control unit.

All attempts need to be made to maximize available National and Provincial Government Grants to service part of our capital program.

Services charges relating to refuse removal constitute the lowest component of the revenue basket of the Municipality totaling to only R2.9 million for the 2026/2027 financial year and increasing to R3,1 million by 2027/28

Operational grants and subsidies amount to R253 million, R238 million and R256 million for each of the respective financial years of the MTREF.

Investment revenue contributes marginally to the revenue base of the Municipality with a budget allocation of R7,1 million, R7,4 million and R7,6 million for the respective three financial years of the 2026/2027 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

1.13.1 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2026/2027 medium-term capital programme:

1.14 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

1.15 Legislation compliance status

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

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Internship programme
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.

3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a stage draft stage and will be finalised after approval of the final budget for MTREF and directly aligned and informed by the 2026/27 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.
8. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

1.16 Municipal manager's quality certificate

I, Lungile Ndabeni, Municipal Manager of Mhlontlo Local Municipality, hereby certify that the 2026-2027 Draft annual Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Name: LUNGILE NDABENI

Municipal Manager of Mhlontlo Local Municipality (EC156)

Signature: 

Date: 2026/03/2026

PROPOSED TARIFF STRUCTURE

			3,7%	3,3%	3,2%
	WITHOUT VAT	Proposed Tariff Vat Excluded	Proposed Tariff Vat Excluded	Proposed Tariff Vat Excluded	Proposed Tariff Vat Excluded
1	REFUSE REMOVAL CHARGES	2025/2026	2026/2027	2026/2027	2026/2027
1,1	<i>Government</i>				
(a)	Each property shall be charged a basic service charge per month.	R383,04	R397,21	R410,32	R423,45
(b)	<i>Hospitals (per week)</i>	R556,43	R577,01	R596,06	R615,13
1,2	<i>Domestic Removals</i>	R0,00	R0,00	R0,00	R0,00
(a)	Every owner or occupier of premises from which refuse is removed weekly shall pay the Council a fee per month.	R91,28	R94,66	R97,78	R100,91
		R0,00	R0,00	R0,00	R0,00
1,3	<i>Commercial Removals</i>	R0,00	R0,00	R0,00	R0,00
(a)	Each individual/separate business shall be charged a basic service charge per week.	R568,25	R589,28	R608,72	R628,20
1,4	<i>Availability Charge</i>	R0,00	R0,00	R0,00	R0,00
	A availability fee , is charged to any vacant commercial erven located in the town areas of Tsolo and Qumbu	R383,04	R397,21	R410,32	R423,45
2	ASSESMENT RATES	2025/2026	2026/2027	2027/2028	2028/2029
7,1	<i>Residential</i> First R30 000 discount	R0,0093587	R0,009705	R0,010025	R0,010346
7,2	<i>Vacant Land</i>	R0,0093587	R0,009705	R0,010025	R0,010346
7,3	<i>Commercial</i>	R0,0206342	R0,021398	R0,022104	R0,022811

7,4	<i>Government (P)</i> State owned properties	R0,0188601	R0,019558	R0,020203	R0,020850
7,5	<i>Government</i> Public service infrastructure (PSI)	R0,0022733	R0,002357	R0,002435	R0,002513
7,6	<i>Farms</i> Apply for R30 000 residential discount.	R0,0023397	R0,002426	R0,002506	R0,002587
3	POUND FEES				
	<u>Description of animal</u>				
	Donkeys, Horses, Cattle, per head per day	R115,30	R120,49	R124,46	R128,45
	Pigs	R494,13	R516,37	R533,41	R550,48
	Sheep and Goats, per head per day	R82,36	R86,06	R88,90	R91,75
4	CEMETERY CHARGES				
3,2	The following fees shall be payable to the Council in respect of burials and other services in the public cemetery. <i>Burial Fees</i>				
(a)	Adult - single	R872,97	R912,26	R942,36	R972,52
	Adult - double	R1 486,85	R1 553,76	R1 605,04	R1 656,40
(b)	Child	R411,78	R430,31	R444,51	R458,73
3,3	<i>Miscellaneous Charges</i>				
(a)	Exhumation of body	R4 941,35	R5 163,71	R5 334,11	R5 504,80
		R0,00	R0,00	R0,00	R0,00
(b)	Widening or deepening of grave	R411,78	R430,31	R444,51	R458,73
		R0,00	R0,00	R0,00	R0,00
(c)	Permit to erect a memorial	R1 152,98	R1 204,87	R1 244,63	R1 284,45

3,4	Fees for non-residents of the municipal area shall be the prescribed fees in (6.1) and (6.2) above, plus 50%	R0,00	R0,00	R0,00	R0,00
3,5	After hours burial request as in (6.1) plus 100% At least 16 working hours notice must be given of a burial	R2 470,67	R2 581,85	R2 667,06	R2 752,40
5	PUBLIC HALLS TARIFF				
4,1	<i>Community hall</i>				
(a)	Main hall and kitchen per 12 hour period per day.				
	Church Function	R524,77	R548,39	R566,49	R584,61
	Wedding Function	R2 623,86	R2 741,93	R2 832,42	R2 923,05
	Business Function	R2 623,86	R2 741,93	R2 832,42	R2 923,05
4,2	Where the hall is hired there shall first be deposited with the Chief Financial Officer the following amounts which amounts shall be refunded when the premises is handed over in satisfactory condition.	R1 647,12	R1 721,24	R1 778,04	R1 834,93
6	PLANNING				
	SUBDIVISION AND TOWN SHIP ESTABLISHMENT APPLICATION				
	ERVEN 1-2	R2,69	R2,81	R2,91	R3,00
	ERVEN 1-3	R3,63	R3,79	R3,92	R4,04
	ERVEN 1-4	R4,42	R4,62	R4,77	R4,92
	ERVEN 1-5	R5,37	R5,61	R5,79	R5,98
	ERVEN 1-6	R6,47	R6,77	R6,99	R7,21
	ERVEN 1-7	R7,10	R7,42	R7,67	R7,92
	ERVEN 1-8	R8,21	R8,58	R8,86	R9,14
	ERVEN 1-9	R8,98	R9,39	R9,70	R10,01
	ERVEN 1-10	R9,79	R10,23	R10,57	R10,90
	ERVERN MORE THAN 10	R13,42	R14,02	R14,49	R14,95
		R0,00	R0,00	R0,00	R0,00
	APPLICATION FOR CONSENT USE	R0,00	R0,00	R0,00	R0,00
	ERVEN 0-2500M2	R2,13	R2,23	R2,30	R2,37
	ERVEN 2501-5000M2	R4,42	R4,62	R4,77	R4,92

ERVEN 5001-1000M2	R9,63	R10,06	R10,40	R10,73
ERVEN 1 HA -5HA	R13,75	R14,37	R14,84	R15,31
ERVEN OVER 5HA	R15,77	R16,48	R17,02	R17,57
	R0,00	R0,00	R0,00	R0,00
APPLICATION FOR REZONING	R0,00	R0,00	R0,00	R0,00
ERVEN FROM 0sqm 2500qm	R2,68	R2,80	R2,90	R2,99
ERVEN FROM 2501 sqm- 5000sqm	R5,05	R5,28	R5,45	R5,63
ERVEN 5001 sqm-10000sqm	R10,10	R10,56	R10,91	R11,25
ERVEN FROM 1HA -5HA	R12,79	R13,36	R13,81	R14,25
ERVEN OVER 5HA	R17,68	R18,48	R19,09	R19,70
	R0,00	R0,00	R0,00	R0,00
APPLICATION FOR DEPARTURE FROM BUILDING LINES	R0,00	R0,00	R0,00	R0,00
ERVEN 0-5000m2	R1,74	R1,82	R1,88	R1,94
ERVEN 5001- MORE	R2,53	R2,64	R2,73	R2,82
APPLICATION FOR REMOVAL OF RESTRICTIONS	R12,47	R13,03	R13,46	R13,89
ZONING CERTIFICATES	R188,94	R197,45	R203,96	R210,49
EXTENTION OF TIME	R647,48	R676,61	R698,94	R721,31
TOWN PLANNING SCHEME	R346,78	R362,39	R374,34	R386,32
AMENDMENTS TO EXISTING SUBDIVISION	R2,68	R2,80	R2,90	R2,99
APPLICATION FOR CONSOLIDATION OF ERVEN	R2,68	R2,80	R2,90	R2,99
SG DIAGRAM	R63,37	R66,22	R68,40	R70,59
	R0,00	R0,00	R0,00	R0,00
BUILDING PLANS	R0,00	R0,00	R0,00	R0,00
BUILDING APPROVAL FEES PER m2	R47,24	R49,36	R50,99	R52,62
A3	R19,59	R20,47	R21,14	R21,82
A2	R26,50	R27,69	R28,60	R29,52
A1	R44,93	R46,95	R48,50	R50,06
INTERNAL ALTERATIONS PER m2	R26,50	R27,69	R28,60	R29,52
EXTERNAL ALTERATIONS PER m2	R20,74	R21,67	R22,39	R23,10
BOUNDARY WALLS	R875,59	R914,99	R945,19	R975,43
SHELTER: CARPOT PER M2	R26,50	R27,69	R28,60	R29,52
CAR WASH PER M2	R20,74	R21,67	R22,39	R23,10

	BRAAI AREA PER M2	R26,50	R27,69	R28,60	R29,52
	WENDY FLATS PER m2	R26,50	R27,69	R28,60	R29,52
	PREFAB PER m2	R26,50	R27,69	R28,60	R29,52
	RETAINING /BOUNDARY WALL	R726,97	R759,69	R784,76	R809,87
	CONTAINER p.a	R1,72	R1,80	R1,86	R1,92
	CARAVANS Per pa	R861,77	R900,55	R930,26	R960,03
	BUILDERS SHELTER p.a	R861,77	R900,55	R930,26	R960,03
	STORAGE FACILITY P A	R1,72	R1,80	R1,86	R1,92
		R0,00	R0,00	R0,00	R0,00
	DEMOLITIONS	R0,00	R0,00	R0,00	R0,00
	PER FIRST 100 LINEAR METER	R642,87	R671,80	R693,97	R716,17
	THERE OF EVERY LINEAR METER EXCEED 100 METERS	R46,08	R48,16	R49,75	R51,34
		R0,00	R0,00	R0,00	R0,00
	FINES	R0,00	R0,00	R0,00	R0,00
	BUILDING WITHOUT APPROVED BUILDING PLAN	R1,53	R1,60	R1,65	R1,70
	BUILDING IN CONTRAVENTION OF NOTICE PROHIBITING ANY BUILDING WORK	R1,56	R1,63	R1,68	R1,74
	FAILURE TO DEMOLISH, ALTER OR SAFEGUARD	R763,84	R798,21	R824,55	R850,94
	OCCUPY OR USE OF BUILDING WITHOUT OCCUPATION CERTIFICATE	R1,53	R1,60	R1,65	R1,70
	PREVENTING A BUILDING INSPECTOR IN THE EXECUTION OF HIS/HER DUTIES	R2,29	R2,40	R2,47	R2,55
	PROHIBITION ON THE USE OF CERTAIN BUILDING METHODS AND MATERIAL	R763,84	R798,21	R824,55	R850,94
	FAILURE TO GIVE NOTICE OF INTENTION TO COMMENCE ERECTION OR DEMOLITION OF A BUILDING	R1,53	R1,60	R1,65	R1,70
	DEVIATION FROM APPROVED BUILDING PLAN	R1,53	R1,60	R1,65	R1,70
		R0,00	R0,00	R0,00	R0,00
7	BUSINESS LICENSES	R0,00	R0,00	R0,00	R0,00
7,1	Food Vendors in caravans & carts or similar vessel	R494,13	R516,37	R533,41	R550,48
7,2	General Dealers	R1 647,12	R1 721,24	R1 778,04	R1 834,93
7,3	Supermarkets, Wholesalers & Butcheries	R1 976,54	R2 065,48	R2 133,64	R2 201,92

7,4	Restaurants, B&B's, Hotels, Guest Houses, Lodges	R1 647,12	R1 721,24	R1 778,04	R1 834,93
7,5	Spaza Shops	R494,13	R516,37	R533,41	R550,48
7,6	Funeral Parlours	R1 647,12	R1 721,24	R1 778,04	R1 834,93
7,7	Hawker License: Trucks & Bakkies	R329,42	R344,25	R355,61	R366,99
7,8	Hawker License: Street Vendors	R131,77	R137,70	R142,24	R146,79
7,9	Hawker License: (Special Application – Events)	R164,71	R172,12	R177,80	R183,49
7,1	Clothing Shops	R494,13	R516,37	R533,41	R550,48
7,1	Hardware	R1 647,12	R1 721,24	R1 778,04	R1 834,93
1					
7,1	Garages	R1 647,12	R1 721,24	R1 778,04	R1 834,93
2					
7,1	Livestock Sales	R823,56	R860,62	R889,02	R917,47
3					
7,1	Car wash	R494,13	R516,37	R533,41	R550,48
4					
7,1	Laundromat/Dry Cleaning	R494,13	R516,37	R533,41	R550,48
5					
7,1	Financial Institution	R3 294,23	R3 442,47	R3 556,07	R3 669,87
6					
7,1	Beauty Parlour: Hair Salons, Barber Shops etc	R494,13	R516,37	R533,41	R550,48
7					
7,1	Furniture Shops	R1 647,12	R1 721,24	R1 778,04	R1 834,93
8					
7,1	Legal Practice	R823,56	R860,62	R889,02	R917,47
9					
7,2	Surgeries	R823,56	R860,62	R889,02	R917,47
7,2	Transport Industry	R329,42	R344,25	R355,61	R366,99
1					
7,2	Liquor: Bottle Stores, Taverns	R1 647,12	R1 721,24	R1 778,04	R1 834,93
2					
7,2	Book Shops	R1 070,63	R1 118,80	R1 155,72	R1 192,71
3					
7,2	Brokers: Insurance, Estate agents etc	R823,56	R860,62	R889,02	R917,47
4					
		R0,00	R0,00	R0,00	R0,00
8	NATURE RESERVE	R0,00	R0,00	R0,00	R0,00
8,1	Accommodation	R0,00	R0,00	R0,00	R0,00

	1 bed chalet per day	R164,71	R172,12	R177,80	R183,49
	Camping fee	R98,83	R103,27	R106,68	R110,10
	non refundable application fee per board/sign (annually)	R0,00	R0,00	R0,00	R0,00
	+ Approval fee per applicant	R247,07	R258,19	R266,71	R275,24
9,1	<u>Ground Signs</u>	R0,00	R0,00	R0,00	R0,00
	non refundable application fee per board/sign (annually)	R0,00	R0,00	R0,00	R0,00
	+ Approval fee per applicant	R494,13	R516,37	R533,41	R550,48
9,2	<u>Wall Sign - Flat</u>	R82,36	R86,06	R88,90	R91,75
	non refundable application fee per board/sign (annually)	R0,00	R0,00	R0,00	R0,00