



**2026/27 TO 2027/28
MEDIUM TERM REVENUE AND
EXPENDITURE
FORECASTS**

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Abbreviations and Acronyms

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

SALGA South African Local Government Association
SAPS South African Police Service
SDBIP Service Delivery Budget Implementation Plan
SMME Small Micro and Medium Enterprises

PART 1: Annual Budget

1.1 Mayor’s Report

The Executive Mayors report will be handed out during the Budget meeting.

1.2 Executive Summary

The application of sound financial management principles for the compilation of the Municipality financial plan is essential and critical to ensure that the Municipality 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 planning and budget process. A critical review was also undertaken of expenditures on non-core and ‘nice to have’ items. The municipality strive to ensure that the municipal budget is funded, revenue management is optimised, assets are managed efficiently, supply chain management processes are adhered to, the Municipal Standard Charts of Accounts (mSCOA) is implemented correctly and that audit findings are addressed.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers whilst eliminating and minimising wasteful and non-core spending. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

Table 1: Macroeconomic performance and projections, 2025 - 2029

Fiscal year	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Forecast		
CPI Inflation	4.4%	3.2%	3.4%	3.3%	3.2%

Source: National Treasury Budget Review 2026.

National Treasury Budget Review 2026, MFMA Circular No. 132 and 134 were used to guide the compilation of the 2026/27 MTREF. The Budget Review is used to determine the Inflation over the MTREF, whilst circulars aim to provide overall guidance on the compilation of the 2026/27 MTREF and to support municipalities budget preparations processes so that minimum requirements are achieved. Circulars are linked to the Municipal Budget and Reporting Regulations (MBRR) and mSCOA.

The main challenges experienced during the compilation of the 2026/27 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;

- The increased cost of electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous tariff increases that are not sustainable - as there will be a point where services will no-longer be affordable;
- The need to fill critical vacancies

The following budget principles and guidelines directly informed the compilation of the 2026/27 MTREF:

- The 2025/26 Adjustments Budget priorities and targets, as well as the baseline allocations contained in that Adjustments Budget were adopted as the upper limits that forms baselines for the 2026/27 annual budget;
- Intermediate service level standards were used to inform the measurable objectives;
- Maintaining tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring that the tariffs are cost reflective for the financial sustainability of the municipality. for instance, the cost of providing services should take into account the need to address infrastructure backlogs and its maintenance;
- Budget is allocated to national and provincial funded projects only when the grant to the municipality is reflected in the national and provincial budget and has been gazetted in the annual Division of Revenue Act;

1.3 Recommendation

1. It is recommended that council at its Meeting held on 30 March 2026, consider the tabling of the annual budget for the 2026/27 financial year, with the following:
 - 1.1. measurable performance objectives for revenue from each source and for each vote in the budget;
 - 1.2. any changes to the municipality's integrated development plan;
 - 1.3. any changes to the municipality's budget related policies; and
 - 1.4. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are considered.
2. The Council of Setsoto Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) should also consider the tabling of the following tariffs;
 - the tariffs for property rates – as set out in attached tariff list;
 - the tariffs for electricity– as set out in attached tariff list;
 - the tariffs for the supply of water – as set out in attached tariff list;

- the tariffs for sanitation services – as set out in attached tariff list; and
 - the tariffs for solid waste services – as set out in attached tariff list.
3. The Council of Setsoto Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) allow the Accounting Officer to:
- Make public the annual budget together with its documentation;
 - Invite the local community to submit representations in connection with the budget;
 - Submit the annual budget to National and Provincial Treasury and other sector departments affected by the budget.

In view of the above, the following tables are a consolidated overview of the proposed 2026/27 Medium-Term Revenue and Expenditure Framework:

1.4 Summary of Operating Revenue and Expenditure

Total operating revenue for the 2026/27 financial year is budgeted at R840.6 million increasing from R742.5 million in the 2025/26 Adjustment Budget. The outer years are R808.3 million and R840.6 million.

Total operating expenditure for the 2026/27 financial year appropriation is R1 billion including depreciation and amortisation of R179.6 million which translates into a budgeted deficit of R243 million excluding capital transfers R332.2 million.

A detailed information is given under table “A1 Budgeted Summary”.

Setstoto Local Municipality – Table A1 Budgeted Summary

Description	Ref	2022/23			2023/24			2024/25			Current year 2025/26			2026/27 Medium term revenue and expenditure framework		
		Audited outcome	Audited outcome	Audited outcome	Original budget	Adjusted budget	Full year forecast	Pre-Audited outcome	Budget year 2026/27	Budget year +1 2027/28	Budget year +2 2028/29					
Financial performance																
Property rates		68 402	82 108	86 082	74 524	74 524	74 524	59 801	84 637	81 382	84 637					
Service charges		256 571	288 878	310 334	293 064	312 518	312 518	235 577	336 454	323 514	336 454					
Investment revenue		9 597	12 594	9 726	9 500	8 540	8 540	5 383	9 927	10 424	-					
Transfer and subsidies - Operational		239 156	255 844	271 663	280 974	280 974	280 974	207 821	293 618	308 299	-					
Other own revenue		63 762	67 243	93 252	83 028	66 011	66 011	42 176	116 043	84 729	419 588					
Total revenue (excluding capital transfers and contributions)		637 488	706 667	771 057	741 090	742 567	742 567	550 758	840 679	808 348	840 679					
Total expenditure																
Employee costs		219 911	238 048	257 686	282 773	284 089	284 089	178 962	314 865	302 754	314 865					
Remuneration of Councillors		14 072	14 741	15 272	17 711	16 712	16 712	9 839	20 116	19 341	20 116					
Depreciation, amortisation and impairment		199 912	165 935	146 157	158 168	156 747	156 747	102 431	179 633	172 726	179 633					
Finance charges		3 397	3 566	1 035	1 200	1 711	1 711	742	986	948	986					
Inventory consumed and bulk purchases		100 070	122 181	152 538	204 894	208 240	208 240	109 640	232 699	223 750	232 699					
Transfers and subsidies		42 271	34 324	47 112	120	36 506	36 506	26 239	136	131	136					
Other expenditure		180 264	274 872	201 150	245 810	255 318	255 318	189 996	335 815	322 899	335 815					
Total expenditure		759 897	853 667	820 950	910 676	959 323	959 323	617 849	1 084 250	1 042 549	1 084 250					
Surplus/(Deficit)		(122 409)	(147 000)	(49 893)	(169 586)	(216 756)	(216 756)	(67 091)	(243 571)	(234 201)	(243 571)					
Transfers and subsidies - capital (monetary allocations)		208 901	209 219	173 592	259 881	259 881	259 881	158 828	332 238	319 460	332 238					
Transfers and subsidies - capital (in-kind)		69	-	-	-	-	-	-	-	-	-					
Surplus/(Deficit) after capital transfers and contributions		86 561	62 219	123 699	90 295	43 125	43 125	91 737	88 667	85 259	88 667					
Intercompany/Parent-subsidiary Transactions		-	-	67	-	-	-	46	-	-	-					
Surplus/(Deficit) for the year		86 561	62 219	123 766	90 295	43 125	43 125	91 783	88 667	85 259	88 667					
Capital expenditure and funds sources																
Capital expenditure		244 295	96 407	115 625	287 595	290 039	290 039	139 862	358 583	344 791	358 583					

Revenue

The operational budget revenue increased from R742.5 million [2025/26 Adjustment budget] to R840.6 million [2026/27 Draft Budget], the increase can be attributed to a general increase in the inflation and grants and subsidies.

Service charges revenue has been increased with an average of 8% from R312.5 million in the 2025/26 adjustment budget to R336.4 million in the 2026/27 draft budget. Electricity service charges are expected to be increase with at least 9% according to NERSA and other service charges will be increased with 5%.

Investment revenue slightly increased with 14% from the adjustment budget of R9.5 million to R9.9 million in the annual budget. Investment revenue is revenue generated from cash investment in terms of section 13 of the MFMA.

Transfers and subsidies are budget according to the allocation made in the 2026 Division of Revenue bill. The following table depicts a breakdown of operational transfers and subsidies.

Grant	2026/27	2027/28	2028/29
	R'000	R'000	R'000
Equitable Share	284 175	292 909	304 590
Financial Management Grant	2 200	2 300	2 400
Expanded Public Works Programme	2 003	-	-
Total	288 378	295 209	306 990

Other own revenue increased from R66 million in the adjustment budget to R116 million in the annual budget. An increase can be attributed to the increase in interest earned from receivables.

Expenditure

The budgeted allocation for **Employee related costs** for the 2026/27 financial year totals R314.8 million (excluding Councillor's remuneration of R20.1 million).

The cost associated with the **remuneration of councillors** is determined by the Minister of Cooperative 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.

Provision for **Depreciation and amortisation** has been informed by the Municipality's Asset Management Policy as well as the GRAP standards.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital) that the municipality has with ABSA, the borrowing was used to procure transport assets (Fleet). Finance Charges are budgeted against the amortisation schedule of the existing long term-borrowings with ABSA. The finance charges have been appropriated R986 thousand decreasing from R1.7 million, a decrease is often caused by that when borrowings get closer to their maturity the principal debt becomes low and interest charged is also low.

Inventory consumed and bulk purchases consists of the inventories such as chemicals and the bulk purchases of electricity from ESKOM, an increase in the budgeted amount in terms of inventory is informed by the ongoing increases in prices and on Bulk purchases are determined and approved by NERSA. The expenditure appropriated for 2026/27 is R232.7 million increasing from R208.2 in the 2025/26 adjustment budget.

Other expenditure is a combination of Debt impairment, contracted services, irrecoverable debts written off and operational costs. The other expenditure budget increased from R255.3 million in the adjustment budget to R335.8 million in the annual budget. A detailed breakdown can be found under paragraph 1.7 Table A4.

Provision for **Depreciation, Amortisation and Impairment** for the 2026/27 financial year amounts to R179.3 million. While this expenditure is 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.

Contracted services allocation amount to R62 million decreasing from R64.5 in the adjustment budget. The municipality aim is to keep it to the minimum and ensure that only services that the municipality cannot perform internally are outsourced.

Irrecoverable debts written off decreased from R111.6 million in the 2025/26 adjustment budget to R54.5 million in the 2026/27 budget.

Operational costs appropriation amounts to R118.5 million, however the cost containment measures as outlined in the Circular 82 and adopted by the municipal Council still apply. The municipality embarked on various strategies to curb non-core expenditure e.g. Introduction of petrol cards to minimise the over usage of fuel.

1.5 Operating Revenue Framework

For Setsoto 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 the 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 must 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 macro-economic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a a) annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Council.

1.6 Summary of Operating Revenue by source

Setso Local Municipality – Table A4 Budgeted Financial Performance (Revenue and Expenditure)

Description	Ref	2022/23			2023/24			2024/25			Current year 2025/26			2026/27 Medium term revenue and expenditure framework		
		Audited outcome	Audited outcome	Audited outcome	Original budget	Adjusted budget	Full year forecast	Pre-Audited outcome	Budget year 2026/27	Budget year +1 2027/28	Budget year +2 2028/29					
Revenue																
Exchange revenue																
Service charges – Electricity		90 044	103 988	120 772	141 352	142 758	142 758	94 448	164 154	157 840	164 154					
Service charges – Water		75 111	87 786	88 650	70 841	84 448	84 448	68 044	80 455	77 361	80 455					
Service charges – Waste water management		39 628	41 916	43 734	32 641	35 263	35 263	31 612	37 070	35 645	37 070					
Service charges – Waste management		51 788	55 188	57 178	48 230	50 049	50 049	41 473	54 775	52 668	54 775					
Sales of goods and rendering of services		2 541	1 951	2 022	510	2 462	2 462	1 504	579	557	579					
Interest earned from receivables		43 166	50 952	42 926	56 330	35 885	35 885	24 419	63 974	61 514	63 974					
Interest earned from current and non-current assets		9 597	12 594	9 726	9 500	8 540	8 540	5 383	10 790	10 374	10 790					
Dividends		77	81	94	90	98	98	98	109	105	109					
Rent on land		1 879	1 686	1 914	-	972	972	1 295	1 087	1 045	1 087					
Rental from fixed assets		89	107	127	123	124	124	108	140	135	140					
Operational revenue		7 302	2 758	890	550	502	502	297	625	601	625					
		321 222	359 007	368 033	360 167	361 101	361 101	268 681	413 758	397 845	413 758					
Non-exchange revenue																
Property rates		68 402	82 108	86 082	74 524	74 524	74 524	59 801	84 637	81 382	84 637					
Fines, penalties and forfeits		644	852	34	120	120	120	118	136	131	136					
Licences or permits		27	90	127	30	173	173	177	34	33	34					
Transfers and subsidies – Operational		239 225	255 844	298 129	280 974	280 974	280 974	207 821	313 409	301 355	313 409					
Interest received		5 866	6 929	18 012	18 934	18 934	18 934	13 754	21 505	20 677	21 505					
Operational revenue – Services charges		965	1 022	-	6 341	6 341	6 341	-	7 200	6 925	7 200					
Gains on disposal of fixed and intangible assets		850	250	528	-	400	400	406	-	-	-					
Other gains		287	565	112	-	-	-	-	-	-	-					
		316 266	347 660	403 024	380 923	381 466	381 466	282 077	426 921	410 503	426 921					
Total Revenue (excluding capital transfers and contributions)		637 488	706 667	771 057	741 090	742 567	742 567	550 758	840 679	808 348	840 679					

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise 50% of the total operating revenue mix. In the above table revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality have been considered for both property rates and service charges.

The above table breaks down revenue into Exchange and Non-Exchange revenue. Exchange revenue is appropriated R413.7 million [49%] and non-Exchange R426.9 million [51%].

1.7 Summary of operating expenditure by standard classification

Setso Local Municipality – Table A4 Budgeted Financial Performance (Revenue and Expenditure)

Description	Ref	2022/23			2023/24			2024/25			Current Year 2025/26			2026/27 Medium Term Revenue and Expenditure Framework		
		Audited outcome	Audited outcome	Audited outcome	Original budget	Adjusted budget	Full year forecast	Pre-Audited outcome	Budget year 2026/27	Budget year +1 2027/28	Budget year +2 2028/29					
Expenditure																
Employee related costs		219 911	238 048	257 686	282 773	284 089	284 089	178 962	314 865	302 754	314 865					
Remuneration of councillors		14 072	14 741	15 271	17 712	16 713	16 713	9 839	20 116	19 341	20 116					
Bulk purchases – Electricity		90 974	106 176	124 300	150 284	148 277	148 277	93 760	170 678	164 114	170 678					
Inventory consumed		9 096	16 005	28 238	54 610	59 963	59 963	15 880	62 021	59 636	62 021					
Debt Impairment		19 537	27 940	17 123	120 637	57 403	57 403	50 347	137 008	131 739	137 008					
Depreciation, amortisation and impairment		199 912	165 935	146 157	158 168	156 747	156 747	102 431	179 633	172 726	179 633					
Interest, dividends and rent on land		3 397	3 566	1 035	1 200	1 711	1 711	742	986	948	986					
Contracted services		33 414	40 586	41 557	48 344	64 546	64 546	32 132	62 060	59 673	62 060					
Transfer and subsidies		42 271	34 324	47 112	120	36 506	36 506	26 239	136	131	136					
Irrecoverable debt written off		81 642	149 743	95 193	48 000	111 605	111 605	75 033	54 514	52 418	54 514					
Operational cost and other cost		45 671	56 603	47 277	60 829	53 764	53 764	32 484	118 576	114 014	118 576					
Other losses		-	-	-	(32 000)	(32 000)	(32 000)	-	(36 343)	(34 945)	(36 343)					
Total expenditure		759 897	853 667	820 949	910 677	959 324	959 324	617 849	1 084 250	1 042 549	1 084 250					
(Deficit)/Surplus		(122 409)	(147 000)	(49 892)	(169 587)	(216 757)	(216 757)	(67 091)	(243 571)	(234 201)	(243 571)					
Transfer and subsidies – Capital (Monetary allocations)		208 901	209 219	147 125	259 881	259 881	259 881	158 828	332 238	319 460	332 238					
Surplus/(Deficit) after capital transfers and contributions		86 492	62 219	97 233	90 294	43 124	43 124	91 737	88 667	85 259	88 667					
Intercompany/Parent-subsidiary Transactions		-	-	67	-	-	-	46	-	-	-					
Surplus/(Deficit) for the year		86 492	62 219	97 300	90 294	43 124	43 124	91 783	88 667	85 259	88 667					

The table above illustrate expenditure by standard classification. The total expenditure appropriation for the 2026/27 MTREF amount to R1 billion. When budgeting for expenditure the municipality considered recommendations made in Circular 132 and 134 pertaining to the reduction of Unauthorised, Irregular, Fruitless and Wasteful expenditure. To achieve that related policies are reviewed and updated.

1.7.1 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality Indigent Policy. The target is to register more indigent households during the 2026/27 financial year; a process reviewed every second year.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.8 Capital Expenditure

Setso Local Municipality – Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2022/23	2023/24	2024/25	Current year 2025/26			2026/27 Medium term revenue and expenditure framework			
Figures in Rand thousand		Audited outcome	Audited outcome	Audited outcome	Original budget	Adjusted budget	Full year forecast	Pre-Audited outcome	Budget year 2026/27	Budget year +1 2027/28	Budget year +2 2028/29
Capital expenditure – Vote											
Single-year expenditure to be appropriated											
Vote 1 - Executive and Council		1 035	4	165	-	440	440	3	-	-	-
Vote 2 - Municipal Manager		187	12	694	-	80	80	-	-	-	-
Vote 3 - Finance		70	1 112	244	345	906	906	55	392	377	392
Vote 4 - Administration and Support		911	30	172	90	335	335	13	102	98	102
Vote 5 - Development Planning Social Security		67	6 119	3 142	16 875	13 655	13 655	4 277	12 475	11 995	12 475
Vote 6 - Technical Services		242 025	89 130	111 208	270 285	274 623	274 623	135 515	345 614	332 321	345 614
Capital single-year expenditure sub-total		244 295	96 407	115 625	287 595	290 039	290 039	139 863	358 583	344 791	358 583
Capital expenditure – Functional											
Governance and administration											
Executive and council		1 174	5	551	-	500	500	3	-	-	-
Finance and administration		1 044	1 153	759	3 935	1 271	1 271	67	4 469	4 297	4 469
Internal audit		-	-	-	-	20	20	-	-	-	-
		2 218	1 158	1 310	3 935	1 791	1 791	70	4 469	4 297	4 469
Community and public safety											
Community and social services		-	-	15	-	-	-	-	-	-	-
Sport and recreation		-	232	2 943	12 050	12 100	12 100	3 820	6 995	6 726	6 995
Public safety		30	-	-	-	200	200	-	-	-	-
Housing		11	-	124	-	440	440	3	-	-	-
		41	232	3 082	12 050	12 740	12 740	3 823	6 995	6 726	6 995
Economic and environmental services											
Planning and development		-	-	-	-	260	260	-	-	-	-
Road transport		5 874	46 859	22 190	25 250	43 348	43 348	24 193	41 281	39 693	41 281
		5 874	46 859	22 190	25 250	43 608	43 608	24 193	41 281	39 693	41 281
Trading services											
Energy sources		38 250	4 103	589	7 150	10 805	10 805	-	8 120	7 808	8 120
Water management		190 864	37 093	85 041	237 885	167 113	167 113	86 601	282 062	271 213	282 062
Waste water management		7 026	1 075	3 264	-	52 657	52 657	24 718	14 151	13 607	14 151
Waste management		22	5 887	149	1 325	1 325	1 325	457	1 505	1 447	1 505
		236 162	48 158	89 043	246 360	231 900	231 900	111 776	305 838	294 075	305 838
Total Capital expenditure – Functional		244 295	96 407	115 625	287 595	290 039	290 039	139 862	358 583	344 791	358 583
Funded by:											
National government		199 105	55 075	112 093	269 885	269 885	269 885	137 664	338 469	325 451	338 469

The major part of the capital budget of is aimed for service delivery. However, there is an allocation for other supportive assets such as computers and furniture.

The capital budget will be funded from two revenue mix which are transfers from national government and internally generated funds.

The following table provides a breakdown of budgeted capital transfers for the 2025/26 Medium Term Revenue & Expenditure Framework, from the Division of Revenue Bill of 2026.

Grant	2026/27	2027/28	2028/29
	R'000	R'000	R'000
Regional Bulk Infrastructure Grant	230 509	112 596	103 489
Municipal Infrastructure Grant	57 934	64 204	66 197
Water Services Infrastructure Grant	25 890	24 285	25 375
Total	314 333	201 085	195 061

1.9 Legislation compliance status

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

In year reporting

Reporting to National Treasury in electronic format was fully complied with monthly. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality website.

Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed four interns undergoing training in various divisions of the Financial Services Department.

Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA and headed by the Chief Financial Officer.

Audit and Risk Committees

An Audit and Risk Committees have been established and are fully functional.

Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2026/27 MTREF in May 2026 which will be aligned and informed by the 2026/27 MTREF.

Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

MFMA Training

The MFMA trainings are facilitated by National Treasury on an ongoing basis.

Policies

Budget related policies will be amended and be tabled in the Municipal Council meeting together with the annual budget.

1.10 Funding credibility on cash flow

The following table illustrate that based on the collection rate of service charges the budget are cash funded.

In order to determine a realistic and credible budget the following calculation was made:

Total Revenue	R 840.679 mil
Less Debt Impairment	R 137.008 mil
Available Cash Revenue	R 703.671 mil
Total Expenditure	R1084.250 mil
Less Debt Impairment	R 137.008 mil
Less Depreciation	R 179.633 mil
Less Transfers	R 0.136 mil
Less Irrecoverable Debt	R 54.514 mil
Cash Expenditure	R 712.959 mil
Deficit	R 9.288 mil

With the necessary financial discipline, the municipality might maintain the basic service delivery.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget.

In 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 the budget key timelines before Council meeting outlining the key activities to be undertaken with strict timeliness.

2.2 Overview of budget related policies

The municipal budget related policies will be reviewed as part of community consultation.

2.3 List of Tariffs

The municipal budget was compiled using the attached Tariff list.

2.4 Municipal manager's quality certificate

I, N F Malatjie, Municipal Manager of Setsoto Local Municipality, hereby certify that the 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.

Print Name: Mrs. N F Malatjie
Municipal manager of Setsoto Municipality (FS191)

Signature _____

Date _____