



2026/27 TO 2028/29

**MEDIUM TERM REVENUE AND EXPENDITURE
FORECASTS**

Contents

| | |
|---|----|
| Abbreviations and Acronyms | 3 |
| PART 1: Annual Budget | 5 |
| 1.1 Mayor’s Report | 5 |
| 1.2 Executive Summary | 5 |
| 1.3 Summary of Revenue and Expenditure..... | 8 |
| 1.3.1 Operating revenue: | 8 |
| 1.3.2 Operating expenditure: | 10 |
| 1.3.3 Capital expenditure: | 11 |
| PART 2: Annual Budget Discussion | 12 |
| 2.1 Revenue | 12 |
| 2.2 Expenditure: | 15 |
| 2.3 Free Basic Services: Basic Social Services Package..... | 20 |
| 2.4 Capital Expenditure | 21 |
| 2.5 Legislation compliance status | 22 |
| 2.6 Overview of the annual budget process | 23 |
| 2.7 List of Tariffs..... | 24 |

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 |
| GAMAP | Generally Accepted Municipal Accounting Practice |
| 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 Mayor's Report will be presented by the Executive Mayor during the Council meeting where the annual budget will be presented to Council.

1.2 Executive Summary

The municipality remains committed to applying sound financial management principles in the preparation of its financial plan as an ongoing process. This commitment is aimed at ensuring the efficient, effective, economical, and equitable delivery of services to the community, while also maintaining the long-term financial sustainability of the municipality.

Budget processes were still challenging as it is becoming increasingly difficult to balance growing community needs with limited available resources, while ensuring that legislative frameworks are adhered to, particularly in maintaining a credible and funded budget. This was also emphasized during public consultations where the community indicated that their expectation is to receive affordable and realistic services.

A credible budget is a budget that:

- Funds only those activities that are aligned with the revised IDP, while ensuring that the IDP remains realistic and achievable within the financial constraints of the municipality;
- Is achievable in terms of agreed service delivery and performance targets;
- Contains revenue and expenditure projections that are aligned with current and historical performance trends, and are supported by documented future forecasts and assumptions;
- Ensures the municipality remains financially viable; and
- appropriate levels of delegation are in place especially through financial management

The municipality applied directives and guidance included in the MFMA Budget Circular No. 132 and 134 when compiling the 2026/27 budget. The Municipal Budget and Reporting Regulations regulates the format of the budget documentation; therefore, the A-schedule for the budget year is prepared according to mSCOA version 7.1

1.2.1 Budget Related Policies

The following budget related policies were reviewed to ensure that they remain relevant and consistent with applicable laws and regulations:

| Division | Name of Policy | Reviewed | Changes |
|------------------------------|---|----------|---------|
| Expenditure Division | EFT Policy | Yes | No |
| | Creditors Policy | Yes | Yes |
| | | | |
| Budget Division | Budget Implementation and Management | Yes | No |
| | Borrowing Policy | Yes | Yes |
| | Cash Management & Investment | Yes | No |
| | Funding and Reserves Policy | Yes | No |
| | Long Term Financial Planning Policy | Yes | No |
| | Tariff Policy | Yes | No |
| | Virement Policy | Yes | Yes |
| | | | |
| Revenue Division | Customer Care and Credit Control Debt Collection Policy | Yes | No |
| | Indigent Policy | Yes | Yes |
| | Rates Policy | Yes | No |
| | | | |
| Supply Chain Division | Supply Chain Management Policy | Yes | Yes |
| | Preferential Procurement Regulation Policy | Yes | Yes |
| | | | |
| Asset Division | Asset Management & Disposal Policy | Yes | No |

1.2.2 Challenges

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

- The on-going difficulties in the national and local economy, which has led to high unemployment rate within the municipal area.
- Aging infrastructure on water, roads and electricity which has led to significant budget being allocated to these services.

- The need to reprioritise projects and expenditure within the existing resource envelope, given the cash flow shortfalls.
- The increase in the cost of electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents.
- The recent increase in fuel prices will place additional financial pressure on the municipality's operating budget and service delivery costs
- 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 which has led to the salary budget increasing with a margin higher than the inflation and/or the agreed upon increment at the bargaining council.

1.2.3 Budget principles

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

- After tabling the annual budget in Council, section 22 of the MFMA was applied, where inputs from the local community, National Treasury, Provincial Treasury, and other sector department were considered and informed the final budget;
- 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 informed estimates 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.
- There will be no inclusion of the budget allocations from national and provincially funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- Macro-economic performance and projections presented in the 2026 budget speech of the Minister of Finance.

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.

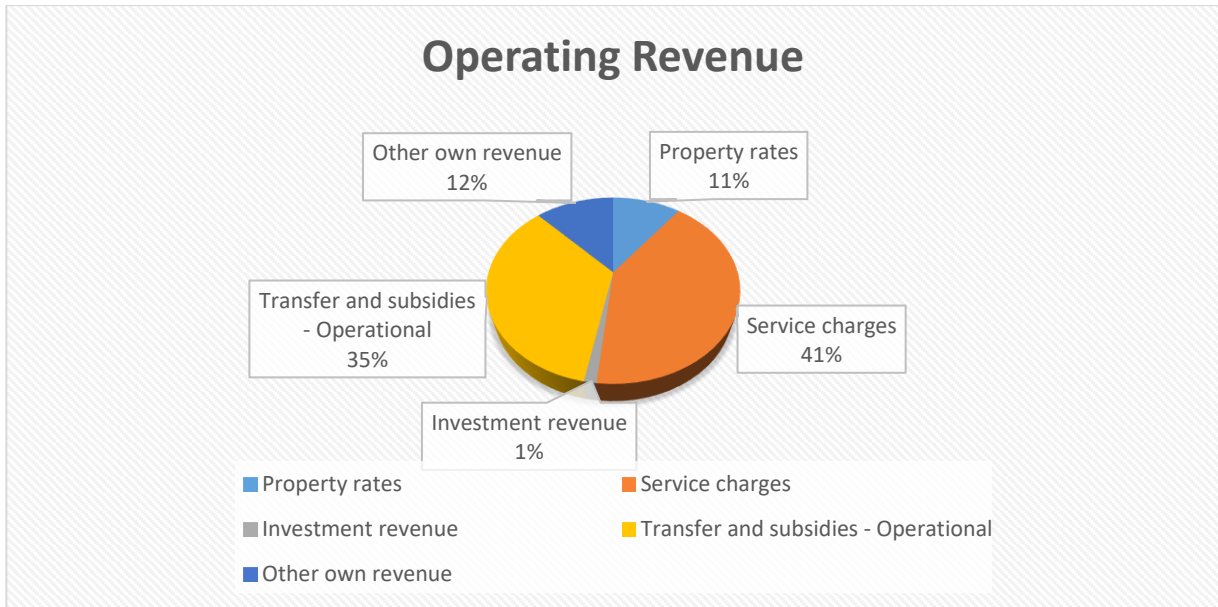
1.2.4 Recommendation

- a. It is recommended that council approves the annual budget for the 2026/27 financial year, with the following:
- measurable performance objectives for revenue from each source and for each vote in the budget;
 - any changes to the municipality’s integrated development plan;
 - any changes to the municipality’s budget related policies; and
 - The financial performance, position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are considered.
- b. 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 approving 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.
- c. 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: submit the approved annual budget of the National Treasury and the relevant Provincial Treasury.

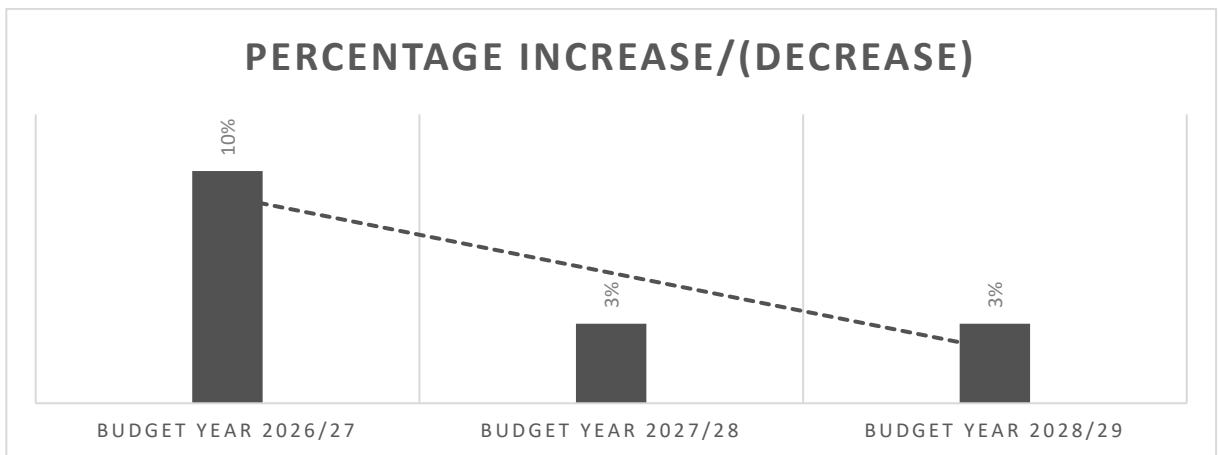
1.3 Summary of Revenue and Expenditure

1.3.1 Operating revenue:

| Description | Budget Year 2026/27 |
|--------------------------------------|--------------------------------|
| | R thousands |
| Property rates | 84 637 |
| Service charges | 336 454 |
| Investment revenue | 10 790 |
| Transfer and subsidies - Operational | 284 151 |
| Other own revenue | 98 129 |
| Total Operating Revenue | 814 162 |



| Description | Current year 2025/26 | | 2026/27 Medium Term Revenue & Expenditure Framework | | |
|--------------------------------|----------------------|-----------------|---|---------------------|---------------------|
| | Original Budget | Adjusted Budget | Budget Year 2026/27 | Budget Year 2027/28 | Budget Year 2028/29 |
| R thousands | | | | | |
| Total Revenue | 741 090 | 742 567 | 814 162 | 841 027 | 868 778 |
| Percentage Increase/(Decrease) | | | 10% | 3% | 3% |

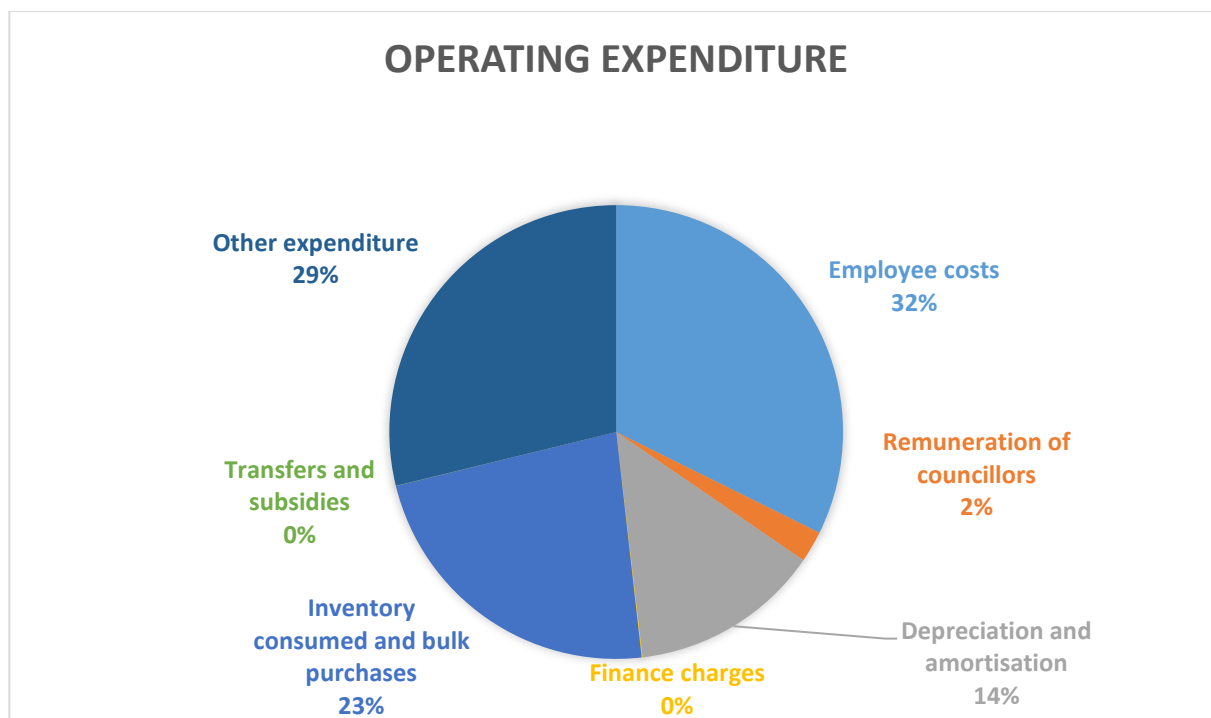


Total operating revenue for the 2026/27 financial year is budgeted at R814.1 million, representing an increase of 10% from the 2025/26 adjusted budget of R742.5 million. Revenue for the two outer years, 2027/28 and 2028/29, is projected to grow at an average annual rate of 3%. The anticipated increase in revenue is driven by a number of factors, including the Consumer Price Index (CPI) and historical revenue performance. Detailed information is

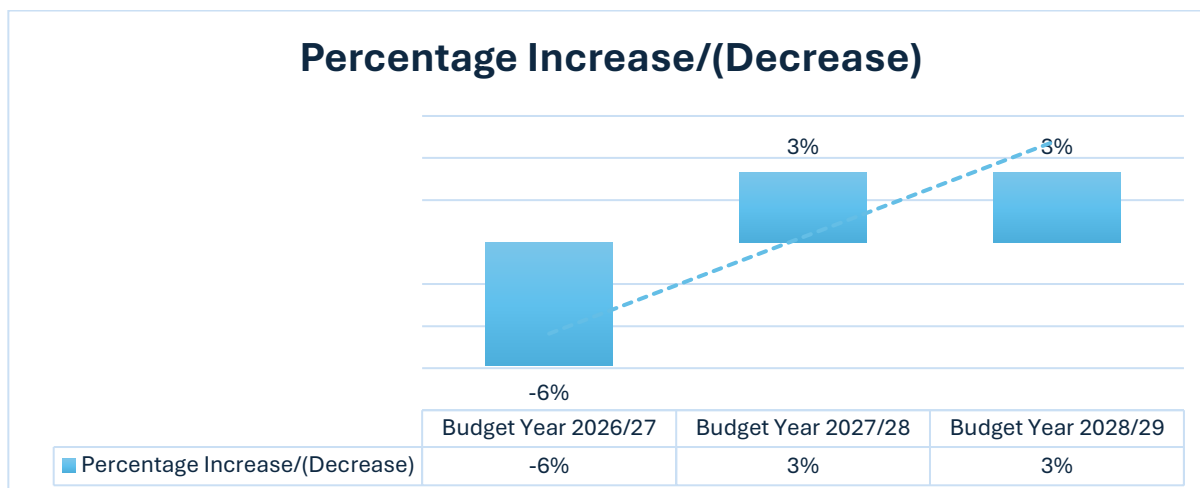
provided in the relevant section below. Furthermore, the municipality must ensure that tariffs are cost-reflective, meaning that they must fully recover the cost of providing the relevant service.

1.3.2 Operating expenditure:

| Description | Budget Year 2026/27 |
|---------------------------------------|------------------------|
| | R thousands |
| Employee costs | 291 914 |
| Remuneration of councillors | 20 116 |
| Depreciation and amortisation | 122 633 |
| Finance charges | 586 |
| Inventory consumed and bulk purchases | 207 309 |
| Transfers and subsidies | 136 |
| Other expenditure | 260 115 |
| Operating Expenditure | 902 809 |



| Description | Current year 2025/26 | | 2026/27 Medium Term Revenue & Expenditure Framework | | |
|--------------------------------|----------------------|-----------------|---|---------------------|---------------------|
| | Original Budget | Adjusted Budget | Budget Year 2026/27 | Budget Year 2027/28 | Budget Year 2028/29 |
| R thousands | | | | | |
| Total Expenditure | 910 677 | 959 323 | 902 809 | 932 609 | 963 386 |
| Percentage Increase/(Decrease) | | | -6% | 3% | 3% |



Total operating expenditure for the 2026/27 financial year is appropriated at R902.8 million, reflecting a decrease of 6% from the R959.3 million provided for in the 2025/26 adjusted budget. However, expenditure over the two outer years (2027/28 and 2028/29) is projected to increase by an average of 3%. The reduction in expenditure is primarily attributable to the implementation of cost-containment measures aimed at limiting spending on non-essential items. Furthermore, the municipal adjusted budget was declared unfunded, necessitating a reduction in current expenditure to restore the budget to a funded position. Detailed information is provided in the relevant section below.

1.3.3 Capital expenditure:

| Description | Current year 2025/26 | | 2026/27 Medium Term Revenue & Expenditure Framework | | |
|--------------------------------|----------------------|-----------------|---|---------------------|---------------------|
| | Original Budget | Adjusted Budget | Budget Year 2026/27 | Budget Year 2027/28 | Budget Year 2028/29 |
| R thousands | | | | | |
| Total Capital Expenditure | 287 595 | 287 540 | 331 307 | 342 240 | 353 534 |
| Percentage Increase/(Decrease) | | | 15% | 3% | 3% |

Total capital expenditure for 2026/27 financial year appropriation is R331.3 million, increasing with an average of 15% from 2025/26 adjustment budget, however the two outer years (2027/28 and 2028/29) are expected to decrease to an average of 3%. A detailed information is provided under the relevant section underneath.

PART 2: Annual Budget Discussion

2.1 Revenue

Setstoto 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 | 103 987 | 120 772 | 141 352 | 142 758 | 142 758 | 116 079 | 164 154 | 169 571 | 175 167 | | | | | |
| Service charges – Water | | 75 111 | 87 786 | 88 650 | 70 841 | 84 448 | 84 448 | 82 907 | 80 455 | 83 110 | 85 852 | | | | | |
| Service charges – Waste water management | | 39 628 | 41 916 | 43 734 | 32 641 | 35 263 | 35 263 | 39 492 | 37 070 | 38 294 | 39 557 | | | | | |
| Service charges – Waste management | | 51 788 | 55 188 | 57 178 | 48 230 | 50 049 | 50 049 | 51 819 | 54 775 | 56 582 | 58 450 | | | | | |
| Sales of goods and rendering of services | | 2 542 | 1 951 | 2 022 | 510 | 2 462 | 2 462 | 1 868 | 3 319 | 3 429 | 3 541 | | | | | |
| Interest earned from receivables | | 43 166 | 50 952 | 42 926 | 56 330 | 35 885 | 35 885 | 31 133 | 63 974 | 66 085 | 68 265 | | | | | |
| Interest earned from current and non-current assets | | 9 596 | 12 594 | 9 726 | 9 500 | 8 540 | 8 540 | 7 158 | 10 790 | 11 145 | 11 513 | | | | | |
| Dividends | | 77 | 81 | 94 | 90 | 98 | 98 | 98 | 109 | 112 | 116 | | | | | |
| Rent on land | | 1 879 | 1 686 | 1 914 | - | 972 | 972 | 1 628 | 1 087 | 1 123 | 1 160 | | | | | |
| Rental from fixed assets | | 89 | 107 | 127 | 123 | 124 | 124 | 126 | 140 | 145 | 149 | | | | | |
| Operational revenue | | 6 887 | 2 316 | 891 | 550 | 502 | 502 | 395 | 625 | 645 | 667 | | | | | |
| | | 320 807 | 358 564 | 368 034 | 360 167 | 361 101 | 361 101 | 332 703 | 416 498 | 430 241 | 444 437 | | | | | |
| Non-exchange revenue | | | | | | | | | | | | | | | | |
| Property rates | | 68 403 | 82 108 | 86 082 | 74 524 | 74 524 | 74 524 | 74 913 | 84 637 | 87 429 | 90 314 | | | | | |
| Fines, penalties and forfeits | | 644 | 852 | 34 | 120 | 120 | 120 | 202 | 136 | 141 | 145 | | | | | |
| Licences or permits | | 27 | 90 | 127 | 30 | 173 | 173 | 214 | 34 | 35 | 36 | | | | | |
| Transfers and subsidies – Operational | | 239 156 | 255 844 | 271 663 | 280 974 | 280 974 | 280 974 | 277 095 | 284 152 | 293 529 | 303 215 | | | | | |
| Interest received | | 5 866 | 6 929 | 18 012 | 18 934 | 18 934 | 18 934 | 17 658 | 21 505 | 22 214 | 22 947 | | | | | |
| Operational revenue – Services charges | | 1 380 | 1 465 | - | 6 341 | 6 341 | 6 341 | - | 7 200 | 7 438 | 7 684 | | | | | |
| Gains on disposal of fixed and intangible assets | | 850 | 250 | 528 | - | 400 | 400 | 601 | - | - | - | | | | | |
| Other gains | | 287 | 565 | 112 | - | - | - | - | - | - | - | | | | | |
| | | 316 613 | 348 103 | 376 558 | 380 923 | 381 466 | 381 466 | 370 683 | 397 664 | 410 786 | 424 341 | | | | | |
| Total Revenue (excluding capital transfers and contributions) | | 637 420 | 706 667 | 744 592 | 741 090 | 742 567 | 742 567 | 703 386 | 814 162 | 841 027 | 868 778 | | | | | |

The municipality’s total revenue is categorised into two categories exchange revenue budgeted at R416.4 million and non-exchange revenue budgeted at R397.7 million for the budget year. The total revenue budget is R814.1 million.

2.1.1 Service Charges – Electricity:

| Description | Current year 2025/26 | | 2026/27 Medium Term Revenue & Expenditure Framework | | |
|--|----------------------|-----------------|---|---------------------|---------------------|
| | Original Budget | Adjusted Budget | Budget Year 2026/27 | Budget Year 2027/28 | Budget Year 2028/29 |
| REVENUE ITEMS: | | | | | |
| Total Service charges - Electricity | 146 053 | 147 457 | 169 492 | 175 085 | 180 863 |
| Less Revenue Foregone (in excess of 50 kwh per indigent) | (4 700) | (4 700) | (5 338) | (5 514) | (5 696) |
| Less Cost of Free Basis Services (50 kwh per indigent) | | | | | |
| Net Service charges - Electricity | 141 353 | 142 757 | 164 154 | 169 571 | 175 167 |

Service charges relating to electricity revenue amount to R164.1 million for the budget year. As electricity tariffs are regulated by the National Energy Regulator of South Africa (NERSA), the municipality undertook the necessary processes and procedures prescribed by NERSA for the approval of electricity tariffs. The budget has therefore been prepared based on the tariff application submitted to NERSA.

2.1.2 Service Charges – Water:

| Description | Current year 2025/26 | | 2026/27 Medium Term Revenue & Expenditure Framework | | |
|--|----------------------|-----------------|---|---------------------|---------------------|
| | Original Budget | Adjusted Budget | Budget Year 2026/27 | Budget Year 2027/28 | Budget Year 2028/29 |
| R thousands | | | | | |
| REVENUE ITEMS: | | | | | |
| Total Service charges - Water | 86 391 | 99 997 | 98 115 | 101 353 | 104 698 |
| <i>Less Revenue Foregone (in excess of 6 kilolitres per indigent</i> | | | | | |
| <i>Less Cost of Free Basis Services (6 kilolitres per indigent</i> | (15 550) | (15 550) | (17 660) | (18 243) | (18 845) |
| Net Service charges - Water | 70 841 | 84 447 | 80 455 | 83 110 | 85 853 |

Service charges for water services have been budgeted at R80.4 million for the financial year, reflecting a decrease of approximately 5% compared to the 2025/26 adjusted budget. In determining the budget for water service charges, historical performance trends were taken into consideration.

Water tariffs are projected to increase by an average of 5%, which is above the anticipated inflation rate. The municipality continues to face challenges relating to ageing water infrastructure and a growing population. Consequently, provision has been made for the maintenance and repair of water infrastructure in the determination of the tariffs to be charged.

2.1.3 Service Charges – Wastewater Management:

| Description | Current year 2025/26 | | 2026/27 Medium Term Revenue & Expenditure Framework | | |
|---|----------------------|-----------------|---|---------------------|---------------------|
| | Original Budget | Adjusted Budget | Budget Year 2026/27 | Budget Year 2027/28 | Budget Year 2028/29 |
| R thousands | | | | | |
| REVENUE ITEMS: | | | | | |
| Total Service charges - Waste Water Management | 44 841 | 47 463 | 50 926 | 52 607 | 54 343 |
| <i>Less Revenue Foregone (in excess of free sanitation service</i> | | | | | |
| <i>Less Cost of Free Basis Services (free sanitation service to</i> | (12 200) | (12 200) | (13 856) | (14 313) | (14 785) |
| Net Service charges - Waste Water Management | 32 641 | 35 263 | 37 071 | 38 294 | 39 558 |

Revenue from wastewater service charges has been budgeted at R37 million, after taking into account the cost of free basic services. This represents an increase of 5% compared to the 2025/26 adjusted budget. The increase is aligned with the municipality's assumption that a 5% tariff adjustment will contribute towards maintaining financial viability and enhancing the municipality's ability to deliver sustainable services to the community.

2.1.4 Service Charges – Waste Management:

| Description | Current year 2025/26 | | 2026/27 Medium Term Revenue & Expenditure Framework | | |
|---|----------------------|-----------------|---|---------------------|---------------------|
| | Original Budget | Adjusted Budget | Budget Year 2026/27 | Budget Year 2027/28 | Budget Year 2028/29 |
| R thousands | | | | | |
| REVENUE ITEMS: | | | | | |
| Total refuse removal revenue | 60 430 | 62 249 | 68 630 | 70 895 | 73 235 |
| <i>Less Revenue Foregone (in excess of one removal a week to Less Cost of Free Basis Services (removed once a week to</i> | <i>(12 200)</i> | <i>(12 200)</i> | <i>(13 856)</i> | <i>(14 313)</i> | <i>(14 785)</i> |
| Net Service charges - Waste Management | 48 230 | 50 049 | 54 775 | 56 582 | 58 450 |

Revenue from waste management services has been budgeted at R54.7 million, after taking into account the cost of free basic services. This represents an increase of approximately 9% compared to the 2025/26 adjusted budget. The increase is informed by the consistent overperformance of waste management revenue during the 2025/26 financial year.

2.1.5 Interest earned from Current and Non-Current Assets:

| Description | Current year 2025/26 | | 2026/27 Medium Term Revenue & Expenditure Framework | | |
|--|----------------------|-----------------|---|---------------------|---------------------|
| | Original Budget | Adjusted Budget | Budget Year 2026/27 | Budget Year 2027/28 | Budget Year 2028/29 |
| R thousands | | | | | |
| REVENUE ITEMS: | | | | | |
| Interest earned from Current and Non Current Assets | | | | | |
| Bank Accounts | 1 500 | 526 | 1 704 | 1 760 | 1 818 |
| Financial Assets | | | | | |
| Short Term Investments and Call Accounts | 8 000 | 8 014 | 9 086 | 9 385 | 9 695 |
| Total Interest earned from Current and Non Current Assets | 9 500 | 8 540 | 10 789 | 11 145 | 11 513 |

Interest earned from current and non-current assets consists mainly of interest generated from investments. The municipality implements Section 13 of the Municipal Finance Management Act (MFMA), which regulates the management of cash and investments.

The municipality has budgeted for an increase in investment revenue from R8.5 million in the 2025/26 adjusted budget to R10.7 million in the 2026/27 financial year. This increase is informed by historical trends, as well as anticipated growth in revenue from capital transfers and grants.

2.1.6 Transfers and Subsidies

| Grants | 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 Program | 2 003 | - | - |
| Total | 288 378 | 295 209 | 306 990 |

Transfers and subsidies are budgeted according to the allocation made in the 2026 Division of Revenue bill.

2.2 Expenditure:

Setsotho 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 | 257 687 | 282 773 | 284 089 | 284 089 | 223 035 | 291 914 | 301 553 | 311 505 | | | | | |
| Remuneration of councillors | | 14 072 | 14 741 | 15 271 | 17 712 | 16 713 | 16 713 | 12 751 | 20 116 | 20 779 | 21 464 | | | | | |
| Bulk purchases – Electricity | | 90 974 | 106 176 | 124 300 | 150 284 | 148 277 | 148 277 | 114 714 | 161 678 | 167 014 | 172 525 | | | | | |
| Inventory consumed | | 9 096 | 16 004 | 28 238 | 54 610 | 59 963 | 59 963 | 23 959 | 45 631 | 47 137 | 48 693 | | | | | |
| Debt Impairment | | 19 866 | 27 007 | 15 080 | 120 637 | 57 403 | 57 403 | 50 347 | 137 008 | 141 529 | 146 200 | | | | | |
| Depreciation, amortisation and impairment | | 199 585 | 166 869 | 148 200 | 158 168 | 156 747 | 156 747 | 126 431 | 122 633 | 126 680 | 130 861 | | | | | |
| Interest, dividends and rent on land | | 3 397 | 3 566 | 1 035 | 1 200 | 1 711 | 1 711 | 1 022 | 586 | 605 | 625 | | | | | |
| Contracted services | | 33 414 | 40 586 | 41 557 | 48 344 | 64 546 | 64 546 | 40 634 | 45 684 | 47 191 | 48 749 | | | | | |
| Transfer and subsidies | | 42 271 | 34 324 | 47 112 | 120 | 36 506 | 36 506 | 35 453 | 136 | 141 | 145 | | | | | |
| Irrecoverable debt written off | | 81 642 | 149 743 | 95 193 | 48 000 | 111 605 | 111 605 | 88 256 | 54 514 | 56 312 | 58 172 | | | | | |
| Operational and other cost | | 45 668 | 56 600 | 47 277 | 60 829 | 53 764 | 53 764 | 39 396 | 59 252 | 61 210 | 63 228 | | | | | |
| Other losses | | - | - | - | (32 000) | (32 000) | (32 000) | - | (36 343) | (37 542) | (38 781) | | | | | |
| Total expenditure | | 759 896 | 853 664 | 820 950 | 910 677 | 959 324 | 959 324 | 755 998 | 902 809 | 932 609 | 963 386 | | | | | |

2.2.1 Employee Related Costs:

| Description | Current year 2025/26 | | 2026/27 Medium Term Revenue & Expenditure Framework | | |
|--|----------------------|-----------------|---|---------------------|---------------------|
| | Original Budget | Adjusted Budget | Budget Year 2026/27 | Budget Year 2027/28 | Budget Year 2028/29 |
| EXPENDITURE ITEMS: | | | | | |
| Employee related costs | | | | | |
| Salaries and Allowances | | | | | |
| Basic Salary | 170 025 | 163 819 | 167 331 | 172 854 | 178 558 |
| Bonuses | 782 | 782 | 853 | 881 | 911 |
| Total Allowance | 23 072 | 27 212 | 22 773 | 23 525 | 24 302 |
| Total Service Related Benefits | 31 979 | 36 118 | 39 003 | 40 290 | 41 621 |
| Total Social Contributions | 56 914 | 56 194 | 61 956 | 64 002 | 66 115 |
| Post-retirement Benefit | | | | | |
| Medical | | (2 002) | | | |
| Other Benefits | | 1 967 | | | |
| Pension | | | | | |
| Total Post-retirement Benefit | - | (35) | - | - | - |
| Less: Employees costs capitalised to PPE | | | | | |
| Total Employee Related Cost | 282 772 | 284 089 | 291 916 | 301 552 | 311 506 |
| Percentage Increase (Decrease) | | | 3% | 3% | 3% |

The budgeted allocation for employee-related costs for the 2026/27 financial year amounts to R291.9 million. The allocation was informed by the collective wage agreement, which provides for a 4.75% increase in wages and salaries effective from 1 July 2026, as well as historical expenditure trends and the implementation of cost-containment measures.

2.2.2 Remuneration of Councillors:

| Description | Current year 2025/26 | | 2026/27 Medium Term Revenue & Expenditure Framework | | |
|--|----------------------|-----------------|---|---------------------|---------------------|
| | Original Budget | Adjusted Budget | Budget Year 2026/27 | Budget Year 2027/28 | Budget Year 2028/29 |
| R thousands | | | | | |
| Remuneration of Councillors | | | | | |
| Allowances and Service Related Benefits | | | | | |
| Basic Salary | 13 109 | 13 109 | 14 888 | 15 379 | 15 886 |
| Cell phone Allowance | 1 949 | 950 | 2 214 | 2 287 | 2 362 |
| Travelling Allowance | 2 654 | 2 654 | 3 014 | 3 113 | 3 216 |
| Total Remuneration of Councillors | 17 711 | 16 712 | 20 115 | 20 779 | 21 465 |

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.

2.2.3 Bulk Purchases: Electricity

| Description | Current year 2025/26 | | 2026/27 Medium Term Revenue & Expenditure Framework | | |
|---|----------------------|-----------------|---|---------------------|---------------------|
| | Original Budget | Adjusted Budget | Budget Year 2026/27 | Budget Year 2027/28 | Budget Year 2028/29 |
| R thousands | | | | | |
| Bulk Purchases - Electricity | | | | | |
| ESKOM | 150 284 | 148 277 | 161 678 | 167 014 | 172 525 |
| Total Bulk Purchases - Electricity | 150 284 | 148 277 | 161 678 | 167 014 | 172 525 |
| Percentage Increase (Decrease) | | | 9% | 3% | 3% |

Bulk electricity purchases from Eskom have been allocated a total budget of R167 million in the 2026/27 financial year, representing an increase of 9% compared to the 2025/26 adjusted budget. The budget allocation was informed by historical expenditure trends, together with the tariff increases approved by the energy regulator for Eskom.

2.2.4 Inventory Consumed:

| Description | Current year 2025/26 | | 2026/27 Medium Term Revenue & Expenditure Framework | | |
|--|----------------------|-----------------|---|---------------------|---------------------|
| | Original Budget | Adjusted Budget | Budget Year 2026/27 | Budget Year 2027/28 | Budget Year 2028/29 |
| R thousands | | | | | |
| Inventory Consumed | | | | | |
| Materials and Supplies | 33 610 | 38 963 | 35 631 | 36 807 | 38 022 |
| Water | 21 000 | 21 000 | 10 000 | 10 330 | 10 671 |
| Sub-total | 54 610 | 59 963 | 45 631 | 47 137 | 48 693 |
| Less: Capitalisation of inventory consumed | | | | | |
| Total Inventory Consumed | 54 610 | 59 963 | 45 631 | 47 137 | 48 693 |

Inventory consumed comprises materials and supplies held in the municipality's stores, as well as chemicals. The budget allocation for inventory consumed amounts to R45.6 million for the 2026/27 financial year. This represents a decrease from R59.6 million in the 2025/26 adjusted

budget to R44.6 million in the 2026/27 budget allocation. The downward adjustment is informed by historical expenditure trends and past performance.

2.2.5 Debt Impairment:

| Description | Current year 2025/26 | | 2026/27 Medium Term Revenue & Expenditure Framework | | |
|------------------------------|----------------------|-----------------|---|---------------------|---------------------|
| | Original Budget | Adjusted Budget | Budget Year 2026/27 | Budget Year 2027/28 | Budget Year 2028/29 |
| R thousands | | | | | |
| Debt Impairment | | | | | |
| Waste Management | 39 728 | | 45 119 | 46 608 | 48 146 |
| Waste Water Management | 30 472 | 21 619 | 34 607 | 35 749 | 36 929 |
| Water | 50 437 | 35 784 | 57 282 | 59 172 | 61 125 |
| Non Specific Accounts | | | | | |
| Total Debt Impairment | 120 637 | 57 403 | 137 008 | 141 530 | 146 200 |

Provision for debt impairment has been made taking into account the current collection and debtors book value and the implementation of GRAP 104.

2.2.6 Depreciation, Amortisation and Impairment:

| Description | Current year 2025/26 | | 2026/27 Medium Term Revenue & Expenditure Framework | | |
|--|----------------------|-----------------|---|---------------------|---------------------|
| | Original Budget | Adjusted Budget | Budget Year 2026/27 | Budget Year 2027/28 | Budget Year 2028/29 |
| R thousands | | | | | |
| Depreciation, Amortisation and Impairment | | | | | |
| Community Assets | 14 627 | 14 831 | 16 612 | 17 160 | 17 726 |
| Computer Equipment | 406 | 564 | 462 | 477 | 493 |
| Electrical Infrastructure | 24 824 | 20 064 | 28 194 | 29 125 | 30 086 |
| Furniture and Office Equipment | 93 | 66 | 106 | 110 | 113 |
| Heritage Assets | | | | | |
| Information and Communication Infrastructure | | | | | |
| Investment Property | 548 | 918 | 623 | 643 | 665 |
| Land | | | | | |
| Libraries | | | | | |
| Living resources | | | | | |
| Machinery and Equipment | 242 | 229 | 274 | 284 | 293 |
| Other Assets | | 654 | | | |
| Rail Infrastructure | | | | | |
| Roads Infrastructure | 56 474 | 56 109 | 61 137 | 63 155 | 65 239 |
| Sanitation Infrastructure | 17 603 | 17 574 | 19 992 | 20 651 | 21 333 |
| Solid Waste Infrastructure | 1 759 | 1 498 | 1 997 | 2 063 | 2 131 |
| Storm water Infrastructure | 90 | 4 410 | 102 | 105 | 109 |
| Transport Assets | 2 841 | 2 833 | 3 227 | 3 333 | 3 443 |
| Water Supply Infrastructure | 38 661 | 36 962 | 43 908 | 45 357 | 46 853 |
| Zoo, Marine and Non-biological Animals | | | | | |
| Sanitation Infrastructure | | | (27 000) | (27 891) | (28 811) |
| Water Supply Infrastructure | | | (27 000) | (27 891) | (28 811) |
| Total Depreciation, Amortisation and Impairment | 158 168 | 156 747 | 122 633 | 126 680 | 130 861 |

Provision for depreciation and amortisation has been informed by the Municipality's Asset Management Policy as well as the GRAP17 standards.

2.2.7 Interest, Dividend and Rental on Land:

| Description | Current year 2025/26 | | 2026/27 Medium Term Revenue & Expenditure Framework | | |
|---|----------------------|-----------------|---|---------------------|---------------------|
| | Original Budget | Adjusted Budget | Budget Year 2026/27 | Budget Year 2027/28 | Budget Year 2028/29 |
| R thousands | | | | | |
| Interest, Dividends and Rent on Land | | | | | |
| Dividends Paid | | | | | |
| Interest Paid | 1 200 | 1 711 | 586 | 605 | 625 |
| Rent on Land | | | | | |
| Total Interest, Dividends and Rent on Land | 1 200 | 1 711 | 586 | 605 | 625 |

The interest paid 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). Interest paid [R586 thousand] are budgeted against the amortisation schedule of the existing long term-borrowings with ABSA.

2.2.8 Contracted Services:

| Description | Current year 2025/26 | | 2026/27 Medium Term Revenue & Expenditure Framework | | |
|---------------------------------------|----------------------|-----------------|---|---------------------|---------------------|
| | Original Budget | Adjusted Budget | Budget Year 2026/27 | Budget Year 2027/28 | Budget Year 2028/29 |
| R thousands | | | | | |
| Contracted Services | | | | | |
| Consultants and Professional Services | 23 650 | 31 557 | 19 696 | 20 346 | 21 018 |
| Contractors | 23 242 | 30 603 | 25 213 | 26 045 | 26 905 |
| Outsourced Services | 1 452 | 2 386 | 774 | 800 | 826 |
| Total Contracted Services | 48 344 | 64 545 | 45 683 | 47 191 | 48 749 |
| Percentage Increase (Decrease) | | | -29% | 3% | 3% |

The allocation for contracted services amounts to R45.6 million for the 2026/27 financial year, representing a decrease from R64.5 million in the 2025/26 adjusted budget. This reduction is in line with the municipality's commitment to strengthening cost-containment measures and improving expenditure efficiency. The municipality's approach is to limit the use of contracted services to essential areas where the required capacity, expertise, or resources are not available internally.

In this regard, outsourcing will only be considered for specialised services that cannot be effectively performed by municipal staff or where it is more cost-effective to procure such services externally. The downward adjustment further reflects the municipality's deliberate effort to reduce spending on non-core and non-essential services in order to support the implementation of a funded and credible budget. This approach is intended to enhance financial sustainability while ensuring that available resources are directed towards core service delivery priorities.

2.2.9 Irrecoverable Debts Written Off:

| Description | Current year 2025/26 | | 2026/27 Medium Term Revenue & Expenditure Framework | | |
|--|----------------------|-----------------|---|---------------------|---------------------|
| | Original Budget | Adjusted Budget | Budget Year 2026/27 | Budget Year 2027/28 | Budget Year 2028/29 |
| R thousands | | | | | |
| Irrecoverable Debts Written Off | | | | | |
| Bad debt written off | | | | | |
| Exchange | | | | | |
| Electricity | 1 551 | 2 534 | 1 762 | 1 820 | 1 880 |
| Non Specific Accounts | 2 021 | 767 | 2 295 | 2 371 | 2 449 |
| Waste Management | 10 713 | 28 466 | 12 167 | 12 568 | 12 983 |
| Waste Water Management | 10 758 | 19 651 | 12 218 | 12 621 | 13 038 |
| Water | 15 768 | 52 463 | 17 907 | 18 498 | 19 109 |
| Total Exchange | 40 811 | 103 881 | 46 349 | 47 878 | 49 458 |
| Non-exchange | | | | | |
| Non Specific Accounts | | | | | |
| Property Rates | 7 189 | 7 724 | 8 165 | 8 434 | 8 713 |
| Service Charges | | | | | |
| Total Non-exchange | 7 189 | 7 724 | 8 165 | 8 434 | 8 713 |
| Total Irrecoverable Debts Written Off | 48 000 | 111 605 | 54 514 | 56 313 | 58 171 |

Irrecoverable Debts Written Off are outstanding amounts owed to the municipality that are deemed uncollectable and are subsequently removed from the accounting records in accordance with the municipality's debt write-off policy and applicable legislative requirements.

2.2.10 Operational Cost and Other Cost:

| Description | Current year 2025/26 | | 2026/27 Medium Term Revenue & Expenditure Framework | | |
|--|----------------------|-----------------|---|---------------------|---------------------|
| | Original Budget | Adjusted Budget | Budget Year 2026/27 | Budget Year 2027/28 | Budget Year 2028/29 |
| R thousands | | | | | |
| Operational Cost and Other Cost | | | | | |
| Operational Cost | | | | | |
| Achievements and Awards | | 270 | | | |
| Advertising, Publicity and Marketing | 2 407 | 1 413 | 2 244 | 2 318 | 2 394 |
| Bank Charges, Facility and Card Fees | 1 232 | 817 | 1 399 | 1 445 | 1 493 |
| Commission | 1 800 | 1 800 | 2 044 | 2 112 | 2 181 |
| Communication | 755 | 765 | 857 | 886 | 915 |
| Entertainment | 25 | 5 | 28 | 29 | 30 |
| External Computer Service | 7 100 | 7 895 | 6 080 | 6 281 | 6 488 |
| Hire Charges | 850 | 2 429 | 857 | 885 | 914 |
| Insurance Underwriting | 4 200 | 3 556 | 5 000 | 5 165 | 5 335 |
| Licences | 980 | 1 350 | 1 113 | 1 150 | 1 188 |
| Printing, Publications and Books | 1 340 | 1 395 | 794 | 820 | 847 |
| Professional Bodies, Membership and Subscription | 2 831 | 3 141 | 223 | 231 | 238 |
| Registration Fees | 1 551 | 1 581 | 1 361 | 1 406 | 1 452 |
| Skills Development Fund Levy | 2 470 | 124 | 2 492 | 2 575 | 2 660 |
| Travel and Subsistence | 2 348 | 2 061 | 2 087 | 2 156 | 2 227 |
| Uniform and Protective Clothing | 3 120 | 3 000 | 2 632 | 2 719 | 2 809 |
| Ward Committees | 2 040 | | 2 317 | 2 393 | 2 472 |
| Wet Fuel | 10 085 | 5 575 | 11 453 | 11 832 | 12 222 |
| Workmens Compensation Fund | 1 600 | 2 100 | 1 817 | 1 877 | 1 939 |
| Total Operational Cost | 46 733 | 39 277 | 44 799 | 46 278 | 47 806 |
| Percentage Increase (Decrease) | | | 14% | 3% | 3% |
| Operating Leases | | | | | |
| Furniture and Office Equipment | 580 | 680 | 509 | 525 | 543 |
| Intangible Assets | 430 | 13 | 488 | 504 | 521 |
| Machinery and Equipment | 13 085 | 13 794 | 13 457 | 13 901 | 14 360 |
| Total Operational Leases | 14 095 | 14 487 | 14 454 | 14 931 | 15 424 |
| Percentage Increase (Decrease) | | | 0% | 3% | 3% |
| Total Operational Cost and Other Cost | 60 828 | 53 763 | 59 253 | 61 209 | 63 230 |

The operational cost and other cost consist of a range of expenditure enabling the municipality to operate daily. In this category there are small line items however if neglected they are likely to have a serious impact in the budget of the municipality. The operational cost has increased with approximately 14% whilst the operating leases remained the same.

2.2.11 Repairs and Maintenance

| Description | Current year 2025/26 | | 2026/27 Medium Term Revenue & Expenditure | | |
|---------------------------------------|----------------------|-----------------|---|---------------------|---------------------|
| | Original Budget | Adjusted Budget | Budget Year 2026/27 | Budget Year 2027/28 | Budget Year 2028/29 |
| R thousands | | | | | |
| <u>Repairs and Maintenance</u> | | | | | |
| Infrastructure | 13 400 | 18 600 | 13 461 | 13 906 | 14 365 |
| Operational Buildings | 2 055 | 3 965 | 1 830 | 1 891 | 1 953 |
| Furniture and Office Equipment | 91 | 11 | 63 | 65 | 68 |
| Machinery and Equipment | 7 160 | 4 852 | 7 425 | 7 670 | 7 923 |
| Transport Assets | 5 408 | 6 253 | 6 012 | 6 210 | 6 415 |
| Total Repairs and Maintenance | 28 114 | 33 681 | 28 792 | 29 742 | 30 724 |

The guidelines from National Treasury as well as good practice emphasise that at least 8% - 10% of the carrying value of assets must be allocated to repairs and maintenance. However, it is impracticable to do that based on the affordability of the municipality also taking into account the carrying value of the assets.

2.3 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 is 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.

2.4 Capital Expenditure

Free State: Setsoto (FS191) - Table A5 Budgeted Capital Expenditure by Functional Classification and Funding

| Description | 2022/23 | 2023/24 | 2024/25 | Current year 2025/26 | | | | 2026/27 Medium Term Revenue & Expenditure | | |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|---------------------|---------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit Outcome | Budget Year 2026/27 | Budget Year 2027/28 | Budget Year 2028/29 |
| Capital Expenditure - Functional | | | | | | | | | | |
| Municipal governance and administration | 2 404 | 1 158 | 4 282 | 3 935 | 1 791 | 1 791 | 99 | 3 394 | 3 506 | 3 622 |
| Executive and council | 1 156 | 5 | 861 | | 500 | 500 | 3 | 1 000 | 1 033 | 1 067 |
| Finance and administration | 1 248 | 1 153 | 3 421 | 3 935 | 1 271 | 1 271 | 95 | 2 394 | 2 473 | 2 555 |
| Internal audit | | | | | 20 | 20 | | | | |
| Community and public safety | 41 | 232 | 2 923 | 12 050 | 12 740 | 12 740 | 4 953 | 6 995 | 7 226 | 7 464 |
| Community and social services | | | | | | | | | | |
| Sport and recreation | | 232 | 2 923 | 12 050 | 12 100 | 12 100 | 4 950 | 6 995 | 7 226 | 7 464 |
| Public safety | 30 | | | | 200 | 200 | | | | |
| Housing | 11 | | | | 440 | 440 | 3 | | | |
| Health | | | | | | | | | | |
| Economic and environmental services | 2 855 | 94 532 | 32 711 | 25 250 | 43 608 | 43 608 | 25 446 | 39 400 | 40 701 | 42 044 |
| Planning and development | | | | | 260 | 260 | | | | |
| Road transport | 2 855 | 94 532 | 32 711 | 25 250 | 43 348 | 43 348 | 25 446 | 39 400 | 40 701 | 42 044 |
| Environmental protection | | | | | | | | | | |
| Trading services | 340 388 | 239 085 | 309 079 | 246 360 | 229 400 | 229 400 | 134 793 | 281 518 | 290 808 | 300 405 |
| Energy sources | 39 705 | 9 701 | 80 541 | 7 150 | 8 305 | 8 305 | | 6 056 | 6 256 | 6 462 |
| Water management | 288 222 | 185 158 | 168 940 | 237 885 | 167 113 | 167 113 | 103 692 | 259 806 | 268 380 | 277 236 |
| Waste water management | 12 438 | 38 338 | 59 547 | | 52 657 | 52 657 | 30 644 | 14 151 | 14 618 | 15 100 |
| Waste management | 22 | 5 887 | 51 | 1 325 | 1 325 | 1 325 | 457 | 1 505 | 1 554 | 1 606 |
| Other | | | | | | | | | | |
| Total Capital Expenditure - Functional | 345 687 | 335 007 | 348 995 | 287 595 | 287 540 | 287 540 | 165 290 | 331 307 | 342 240 | 353 534 |
| Funded by | | | | | | | | | | |
| National Government | 300 259 | 207 492 | 258 942 | 269 885 | 269 885 | 269 885 | 163 034 | 319 083 | 329 613 | 340 490 |
| Provincial Government | | | | | | | | | | |
| District Municipality | | | | | | | | | | |
| Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions) | | | | | | | | | | |
| Transfers recognised - capital | 300 259 | 207 492 | 258 942 | 269 885 | 269 885 | 269 885 | 163 034 | 319 083 | 329 613 | 340 490 |
| Borrowing | 4 444 | 43 209 | 600 | | | | | | | |
| Internally generated funds | 218 | 26 766 | 2 603 | 6 000 | 16 011 | 16 011 | 1 620 | 12 224 | 12 627 | 13 044 |
| Total Capital Funding | 304 922 | 277 468 | 262 145 | 275 885 | 285 896 | 285 896 | 164 654 | 331 307 | 342 240 | 353 534 |

The majority of capital budget of the municipality is earmarked for service delivery. Full provision has been made for the grant funded projects. 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 2026/27 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 |
| Municipal Infrastructure Grant | 57 934 | 64 204 | 66 197 |
| Regional Bulk Infrastructure Grant | 230 509 | 112 596 | 103 489 |
| Water Services Infrastructure Grant | 25 890 | 24 285 | 25 375 |
| Integrated National Electrification Programme | 4 750 | 4 986 | 5 211 |
| Total | 319 083 | 206 071 | 200 272 |

2.5 Legislation compliance status

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

2.5.1 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.

2.5.2 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.

2.5.3 Budget and Treasury Office

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

2.5.4 Audit and Risk Committees

The municipality has a function Audit & Performance Committee, fully constituted of external members. In addition, there is functional Risk Management which is chaired by an external person.

2.5.5 Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2026/27 IDP and MTREF, it will be aligned and informed by both the IDP and MTREF.

2.5.6 Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements. There are no backlogs in terms of annual reporting as all processes dealing with the 2024/25 annual report have been finalised.

2.5.7 MFMA Training

Training interventions aimed at ensuring compliance and implementation of the MFMA are being attended by municipal officials as and when the need has been identified.

2.5.8 Financial Management Capability Maturity Model [FMCMM] and E-Monitoring

The municipality reports in terms of the FMCMM and e-monitoring as required.

2.6 Overview of the annual budget process

In line with the provisions of the Municipal Finance Management Act (MFMA), the municipality has taken steps to ensure compliance with key legislative requirements governing the annual budget process.

Section 53 of the MFMA requires the Mayor to provide general political guidance over the budget process and to ensure that the setting of priorities informs the preparation of the annual budget. In fulfilling this responsibility, the Mayor has played an active role in guiding the budget planning process in alignment with strategic municipal objectives.

In accordance with Section 21 of the MFMA, the Mayor is further required to coordinate the preparation of the annual budget and to table in Council, by August, a time schedule that outlines the process for revising the Integrated Development Plan (IDP) and preparing the budget for the coming financial year. The Mayor fulfilled this obligation by tabling the time schedule in August, ten months before the commencement of the new budget year.

Furthermore, the Mayor tabled the draft annual budget at a Council meeting 90 days prior to the start of the budget year, in compliance with the timeline stipulated in the MFMA. This early tabling enables adequate time for consultation and refinement before adoption.

In terms of Section 22 of the MFMA, once the draft annual budget is tabled, the Accounting Officer is required to publicise the budget and invite public representations and stakeholder input prior to its final approval. This process has been duly initiated to ensure transparency and to allow for meaningful community and stakeholder participation in the budget finalisation process.

These steps reflect the municipality's commitment to sound financial governance, participatory budgeting, and compliance with legislative requirements.

2.7 List of Tariffs

The municipal budget was compiled using the attached Tariff list.
