APPROVAL OF THE 2026/27 TO 2028/29 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)

REPORT OF THE EXECUTIVE MAYOR

1. PURPOSE

To submit to Council the 2026/27 to 2028/29 MTREF Final Budget as per Section 24 of the Municipal Finance Management Act.

2. BUDGET PROCESS OVERVIEW

The Mayor of a Municipality must co-ordinate the processes for preparing the annual budget and for reviewing the municipality's integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget-related policies are mutually consistent and credible;

The Municipal Council must at least 30 days before the start of the budget year consider approval of the annual budget. An annual budget must be approved before the start of the budget year; is approved by the adoption by the council of a resolution referred to in section 17 (3) (a) (i); and must be approved together with the adoption of resolutions as may be necessary

- imposing any municipal tax for the budget year;
- setting any municipal tariffs for the budget year;
- approving measurable performance objectives for revenue from each source and for each vote in the budget
- approving any changes to the municipality's integrated development plan; and
- approving any changes to the municipality's budget-related policies. The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.

Council tabled the draft budget on the 31st of March 2026 together with the budget related policies and the draft tariffs for the 2026/2027.

The draft budget was made available for the public and communities to submit comments and was advertised on media platforms. All wards were consulted on the 2026/27 draft budget and tariffs, comments received from public participation were responded to during the public consultation meetings in the various wards. The draft budget was submitted electronically to National and Provincial Treasury.

The 2026/27 MTREF Draft budget was further assessed by the Provincial Treasury, where a feedback session was held on the 07th May 2026. The analysis received from Provincial Treasury reflects that the Municipality's draft budget was unfunded on both table A7 and table A8 and that required that budget to be reworked and to consider all the inputs and comments from Provincial Treasury's analysis report.
The challenges that affects the budget to be unfunded based on PT's analysis are as follows:

- Misalignment of certain revenue and expenditure items are not linked to the projected 3.4% CPI increase.
- Budget must be reviewed to relook at the budget provision for overtime and standby allowance as it has an impact on the budget.
- The funding of the MTREF budget from realistically anticipated revenues to be collected.
- The phasing approach on the cost reflective tariffs to curb massive trading losses for all the trading services like water, electricity, refuse removal and sanitation, through the National Treasury Cost Reflective tool.
- Inability to fully implement the credit control policy in order to improve the collection rate.
- The cashflow needs to be reworked in order to correct misaligned data strings.

3. EXECUTIVE SUMMARY

In terms of section 62(1)(a) of the MFMA The Accounting Officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically.

Sound Financial Viability is key to the provision of sustainable service delivery. Dr Pixley Ka Isaka Seme Local Municipality remain focused on development of effective and efficient revenue value chain, recognition of expenditure when incurred, procurement of goods and service in a transparent, competitive, cost-effective manner, promoting sound financial governance and sustaining healthy financial ratios. This budget therefore seeks to give meaning to implementation of these priorities.
Dr Pixley Ka Isaka Seme Local Municipality depends on grants in providing long term funding for infrastructure development. The Municipality continues to explore and engage National Treasury and Development Bank of South Africa to invest more on infrastructure development and capacity building.
The current financial performance has been taken into consideration in preparation for the 2026/27 MTREF. The following were considered:

- Provision of free basic service to registered indigent

- Distribution losses on both water and electricity as a result of illegal connections, unmetered services
- Inability to pay for municipal services – pressure on collection levels,
- Distribution of municipal accounts

Amongst the challenges faces the Municipality remains committed to:

- the effective and efficient revenue management processes.
- Enforcement of Credit Control and Debt collection policy and By-law
- implementing cost containment measures
- ensuring value for money on all procurement process.

The Municipality is currently up to date with the Eskom account. The Municipality has entered into a repayment plan with the Department Water and Sanitation for the bulk water services that affect the fundability of the budget. Debt collections have been stagnant in the past financial years and the Municipality should intensify the Revenue Enhancement Programs.

The Municipality remains committed to provision of sustainable basic delivery. The SDBIP documents gives full details on the proposed programmes to be implemented to improve the municipal performance.

4. Tariffs

The proposed revenue tariffs are as follows as per the MFMA Circular 134:

I. ***Property rates***

The property rates tariffs will remain unchanged due, however the rebates on property rates are proposed to be reduced during 2026/27 as follows:

Residentials: 25% to 18%

Businesses: 30% to 22.50%

Agricultural: 30% to 22.50%

II. ***Sewerage tariffs***

The sewerage tariffs are proposed to increase as follows, as per the cost reflective tool outcome as follows:

Category	Block Number	Return flow	Volume of water sold in block	Estimated volume of wastewater returned in block	2025 Basic charge	2025 Tariff (R/kl)	Revenue required from tariff	Cost reflective basic charge	Cost reflective tariff (R/kl)	Percentage Increase/ Decrease R/kl	Percentage Increase/ Decrease Basic Charge
Residential	1	60%	1 348 362	809 017	146.32	16.63	8 780 909	100.00	2.17	-87%	- 0.32
Business	1	60%	561 156	336 694	292.63	18.50	5 621 813	152.76	14.15	-24%	- 0.48
Government	1	60%	153 924	92 354	292.63	18.50	1 002 396	152.76	8.31	-55%	- 0.48
Siyazenzela	1	60%	19 089	11 453	87.95	16.63	124 313	91.82	0.65	-96%	0.04
Ezamokuhle / Esizameleni	1	60%	694 476	416 686	87.95	16.63	4 522 621	91.82	0.65	-96%	0.04
Schools	1	60%	63 024	37 814	192.15	18.50	631 391	200.60	15.03	-19%	0.04
Dana Tehuis	1	60%	2 933	1 760	2 404.33	16.63	29 384	2 325.00	0.68	-96%	- 0.03
Kana Tehuis	1	60%	2 933	1 760	2 404.33	16.63	29 384	2 325.00	0.68	-96%	- 0.03

Council in its meeting on the 30th April 2025 under resolution number 147/2025 that the tariff on the waster water be corrected in the 2025/26 financial year on the billing of 60% of the water consumption. Due to this resolution of Council it is proposed that the tariff be increased by 20% on the basic charge to recover for the cost associated with the wastewater treatment costs.

III. Refuse tariffs

The refuse removal tariffs are proposed to increase as follows as per the cost reflective tool outcome as follows:

Category	Cost reflective fixed charge per customer per month	2025 tariff	% increase 2025 to model	Percentage Increase/ Decrease	Proopos ed tariff Year 1	Proopos ed tariff Year 2	Proopos ed tariff Year 3	Proopos ed tariff Year 4	Proopos ed tariff Year 5
Residential Volksrust, Amerfoort, Wakkerstroom	365.66	122.99	297.31	197%	147.59	177.11	212.53	255.03	306.04
Schools	416.23	228.53	182.13	82%	274.24	329.08	394.90	418.59	
Residentual Esizameleni, Ezamokuhle,Vukuzakhe	365.66	60.31	606.30	506%	72.37	86.85	104.22	125.06	150.07
Business	416.23	174.05	239.14	139%	208.86	250.63	300.76	360.91	433.09
Welfare and churches	416.23	62.05	670.80	571%	74.46	89.35	107.22	128.67	154.40
Refuse yellow bin	416.23	397.78	104.64	5%	417.67				

Since 2025/26 council adopted the cost reflective tariffs through the phasing in approach over the next five years as indicated in the above table. 2026/27 will be year 2 on the implementation of the tariffs and indicates an increase of 20%

IV. Water tariffs

The water tariffs are proposed to increase as follows as per the cost reflective tool outcome as follows:

Category	Block Number	Bottom of Block	2025 Tariff (R/kl)	Cost reflective basic charge	Cost reflective tariff (R/kl)	Percentage Increase	Prooposed tariff Year 1	Proopos ed tariff Year 2	Proopos ed tariff Year 3	Proopos ed tariff Year 4	Proopos ed tariff Year 5
Residentia	1	0.00	-	22.80	-						
	2	6.01	12.36		37.50	203%	14.83	17.80	21.36	25.63	30.76
	3	15.01	16.63		50.60	204%	19.96	23.95	28.74	34.48	41.38
Business	1	0.00	13.33	116.00	17.00	28%	16.00	17.28			
	2	10.01	15.28		24.60	61%	18.34	22.00	26.40	31.68	38.02
	3	30.01	15.28		35.70	134%	18.34	22.00	26.40	31.68	38.02
	4	50.01	18.50		57.00	208%	22.20	26.64	31.97	38.36	46.03

Since 2025/26 council adopted the cost reflective tariffs through the phasing in approach over the next five years as indicated in the above table. 2026/27 will be year 2 on the implementation of the tariffs and indicates an increase of 20%

V. All other revenue tariffs

Average increase of 3.4% except where indicated in the tariffs listing as attached.

VI. Electricity tariffs

Proposed average increase of 10.2% including the implementation of the winter tariffs to residential customers based on the cost of supply study tool and subject to approval by NERSA.

VII. Flat rate

The following flat rates will remain unchanged for the 2026/27 financial year:

Registered Indigent customers – R150.00 per customer

All other customers other than Indigent customers in (Daggakraal, Perdekop, Wakkerstroom and Ezamokuhle) – R350.00 per household.

5. OPERATIONAL BUDGET

5.1 FINAL BUDGET SUMMARY

DESCRIPTION	2026/27	2027/28	2028/29
Total Operating Revenue	533,012,218.00	555,746,489.00	584,690,438.68
Total Operating Expenditure	529,094,906.00	555,112,529.00	579,830,683.00
Surplus/ (Deficit) for the year Before Grants & Subsidies	**3,917,312.00**	**633,960.00**	**4,859,755.68**
Transfers & Subsidies - Capital Grants	85,247,200.00	83,603,052.00	86,825,452.00
Net Surplus/ (Deficit) for the year after Capital Grants	89,164,512.00	84,237,012.00	91,685,207.68
Internally Funded Capex	4,500,000.00	-	-
Surplus/ (Deficit) for the Year	**84,664,512.00**	**84,237,012.00**	**91,685,207.68**

5.2 OPERATIONAL REVENUE

DESCRIPTION	2026/27	2027/28	2028/29
Exchange Revenue			
Service charges - Electricity	117,162,435.00	129,112,992.00	142,282,523.68
Service charges - Water	41,013,912.00	42,362,374.00	43,723,125.00
Service charges - Waste Water Management	23,300,832.00	24,056,760.00	24,839,998.00
Service charges - Waste Management	14,934,489.00	15,427,327.00	15,921,002.00
Sale of Goods and Rendering of Services	752,676.00	777,516.00	802,404.00
Agency services	-	-	-
Interest earned from Receivables	45,245,604.00	46,738,707.00	48,234,346.00
Interest earned from Current and Non Current Assets	3,774,617.00	3,899,179.00	4,023,953.00
Rental from Fixed Assets	2,805,204.00	2,897,783.00	2,990,509.00
Licence and permits	-	-	-
Operational Revenue	4,983,672.00	5,148,138.00	5,312,878.00
Non-Exchange Revenue			
Property rates	64,807,927.00	66,946,585.00	69,088,873.00
Fines, penalties and forfeits	486,024.00	502,068.00	518,136.00
Licences or permits	10,785.00	11,141.00	11,497.00
Transfer and subsidies - Operational	182,256,800.00	185,349,924.00	193,384,692.00
Interest	28,701,819.00	29,648,979.00	30,597,746.00
Gains on disposal of Fixed and Intangible Assets	2,775,422.00	2,867,016.00	2,958,756.00
Total Revenue (excluding capital transfers and contributions)	**533,012,218.00**	**555,746,489.00**	**584,690,438.68**

The Municipality's operational revenue is made up of 34% from Grants and 66% from Own revenue.

Total Revenue - there is a decrease in the total operating revenue from R543 million in 2025/26 to R533 million in 2026/27. The decrease is affected mainly by the property rates revenue due to high rebates given to residential, business and agricultural properties, as well as the agency services for the licensing function taken back to Mpumalanga Department of Community Safety during the beginning of 2025/26.

5.3 OPERATIONAL EXPENDITURE

DESCRIPTION	2026/27	2027/28	2028/29
Employee related costs	126,586,168.00	131,342,435.00	135,545,393.00
Remuneration of councillors	11,702,820.00	12,089,004.00	12,475,853.00
Bulk purchases - electricity	109,490,593.00	119,355,696.00	130,109,640.00
Inventory consumed	30,397,020.00	31,400,127.00	32,404,933.00
Debt impairment	102,827,255.00	106,220,554.00	109,619,616.00
Depreciation, amortisation and impairment	60,585,843.00	62,867,196.00	64,878,935.00
Interest, Dividends and Rent on Land	9,000,000.00	9,297,000.00	9,594,504.00
Contracted services	36,744,649.00	39,401,864.00	40,682,724.00
Irrecoverable debts written off	5,495,190.00	5,676,528.00	5,858,172.00
Operational costs	36,265,368.00	37,462,125.00	38,660,913.00
Total Expenditure	**529,094,906.00**	**555,112,529.00**	**579,830,683.00**

Total Expenditure- the overall total expenditure has slightly decreased from R529 981 000 to R529 094 906 2026/27 due to low revenue collection.

5.4 REPAIRS AND MAINTENANCE

The National Treasury norm in terms of budgeting for the repairs and maintenance is 8%, however due to the low revenue collection that is a currently challenge the final budget has catered for 2% against the budget of the on the repairs and maintenance which has slightly increased from 1.5% from the 2025/26 financial year. This will be increased at mid term once the collection rate improves.

5.5 OPERATIONAL AND CAPITAL GRANTS

NAME OF THE GRANT	2026/27	2027/28	2028/29
Equitable Share	176,260,000.00	180,997,000.00	188,881,000.00
Financial Management Grant (FMG)	2,500,000.00	2,600,000.00	2,700,000.00
Expanded Public Works Program (EPWP)	1,903,000.00	-	-
Municipal Infrastructure Grant (MIG)	31,876,000.00	35,059,000.00	36,071,000.00
Water Services Infrastructure Grant (WSIG)	54,479,000.00	41,453,000.00	43,314,000.00
Integrated National Electrification Programme (INEP)	486,000.00	8,844,000.00	9,244,000.00
TOTAL	**267,504,000.00**	**268,953,000.00**	**280,210,000.00**

5.6 CAPITAL BUDGET

The total capital budget for the 2026/27 financial year amounts to **R85,247,200** which will be funded as follows:

a) Proposed MIG projects

No	Project Description	2026/27	2027/28	2028/29
1	Refurbishment of Volksrust Water Treatment Plant (Ward 4)	4 500 000.00	4 000 000.00	4 000 000.00
2	Construction of pavement road in ward 9	2 000 000.00	2 000 000.00	2 000 000.00
3	Construction of water reticulation in ward 7	2 000 000.00	2 000 000.00	2 000 000.00
4	Construction of water and sewer reticulation in ward 3	3 000 000.00	3 000 000.00	3 000 000.00
5	Refurbishment of pump station in ward 11	1 000 000.00	2 000 000.00	2 000 000.00
6	Refurbishment of Hoof and Beta Metal Pump Stations in Ward 3	3 000 000.00	5 000 000.00	5 000 000.00
7	Construction of sewer reticulation in Vukuzakhe Ward 2	2 000 000.00	2 000 000.00	2 461 400.00
8	Construction of storm water drainage in ward 11	2 300 000.00	2 306 050.00	2 306 050.00
9	Construction of sewer reticulation in Ward 1	2 104 850.00	2 500 000.00	3 000 000.00
10	Construction of toilet top structures in Perdekop in Ward 6	2 000 000.00	2 000 000.00	2 000 000.00
11	Drilling of new boreholes in Wakkerstroom ward 5	2 377 350.00	2 500 000.00	2 500 000.00
12	Construction of pavement in ward 8	2 000 000.00	2 000 000.00	2 000 000.00
13	Construction of pavement in ward 10	2 000 000.00	2 000 000.00	2 000 000.00
	PMU Admin Costs	1 593 800.00	1 752 950.00	1 803 550.00
	Total	**31 876 000.00**	**35 059 000.00**	**36 071 000.00**

b) Proposed WSIG projects

Project	2026/27	2027/28	2028/29
Sewer Reticulation in Amersfoort town	R 54 479 000.00	R 41 453 000.00	R 43 314 000.00

c) Proposed INEP projects

Projects	2026/27	2027/28	2028/29
Pre-engineering studies- Electrification of Hlanganani Trust Phase 1	486,000.00	-	-
Electrification of Hlanganani Trust - Phase 2	-	8,844,000.00	9,244,000.00
TOTAL	**486,000.00**	**8,844,000.00**	**9,244,000.00**

d) Proposed Internally funded projects

Projects	Budget
Procurement of service delivery vehicles	R1 000 000.00
Rehabilitation of roads in Volksrust Ward 4	R3 500 000.00
Total	**R4 500 000.00**

6. CASH FLOW

The Municipality's cash flow position on Table A7 shows that the budget is cash backed by R164 million for the 2026/27 financial year which is based on a 55% collection rate.

However, Table A8: Cash Backed Reserves the budget indicates an unfunded position of R62 million, mainly it is caused by lack of cash reserves. It must be noted that the budget is still waiting for final assessment by Provincial Treasury in terms of their finding assessment tool.

Therefore, based on this outcome Council must develop and approve a Budget Funding Plan that will address the revenue collection challenges. Provincial Treasury will assist with the development of the plan and monthly monitoring.

ATTACHMENTS

- MFMA Circular 134
- Division of Revenue Act
- 2026/27 Draft Budget Assessment by Provincial Treasury
- 2026/27 Tariffs
- Revenue and Expenditure budget
- Budget A Schedules

RECOMMENDATIONS

1. THAT Council takes note of the final budget for 2026/27 to 2028/29 MTREF.
2. THAT Council approves of the final budget for 2026/27 to 2028/29 MTREF.
3. THAT Council approves the capital projects as contained in the final budget for 2026/27 to 2028/29.
4. THAT Council approves of the tariffs increments to be applicable in the 2026/27 financial year as per the tariffs listing attachment.
5. THAT the Accounting Officer develop a Budget Funding Plan for the 2026/27 budget year for Council approval in the next Council meeting.