

**KGATELOPELE  
MUNICIPALITY  
FINAL BUDGET**

**FINAL MEDIUM TERM REVENUE  
AND EXPENDITURE FRAMEWORK  
2026/27 TO 2027/29**

**FINAL BUDGET OF**  
**KGATELOPELE**  
**MUNICIPALITY**

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

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## Table of Contents

<b>PART 1 – FINAL ANNUAL BUDGET .....</b>	<b>2</b>
2.1 MAYOR’S REPORT .....	2
2.1 EXECUTIVE SUMMARY .....	6
2.2 OPERATING REVENUE FRAMEWORK .....	11
2.3 OPERATING EXPENDITURE FRAMEWORK .....	18
2.4 ANNUAL BUDGET TABLES .....	21
2.5 OVERVIEW OF THE ANNUAL BUDGET PROCESS .....	26
2.6 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP .....	28
2.7 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS .....	31
2.8 OVERVIEW OF BUDGET RELATED-POLICIES .....	37
2.9 OVERVIEW OF BUDGET ASSUMPTIONS .....	40
2.10 OVERVIEW OF BUDGET FUNDING .....	42
2.11 OTHER SUPPORTING DOCUMENTS .....	50
3.1 LEGISLATION COMPLIANCE STATUS .....	51
3.2 MUNICIPAL MANAGER’S QUALITY CERTIFICATE .....	52

### List of documents attached.

NERSA Cost of Supply

Full Tariff List

Detail Capital Budget

B-Schedule

## Abbreviations and Acronyms

BPC	Budget Planning Committee		
CFO	Chief Financial Officer	MSCOA	Municipal Standard Chart of Account
MM	Municipal Manager		
CPI	Consumer Price Index	MFMA	Municipal Financial Management Act Programme
CRRF	Capital Replacement Reserve Fund	MIG	Municipal Infrastructure Grant
DBSA	Development Bank of South Africa	MMC	Member of Mayoral Committee
DoRA	Division of Revenue Act	MPRA	Municipal Properties Rates Act
DWA	Department of Water Affairs	MSA	Municipal Systems Act
EE	Employment Equity	MTEF	Medium-term Expenditure Framework
EEDSM	Energy Efficiency Demand Side Management	MTREF	Medium-term Revenue and Expenditure Framework
EM	Executive Mayor	NERSA	National Electricity Regulator South Africa
FBS	Free basic services	NGO	Non-governmental organisations
GDP	Gross domestic product	NKPIs	National Key Performance Indicators
GDS	Gauteng Growth and Development Strategy	OHS	Occupational Health and Safety
GFS	Government Financial Statistics	OP	Operational Plan
GRAP	General Recognised Accounting Practice	PBO	Public Benefit Organisations
HR	Human Resources	PHC	Provincial Health Care
IDP	Integrated Development Strategy	PMS	Performance Management System
IT	Information Technology	PPE	Property Plant and Equipment
kl	kilolitre	PPP	Public Private Partnership
km	kilometre	PTIS	Public Transport Infrastructure System
KPA	Key Performance Area	RG	Restructuring Grant
KPI	Key Performance Indicator	RSC	Regional Services Council
kWh	kilowatt	SALGA	South African Local Government Association
l	litre	SDBIP	Service Delivery Budget Implementation Plan
LED	Local Economic Development	SMME	Small Micro and Medium Enterprises
MEC	Member of the Executive Committee	ADJB	Adjustment Budget
ORGB	Annual Original Budget	DORA	Division of Revenue Act
INEP	Integrated National Electrification Program	RBIG	Regional Bulk Infrastructure Grant
FMG	Financial Management Grant	ADJB	Adjustment Budget
WSIG	Water Services Infrastructure Grant		
A4	Financial Performance Statement		
A5	Capital Expenditure		
A6	Financial Position Statement		

# Part 1 – Final Annual Budget

## 2.1 Mayor's Report

Greetings Honorable Speaker, Council Whip, Members of the Executive and Portfolio Committees, Fellow Councilors, Stakeholders from various governmental and none governmental organizations, Senior Management, and officials led by the Municipal Manager Advocate Willie Blundin, and members of the Public.

In accordance with the legislature section 16 of the Municipal Finance Management Act 53 of 2003. (1) The Council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.

(2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at council meeting table the annual budget at a council meeting 90 days before the start of the budget year.

This draft budget is a reflection of our collective aspirations, economic realities, and commitment to service delivery. Over the past year, our local government has faced challenges and achieved milestones that have shaped our community.

## 2 Economic overview

**Honorable Speaker**, as we prepare for the year ahead, we recognize the economic challenges and opportunities before us. Global and national economic trends, coupled with local fiscal realities, require a budget that is both responsible and ambitious. Despite the challenges we remain committed to fostering sustainable development, creating opportunities, and improving the quality of life for all residents. The postponement of the Budget Speech by the Honorable Minister of Finance created significant uncertainty for local government, due to municipalities depending on timely disbursements from the National Budget. The South African Reserve Bank anticipates inflation to an average 3.6 percent in 2025. In the 2025 Budget Speech the Minister announced an increase in Value Added Tax (VAT), an initial rise from 15 percent to 15.5 percent effective from 01<sup>st</sup> May 2025. While the budget aims for fiscal sustainability, it may put pressure on local governments and households due to higher taxes and costs of living.

**Honourable Speaker** I attended the Northern Cape Provincial Budget Speech on the 25<sup>th</sup> March 2025, here are a few highlights from the Honourable MEC for Finance in the Province Budget Speech, she mentioned that basic education remains a key focus in our province. Our investment in education is an investment in our nation's future. Our goal is to give young people high- quality education that will equip them for both present and future opportunities and difficulties. In pursuit of this goal an amount of R 250 million has been added to the Department of Education for Grade 12 intervention. One of the government's most extensive attempts to combat youth unemployment is the Presidential Youth Employment Intervention. It aims to make it possible for more youth to transition from education to employment as such R30.543

million is allocated to the Department of Education in the 2026/27 fiscal year. With these additions, the total budget of the Department of Education will amount to R8. 888 billion in the 2026/27 year. Important to note is that this amount represents 37 per cent of the provincial budget.

**Honourable Members**, a reflection on the past year.

As per the report by Auditor General the municipality has obtained a Qualified Audit opinion for the year ending 30 June 2025. This is similar to the opinion of the prior year.

An overview on our achievements for the past year, Infrastructure and Service Delivery - Regardless of the challenges we have faced I'm proud to mention the completion of the following projects.

- ▶ Kuilsville Replacement of Existing Asbestos cement rising main.
- ▶ Rhodes- pumpstation replacement of existing asbestos cement rising.
- ▶ Tlhakatlou replacement of existing asbestos cement rising.
- ▶ Replacement of asbestos water pipes.
- ▶ Construction of Concrete Palisade Perimeter Fencing.
- ▶ Eradication of Conservancy Tanks of sewer network.
- ▶ Kuilsville upgrading of storm water.
- ▶ Refurbishment of Municipal Buildings Construction of paving.

Improvement in waste management and sanitation. Expansion of water supply and sewer network.

### **3 Education and Health**

**Honorable Speaker**, For the coming financial year we are looking into implementing more skills development programmes for our youth which will be aimed at empowering young people, entrepreneurship and workforce readiness. The annual career exhibition will be hosted in July this year. This serves as a vital outreach programmes to prospective students to bridge between the education sector and the workforce, furthermore equipping young people with the necessary resources to advance their careers. We recently had a recruitment drive hosted by the South African National Defense Force in collaboration with the Mayor's Office during the past week on the 26th and 27th March 2025. Through this initiative we were able to reach +/- 183 candidates who successfully completed their applications with the recruitment team from SANDF.

**Honorable Members**, as to our local Health Care our goal remains persistent into developing our local health facility to be a 24-hour operational Clinic. This goal will be achieved through partnerships and collaborations of our Stakeholders as well as the Provincial Department of Health to secure funding and resources.

In conclusion I reaffirm our collective commitment to a future where Kgatelopele is not only a municipality that meets the basic needs of its residence but also a beacon of hope, innovation and sustainability.

Thank You.

**Hon. Mayor Councilor Irene Williams**

## Council Resolutions

On **29 May 2026**, the Council of Kgatelopele Local Municipality met in the Council Chambers to consider the draft annual budget of the municipality for the financial year 2026/27.

The Council of Kgatelopele Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) **note the budget:**

- 1.1. The draft annual budget of the municipality for the financial year 2026/27 and the multi-year and single-year capital appropriations as set out in the following tables:
  - 1.1.1. Budgeted Financial Performance (revenue and expenditure by source and type classification, **A4** table 1 & 2, respectively.
  - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote, **A3** table 13.
  - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by function, **A2** table 12; and
  - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and function and associated funding by source, **A5** table 10;
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus/revisit, asset management and basic service delivery targets are approved as set out in the following tables attached in the budget documentation:
  - 1.2.1. Budgeted Financial Position **A6** in table 16.
  - 1.2.2. Budgeted Cash Flows; **A7** in table 17;
  - 1.2.3. Cash backed reserves and accumulated surplus reconciliation; **A8** in table 18.
  - 1.2.4. Asset management in **A9** table 18; and
  - 1.2.5. Basic service delivery measurement in **A10**; and
2. The Council of Kgatelopele Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) **resolved to approve and adopt** the following **tariffs** as attached in **List of Attachments**, with effect from 1 July 2026:
  - 2.1. The tariffs for property rates
  - 2.2. The tariffs for electricity

- 2.3. The tariffs for the supply of water
  - 2.4. The tariffs for sanitation services
  - 2.5. The tariffs for solid waste services
3. The Council of Kgatelopele Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) **resolved to approve and notes** with effect from 1 July 2026 the draft tariffs for other services, which are increasing on average by the same tariff increase related to key service charge **(List of Attachments)**.
    - Full Tariff List 2026/27
    - Detailed Capital Budget
    - A-Schedule
    - NERSA Cost of Supply Study
    - Cost reflective Tool
    - Valuation roll Reconciliation Tool to be update Quarterly.
  4. To give proper effect to the municipality's draft annual budget, the Council of Kgatelopele Municipality **resolved**:
    - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates and gains on disposal of land to ensure that all capital reserves and provisions, and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
    - 4.2. The council to ensure sustainable electricity supply agreement remain in place, enter into debt repayment and ring-fence agreement with Eskom, similar with other significant liabilities that included the Auditor General South Africa and Department of Safety and Liaison.

## 2.1 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's 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 Municipal Budget and Reporting Regulations, as well as various circulars issued by National Treasury, provides the guidance for budget preparation by local government.

The main items identified can be summarised as follows:

- Improved service delivery;
- Underdeveloped areas;
- Impoverished communities;
- Co-operative governance;
- Unfunded mandates, core functions service delivery agents;
- Land availability for e.g. economic development;
- Land availability for establishing tip-sites;
- Alternative service delivery options;
- Obtaining a "clean audit" inclusive of performance management;
- Delegation- and procedure manuals;
- Risk management;
- Improved planning and beyond 5 years;
- High crime rate;
- Service delivery backlogs;
- Improved maintenance programs;
- Local economic development facilitation;
- Adequacy of municipal reserves and financial sustainability;
- Curtail electricity losses;
- Tourism initiatives; and
- Improved public participation.

National Treasury's MFMA Circulars No. 70, 72, 74, 75, 78, 79, 85, 86, 91,94,99,107,108, 112; 116; 115;122;123;124; 126;128 and 132 were mainly used to guide the compilation of the 2026/27 MTREF. Some of the key challenges faced by the municipality when compiling the budget were:

- The on-going difficulties in the national and local economy leading to high unemployment rate within our communities.
- Aging roads, asbestos pipes, the capacity of the sewer work and electricity infrastructure.
- The need to prioritise projects and expenditure within the existing resource envelope.
- The increased cost of electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents.

- Proposed wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies.
- Affordability of capital projects and the resultant operational costs associated with new infrastructure projects; and

The municipality is in an unhealthy financial position; however, with an improved cash management and containing municipal running costs, this position can change. The retention of sufficient own cash-backed reserves is critical for the long-term sustainability of the municipality, and to this end the municipality is not achieving this objective. The main obstacle is huge creditors' book balance mainly being Eskom who debt is hovering at **>180 days outstanding**. The debtors' book is equally big but with inability to collect old debts, this in turn creates huge amount of possible bad debts which we create a provision for each year when compiling annual financial statements. The **Capital Replacement Reserve** needs to be at a level where all capital spending should be funded from but currently there are very modest **funds** in the CRR (Capital Replacement Reserve) to fund any capital projects.

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

- Tariff and property rates increase should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity bought from Eskom. In addition, tariffs need to remain or move towards being cost reflective and should consider the need to address infrastructure backlogs.
- There will be no budget allocated to national and provincial 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.
- The budget must be spent in full, and all grants should be utilised in full.

In view of the above, the following tables are an overview of the proposed adjustment 2026/27 Draft Medium-term Revenue and Expenditure Framework:

## OPERATING REVENUE

### Table 1 \_A4 Budgeted Financial Performance

NC086 Kgatelopele - 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 & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
<b>Revenue</b>											
<b>Exchange Revenue</b>											
Service charges - Electricity	2	24,453	14,174	38,086	35,765	34,608	34,608	24,950	41,369	41,046	41,110
Service charges - Water	2	10,902	8,344	11,036	12,569	15,072	15,072	8,833	15,194	9,473	9,933
Service charges - Waste Water Management	2	4,261	4,460	5,199	10,736	5,225	5,225	2,912	7,796	6,295	6,453
Service charges - Waste Management	2	7,444	7,873	8,233	12,061	8,182	8,182	5,432	12,061	12,603	12,919
Sale of Goods and Rendering of Services	2	158	106	1,744	132	132	132	36	132	138	141
Agency services	2	-	-	(8)	450	450	450	187	450	452	454
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables	2	3,169	1,507	1,489	1,776	1,776	1,776	1,492	3,492	3,344	3,437
Interest earned from Current and Non Current Assets	2	5,605	3,444	1,295	4,575	4,575	4,575	602	4,575	4,781	4,900
Dividends	2	-	-	-	-	-	-	-	-	-	-
Rent on Land	2	-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets	2	149	135	461	386	386	386	169	222	231	235
Licence and permits	2	428	383	694	1,100	1,100	1,100	919	1,600	1,700	2,000
Special rating levies	2	-	-	-	-	-	-	-	-	-	-
Construction Contract Revenue	2	-	-	-	-	-	-	-	-	-	-
Development Charges	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	41	-	99	22	22	22	4	22	23	24
<b>Non-Exchange Revenue</b>											
Property rates	2	14,513	15,742	19,327	18,437	19,694	19,694	10,767	18,766	19,279	19,780
Surcharges and Taxes	2	-	-	-	9,396	9,396	9,396	-	-	-	-
Fines, penalties and forfeits	2	5	-	-	143	143	143	27	143	149	153
Licences or permits	2	-	-	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational	2	35,663	38,448	40,595	41,006	41,006	41,006	31,305	43,223	43,281	44,812
Interest	2	1,050	559	592	883	883	883	755	749	774	799
Fuel Levy	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	-	-	-	-	-	-	-	-	-	-
Gains on disposal of Fixed and Intangible Assets	2	(1,711)	(760)	(9,763)	21,000	1,830	1,830	-	1,010	-	-
Other Gains	2	574	211	1,245	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>106,704</b>	<b>94,626</b>	<b>120,325</b>	<b>170,436</b>	<b>144,478</b>	<b>144,478</b>	<b>88,389</b>	<b>150,803</b>	<b>143,569</b>	<b>147,149</b>

The operating income for **2027 MTREF** is **R150,803 million**, this mainly due to historical budget revenue estimates with CPI % adjustment to the major revenue sources.

This is primarily attributed to the revenue generating sources where:

- Electricity, water, waste management and Sanitation** These service charges are based on 2024/25 audited actuals after adjustment budget correction where net effect of rebates and free basic charge was incorrectly budget in the past, current year to date and inflationary projections as per **circular 132** indicate increases. The entire service charge revenue contributes around **50.7%** of the total municipal operating revenue.

- **Property Rates** has decreased from **R19,327 million** based on the 2024/25 audited outcomes and projections to **R18,776 million** in 2026/27 MTREF budget year. Property Rates contributes around **12%** of the total operating revenue.
- **Operating Government Grants** (Transfers and Subsidies) Government Grants that are operational in nature amount to **R43,223 million** (**28%** of total operating revenue) in total with unconditional equitable share sitting at **R37,938 million** allocated.

## OPERATING EXPENDITURE

**Table 2**

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
<b>Expenditure</b>											
Employee related costs	2	42,530	43,543	48,328	40,775	51,862	51,862	31,088	55,403	55,364	57,583
Remuneration of councillors	2	4,685	5,030	5,229	5,298	4,363	4,363	3,026	4,363	4,184	4,223
Bulk purchases - electricity	2	24,352	28,874	33,777	30,115	30,115	30,115	25,011	30,246	34,766	35,637
Inventory consumed	2,8	4,638	1,736	2,135	538	-	-	462	-	-	-
Debt impairment	2,3	-	-	-	13,943	607	607	-	607	4,360	4,544
Depreciation, amortisation and impairment	2	16,198	24,611	23,092	17,669	17,669	17,669	-	18,708	11,981	12,364
Interest, Dividends and Rent on Land	2	3,054	3,388	5,214	1,200	1,200	1,200	4,606	800	1,255	1,313
Contracted services	2	18,476	16,056	20,374	17,608	12,119	12,119	11,753	12,872	10,352	11,217
Transfers and subsidies	2	-	-	-	-	-	-	-	-	-	-
Irrecoverable debts written off	2	1,110	17,523	(331)	3,533	3,533	3,533	-	3,533	3,689	3,855
Operational costs	2	9,014	14,021	12,753	15,860	17,789	17,789	10,451	13,024	12,747	13,052
Disposal of Fixed and Intangible Assets	2	-	-	-	-	-	-	-	-	-	-
Other Losses	2	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>124,058</b>	<b>154,781</b>	<b>150,572</b>	<b>146,541</b>	<b>139,258</b>	<b>139,258</b>	<b>86,397</b>	<b>139,556</b>	<b>138,700</b>	<b>143,789</b>

With the municipality operating expenditure, there has been an aggressively decreasing of budgeted operating expenditure compared to **R146,541 million** of last original budget & adjusted budget of **R 139,258**, the current total operating expenditure is at **R139,556 million** translating into a R 6,985 million decrease from the initial MTREF table last year.

**Employee Related cost** appears to have increased from **R51,862 million** in the adjustments budget in 2024/25 budget year to **R55,403 million** in 2026/27 MTREF draft budget year, adjustment upwards of 11,087 million due underbudgeting in the previous year as compared to

actual audited outcomes. This representing an increase from the actual outcome of 2025 financial year increase of **R 7,075** in employee related cost.

**Depreciation + Debt Impairment are R18,708 million and 0.607 million respectively.**

These two items, apart from being non-cash items, contribute **13.9%** of the total operating expenditure adds more pressure on already constraint budget. The municipality approved a debt incentive scheme which is gaining traction and large outstanding mine property rates collection during the year allowed for a decrease in the estimated debt impairment from historical **13,943 million to 0.607 million based on actual outcome in the 2025 financial year.**

Given the infrastructural assets the municipality owns, these assets are annually losing value and as a result, maintenance plan needs to keep up with the depreciating assets. Historically, the municipality repairs and maintenance budget average around R 15.100 million. The current maintenance management strategy 2024, estimated and models total needs for scenario 3 immovable assets which would be priority assets with a criticality 3 to 5 would be R35.34 million, therefore annually having budget short-fall off 20 million.

Secondly is for the municipality to also come to terms with the reality that Kgatelopele community cannot fully keep up with the accounts, hence so much of debt receivable is provided for irrecoverable debt of R 3,533 million.

**Bulk purchases** an increase of bulk electricity from **R30,115 million** of adjustment budget to **R30,246 million** remains at modest estimated in the draft original budget. The municipality here is exploring the possible consumption saving through re-activation of the BESS installed at the main administrative building and through an application of seasonal winter tariff through this pricing strategy to reduced winter peak consumption at the point of demand largely the residential end user’s category.

**CAPITAL BUDGET**

**Table 3**

NC086 Kgatelopele - 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 & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
R thousand	1										
Surplus/(Deficit)		(17,354)	(60,155)	(30,246)	23,895	5,220	5,220	1,992	11,247	4,869	3,361
Transfers and subsidies - capital (monetary allocations)	6	57,773	125,473	60,256	28,812	46,408	46,408	29,652	18,181	19,648	20,141
Transfers and subsidies - capital (in-kind)	6	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		40,419	65,318	30,010	52,707	51,628	51,628	31,644	29,428	24,517	23,502
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		40,419	65,318	30,010	52,707	51,628	51,628	31,644	29,428	24,517	23,502
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		40,419	65,318	30,010	52,707	51,628	51,628	31,644	29,428	24,517	23,502
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	40,419	65,318	30,010	52,707	51,628	51,628	31,644	29,428	24,517	23,502

The capital projects have fully been committed to allocation as per DoRA, but above is what the national government allocated to the municipality in terms of capital spending.

## 2.2 Operating Revenue Framework

For Kgatelopele 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 and cashflow management is fundamental to the financial sustainability of Kgatelopele municipality. The reality is that we are faced with development backlogs and poverty, the expenditure required to address these challenges 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:

- A financially sustainable municipality;
- National Treasury's guidelines and macroeconomic policy;
- Limited growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure an **82,4** per cent annual collection rate and **85 percent** for property rates and other key service charges. With the immediate roll out of water smart meters for the whole of Kgatelopele the annual percentage of 95 percent could be achieved if it is also paired with the Credit and debt collection measures;
- 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 Municipality.

The **inflation forecasts** for the MTREF 2026/27 period are on an average **3.7%** per annum. The municipality's aim is not to exceed inflation in its annual tariff adjustments but external factors such as the Eskom increases, and which are beyond the control of the municipality, hampers this goal.

In order to ensure all revenues are raised and recovered and further that all ratepayers are being treated equitably, the municipality identified certain areas of concern and is busy implementing measures to address these problem areas.

<b>Strategy</b>
Maintain and improve on debt collection
Secure new sources of income
Counter the potential loss in electricity/water income as well as line-losses
Ensure an accurate and well-maintained income database
Secure more external funding and government grants for soft services including long term funding for operating expenses
Monitor the financial health of the Municipality and cash-back all reserves
Installation of smart prepaid meters for the entire Kgatelopele area
Debt Relief Incentive program – 60:40 split write off scheme
Negotiate favourable payment terms with medium to large creditor and suppliers.

**The following table is a summary of the 2026/27 Final MTREF (classified by main revenue source):**

**Table 4**

Revenue generated from rates and service charges form a significant percentage of the revenue basket for the Municipality. **Rates and service charges revenues** are sitting at **60.7** per cent of the total revenue over the 2026/27 MTREF period

Employee related costs, Depreciation and amortisation and inventory and bulk purchases remain high even when other operating expenditure were cut. This puts pressure on the realistic revenue generated of the municipality and as a results creates a deficit when capital income is not considered.

## NC086 Kgatelopele - Table A1 Budget Summary

Description	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	14,513	15,742	19,327	18,437	19,694	19,694	10,767	18,766	19,279	19,780
Service charges	47,060	34,852	62,554	71,131	63,086	63,086	42,127	76,419	69,417	70,415
Investment revenue	5,605	3,444	1,295	4,575	4,575	4,575	602	4,575	4,781	4,900
Transfer and subsidies - Operational	35,663	38,448	40,595	41,006	41,006	41,006	31,305	43,223	43,281	44,812
Other own revenue	3,863	2,141	(3,447)	35,288	16,118	16,118	3,589	7,820	6,811	7,242
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>106,704</b>	<b>94,626</b>	<b>120,325</b>	<b>170,436</b>	<b>144,478</b>	<b>144,478</b>	<b>88,389</b>	<b>150,803</b>	<b>143,569</b>	<b>147,149</b>
Employee costs	42,530	43,543	48,328	40,775	51,862	51,862	31,088	55,403	55,364	57,583
Remuneration of councillors	4,685	5,030	5,229	5,298	4,363	4,363	3,026	4,363	4,184	4,223
Depreciation, amortisation and impairment	16,198	24,611	23,092	17,669	17,669	17,669	-	18,708	11,981	12,364
Interest, Dividends and Rent on Land	3,054	3,388	5,214	1,200	1,200	1,200	4,606	800	1,255	1,313
Inventory consumed and bulk purchases	28,990	30,609	35,913	30,653	30,115	30,115	25,473	30,246	34,768	35,637
Transfers and subsidies	-	-	-	-	-	-	-	-	-	-
Other expenditure	28,600	47,600	32,796	50,945	34,049	34,049	22,203	30,036	31,147	32,668
<b>Total Expenditure</b>	<b>124,058</b>	<b>154,781</b>	<b>150,572</b>	<b>146,541</b>	<b>139,258</b>	<b>139,258</b>	<b>86,397</b>	<b>139,556</b>	<b>138,700</b>	<b>143,789</b>
<b>Surplus/(Deficit)</b>	<b>(17,354)</b>	<b>(60,155)</b>	<b>(30,246)</b>	<b>23,895</b>	<b>5,220</b>	<b>5,220</b>	<b>1,992</b>	<b>11,247</b>	<b>4,869</b>	<b>3,361</b>
Transfers and subsidies - capital (monetary allocations)	57,773	125,473	60,256	28,812	46,408	46,408	29,652	18,181	19,648	20,141
Transfers and subsidies - capital (in-kind)	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>40,419</b>	<b>65,318</b>	<b>30,010</b>	<b>52,707</b>	<b>51,628</b>	<b>51,628</b>	<b>31,644</b>	<b>29,428</b>	<b>24,517</b>	<b>23,502</b>
Share of Surplus/Deficit attributable to Associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>40,419</b>	<b>65,318</b>	<b>30,010</b>	<b>52,707</b>	<b>51,628</b>	<b>51,628</b>	<b>31,644</b>	<b>29,428</b>	<b>24,517</b>	<b>23,502</b>

Tariffs for indigent households are set out below:

1	Rates are free of charge based on the market value of the property to the maximum of R30 000
2	50 kWh free electricity per month
3	6 kilolitres of water free per month
4	Free refuse x 4 removal per month
5	Free sewerage per month

## GRANTS AND SUBSIDIES

Total grants and transfers totals to R43,223 million in the 2026/27 adjustment budget, decrease during the draft budget to R 18,181 million.

## Table 7 – Operational & Capital grants

NC086 Kgatelopele - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
<b>RECEIPTS</b>	1.2									
<b>Operating</b>										
<b>National Government</b>										
<b>Monetary Allocations</b>										
Local Government Equitable Share	-	30,490	33,241	35,236	36,756	36,756	36,756	37,938	39,277	40,650
EPWP Incentive	-	3,148	4,108	5,308	-	-	-	1,335	-	-
Municipal Drought Relief	-	1,839	1,839	1,839	-	-	-	-	-	-
Finance Management	-	8,650	11,750	14,750	3,000	3,000	3,000	2,700	2,700	2,800
<b>Total Monetary Allocations</b>		<b>44,127</b>	<b>50,938</b>	<b>57,133</b>	<b>39,756</b>	<b>39,756</b>	<b>39,756</b>	<b>41,973</b>	<b>41,977</b>	<b>43,450</b>
<b>Total Operating/National Government</b>		<b>44,127</b>	<b>50,938</b>	<b>57,133</b>	<b>39,756</b>	<b>39,756</b>	<b>39,756</b>	<b>41,973</b>	<b>41,977</b>	<b>43,450</b>
<b>Provincial Government</b>										
Northern Cape Capacity Building and Other Specify (Add grant description) Receipts	-	3,012	4,159	5,358	1,250	1,250	1,250	1,250	1,304	1,362
<b>Total Operating/Provincial Government</b>		<b>3,012</b>	<b>4,159</b>	<b>5,358</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>1,304</b>	<b>1,362</b>

## Table 7 – Operational & Capital grants (continue)

NC086 Kgatelopele - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
<b>Total Operating</b>	5	<b>47,139</b>	<b>55,097</b>	<b>62,491</b>	<b>41,006</b>	<b>41,006</b>	<b>41,006</b>	<b>43,223,000</b>	<b>43,280,750</b>	<b>44,812,419</b>
<b>Capital</b>										
<b>National Government</b>										
<b>Monetary Allocations</b>										
Municipal Infrastructure Grant (MIG)	-	117,159	149,256	149,256	8,812	8,812	8,812	18,181	19,648	20,141
Integrated National Electrification Programme Grant	-	4,800	4,800	4,800	-	-	-	-	-	-
Regional Bulk Infrastructure	-	62,367	62,367	62,367	-	-	-	-	-	-
Water Services Infrastructure Grant	-	39,000	62,975	123,293	20,000	37,596	37,596	-	-	-
<b>Total Monetary Allocations</b>		<b>223,325</b>	<b>279,397</b>	<b>339,715</b>	<b>28,812</b>	<b>46,408</b>	<b>46,408</b>	<b>18,180,998</b>	<b>19,648,000</b>	<b>20,141,000</b>
<b>Total Capital/National Government</b>		<b>223,325</b>	<b>279,397</b>	<b>339,715</b>	<b>28,812</b>	<b>46,408</b>	<b>46,408</b>	<b>18,180,998</b>	<b>19,648,000</b>	<b>20,141,000</b>

## **Tariffs**

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation on all increases in excess of the 3.7 per cent upper boundary as issued in MFMA circular 132. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom bulk tariffs at 9.01% are far beyond the mentioned inflation target. Given that these tariffs increases are determined by an external regulatory body, the impact it has on the municipality's electricity tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

The municipality budgets for the non-payment of accounts based on experience of recovery rates. The municipality applies its Credit Control Policy but there are always situations where there are defaults on payment. Experience indicates that contribution for bad debt over the revenue for rates, service charges and rent of facilities on credit percentage should not be more than 10 per cent, however, a cautionary approach is taken in this budget due to the signs of economic stress being experienced by the community.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows;

### **3.2.1 Property Rates**

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

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was not adequately

done in the previous budget processes and the Property Rates Policy and Tariffs of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of all properties used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). Kgatelopele Municipality increased this value to R30 000 for all residential properties.
- Households registered for indigent subsidies will be granted an additional R10 000 (Total of R40 000) exclusion on all ratable market values;
- The limit for indigent subsidies is based on a sliding scale. Rates rebate will be granted on the following qualifying categories of total household income:
  - (i) Group A: (R5 500 – R7 500) = 80%;
  - (ii) Group B: (R7 501 – R 9 700) = 60%;
  - (iii) Group C: (R9 701 – R11 900) = 40%;
  - (iv) Group D: (R11 901 – R13 180) = 20%

The categories of rateable properties for purposes of levying rates and the proposed rates for the 2026/27 financial year will be increase by with differential rates to align our tariffs with MFMA circular 51.

### **3.2.2 Sale of Water and Sanitation and the Impact of Tariff Increases**

South Africa faces similar challenges about water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

The municipality obtains its water inventory from internal resources, with three boreholes supplying two reservoirs with a capacity of 3,5 megalitres and 4,0 megalitres respectively. A tariff increase for 2026/27 effective 1 July 2026 is 3.7%. The municipality does not make use of bulk water suppliers

The municipality needs to accurate cost the total cost of water supply and determines what the actual cost per kl should is in water to determine a cost reflective water tariff.

The municipality further needs continuously to explore ways to limit the water losses to an acceptable level. There will always be water line losses due to burst pipes and as repairs thereof requires flushing of systems before being distributed again. However, any losses above 13% is considered excessive by the Auditor-General's office and regarded as fruitless expenditure. The

municipality will continue to monitor reasons for the excessive losses and to improve systems to limit the water losses to below 13%.

### **Sanitation fees**

Most households in Kgatelopele Local Municipality use waterborne sewer systems connected to a reticulation network. However, some areas still rely on conservancy tanks with waterborne toilets, mainly where the sewer network has not yet been extended or connected to the main reticulation network. Wastewater is treated using oxidation ponds, which serve as the municipality's main treatment method. These ponds are not fully developed treatment works but provide a basic level of wastewater processing.

The tariffs for sanitation have proposed increased by 3.7% for residential and commercial respectively. The proposed tariffs are listed below:

### **3.2.3 Sale of Electricity and Impact of Tariff Increases**

NERSA has announced that it expected the revised bulk electricity pricing structure to be a **9.01%** increase in the Eskom bulk electricity tariff to municipalities effectively from 1 July 2026.

Considering the Eskom increase, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

### **ELECTRICITY TARIFFS & CHARGES**

**The tariffs will be included in the budget after NERSA approved the tariffs.**

Electricity is regarded as a trading account which should make a profit, although NERSA monitors and limits this profit to an estimate of 6%. The municipality does not make a profit on electricity for the past years.

Electricity line losses are not continuously monitored. It can represent a significant financial loss for the municipality. In general electricity line losses of 12% is being regarded as "acceptable" in the industry and Kgatelopele is well above that norm with an average loss of 26 - 29% over the last three financial years.

### **Comparison between current electricity charges and increases.**

It should further be noted that NERSA has advised that a stepped tariff structure must be used. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor).

2026/27 MTREF tariff increase proposal has been submitted to NERSA on 31 March 2026 and the Municipality is awaiting approval from Nera. The municipality applied for a 10% increase, which is 0.09 basis points above than the Eskom increase. During this application process the municipality for the first time applied for a seasonal tariff structure winter high season and summer low season. The during the previous budget 2025/26 a 3% less tariff increase was implemented and was significantly lower to cushion consumers from the 12.7% Eskom increase.

### **3.3.4 Solid waste removal tariffs**

Solid waste removal tariffs have been proposed to increase for both residential and increase commercial consumers by 3.7%.

It is widely accepted that the rendering of this service should at least break even, which is not currently the case for the 2026/27 MTREF period.

The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to the expenditure are the general expenditure (rehabilitation cost) and the maintenance of the landfill site, diesel of vehicles, increases in the cost of remuneration of officials. In addition, the cost of new landfill sites, the effect of depreciation and rehabilitation on these landfill sites all plays an important role in the projected losses or surpluses.

## **2.3 Operating Expenditure Framework**

The Municipality's expenditure framework for the 2026/27 budget and MTREF is informed by the following:

- Guidance provided by National Treasury in Circular 66, 67, 70, 72, 74, 75, 78, 79, 85, 86 and 93,99,122,123,129,130 & 132
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit.
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA.
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan.
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Limitation on tariff increases.

The following table is a high-level summary of the 2026/27 Final budget and MTREF (classified per main type of operating expenditure):

**Table 8**

NC086 Kgatelopele - 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 & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
R thousand											
<b>Expenditure</b>											
Employee related costs	2	42,530	43,543	48,328	40,775	51,862	51,862	31,088	55,403	55,364	57,583
Remuneration of councillors	2	4,685	5,030	5,229	5,298	4,363	4,363	3,026	4,363	4,184	4,223
Bulk purchases - electricity	2	24,352	28,874	33,777	30,115	30,115	30,115	25,011	30,246	34,768	35,637
Inventory consumed	2,8	4,638	1,736	2,135	538	-	-	462	-	-	-
Debt impairment	2,3	-	-	-	13,943	607	607	-	607	4,360	4,544
Depreciation, amortisation and impairment	2	16,198	24,611	23,092	17,669	17,669	17,669	-	18,708	11,981	12,364
Interest, Dividends and Rent on Land	2	3,054	3,388	5,214	1,200	1,200	1,200	4,606	800	1,255	1,313
Contracted services	2	18,476	16,056	20,374	17,608	12,119	12,119	11,753	12,872	10,352	11,217
Transfers and subsidies	2	-	-	-	-	-	-	-	-	-	-
Irrecoverable debts written off	2	1,110	17,523	(331)	3,533	3,533	3,533	-	3,533	3,689	3,855
Operational costs	2	9,014	14,021	12,753	15,860	17,789	17,789	10,451	13,024	12,747	13,052
Disposal of Fixed and Intangible Assets	2	-	-	-	-	-	-	-	-	-	-
Other Losses	2	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>124,058</b>	<b>154,781</b>	<b>150,572</b>	<b>146,541</b>	<b>139,258</b>	<b>139,258</b>	<b>86,397</b>	<b>139,556</b>	<b>138,700</b>	<b>143,789</b>

## COUNCILLORS REMUNERATION

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998).

### Main operational expenditure categories for the 2026/27 financial year

#### 3.3.1 Priority given to repairs and maintenance.

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2026/27 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset management policy. **Council needs to adopt a repairs and maintenance plan for the Municipality.** In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

Considering these cost drivers, National Treasury requires municipalities to adapt their costing systems to reflect these costs as Repairs and Maintenance. The municipality financial systems, as yet, cannot provide for this request and it will be implemented with mSCOA.

During the compilation of the 2026/27 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, the municipality identified this, together with other strategic items, as priority to be investigated and changes to be incorporated into the next budget.

### 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's Indigent Policy. The target is to register all indigent households during the 2026/27 financial year, a process reviewed annually.

The cost of the social package of the registered indigent households is financed by the municipality self and largely by utilising the municipality's unconditional equitable share, allocated in terms of the Constitution to local government, and received in terms of the annual Division of Revenue Act.

### **Turnaround Strategy**

Kgatelopele Municipality has to implement projects that can help to improve the current cash strapped financial position. The Council, Management and Officials need to work together to improve the cash flow situation of Kgatelopele Municipality.

### **Goals**

- Kgatelopele Municipality must provide free basic services to all indigent persons.
- All services that the Municipality renders must be of a high quality.
- The Council and Management must restore the trust of all the residents in Kgatelopele Municipality.
- Council and Management must be transparent with all transactions.
- Council and Management must communicate on a regular basis to all communities.
- Council should have strong partnership with churches, sport bodies, culture groups and the mining houses.
- Council must create an environment that encourages or enhances investment. We need investment to create jobs for the community.
- Council must collect all outstanding debt to maintain all the assets of the Municipality.
- Good governance is essential in Kgatelopele Municipality.

### **Incentive to residence:**

Council approved a debt-write off incentive scheme which is intended to incentivise debtors to settle their long overdue accounts.

The objectives of this policy are to:

- Reduce the outstanding municipal debt by providing structured repayment options.
- Promote a culture of payment among municipal consumers.
- Provide incentives to consumers who commit to settling their municipal debts.
- Support financially distressed consumers within the legal framework.

The scheme provides for various incentive packages, the detail of which is contained in the policy.

### **Prepaid and Smart metering**

The municipality has concluded the first phase of its smart metering project in 2024/25 financial year with all electricity meters being converted to KRN 2. The smart metering aims to reduce non-technical electricity losses and has already shown results as can be witnessed from the mid-term performance assessment with an increase prepaid electricity sale.

The municipality has embarked on a project to Implement a smart water metering and a supplier has already been appointed, through RT29. We are currently in process of sourcing funds, with the assistance of the service provider to implement this project.

### **Revenue enhancement and Credit control**

The municipality has embarked on various measures to improve its revenue base and debt collection. To this effect, the municipality has developed a revenue enhancement strategy, which has been approved by council. Various new revenue sources have been explored, including the introduction of new tariffs for services not billed in the pass, and setting of cost reflective tariffs. The municipality has also embarked on a process to radically improve credit control, and to that effect, a revenue enhancement and credit control steering committee has been established in the 2024/25 financial year.

**Indigent Households**

A significant portion of the debt of indigent households is written off as annually. The cost to write off outstanding debt is calculated and presented to Council.

**2.4 Annual Budget Tables**

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality’s 2026/27 budget and MTREF to be approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

**TABLE 11**  
**Table A1 - Budgeted Summary**

**NC086 Kgatelopele - Table A1 Budget Summary**

Description	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
<b>R thousands</b>										
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Service charges	47,060	34,852	62,554	71,131	63,086	63,086	42,127	76,419	69,417	70,415
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Other own revenue	3,863	2,141	(3,447)	35,288	16,118	16,118	3,589	7,820	6,811	7,242
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>106,704</b>	<b>94,626</b>	<b>120,325</b>	<b>170,436</b>	<b>144,478</b>	<b>144,478</b>	<b>88,389</b>	<b>150,803</b>	<b>143,569</b>	<b>147,149</b>
Employee costs	42,530	43,543	48,328	40,775	51,862	51,862	31,088	55,403	55,364	57,583
Remuneration of councillors	4,685	5,030	5,229	5,298	4,363	4,363	3,026	4,363	4,184	4,223
Depreciation, amortisation and impairment	16,198	24,611	23,092	17,669	17,669	17,669	-	18,708	11,981	12,364
Interest, Dividends and Rent on Land	3,054	3,388	5,214	1,200	1,200	1,200	4,606	800	1,255	1,313
Inventory consumed and bulk purchases	28,990	30,609	35,913	30,653	30,115	30,115	25,473	30,246	34,768	35,637
Transfers and subsidies	-	-	-	-	-	-	-	-	-	-
Other expenditure	28,600	47,600	32,796	50,945	34,049	34,049	22,203	30,036	31,147	32,668
<b>Total Expenditure</b>	<b>124,058</b>	<b>154,781</b>	<b>150,572</b>	<b>146,541</b>	<b>139,258</b>	<b>139,258</b>	<b>86,397</b>	<b>139,556</b>	<b>138,700</b>	<b>143,789</b>
<b>Surplus/(Deficit)</b>	<b>(17,354)</b>	<b>(60,155)</b>	<b>(30,246)</b>	<b>23,895</b>	<b>5,220</b>	<b>5,220</b>	<b>1,992</b>	<b>11,247</b>	<b>4,869</b>	<b>3,361</b>
Transfers and subsidies - capital (monetary allocations)	57,773	125,473	60,256	28,812	46,408	46,408	29,652	18,181	19,648	20,141
Transfers and subsidies - capital (in-kind)	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>40,419</b>	<b>65,318</b>	<b>30,010</b>	<b>52,707</b>	<b>51,628</b>	<b>51,628</b>	<b>31,644</b>	<b>29,428</b>	<b>24,517</b>	<b>23,502</b>
Share of Surplus/Deficit attributable to Associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>40,419</b>	<b>65,318</b>	<b>30,010</b>	<b>52,707</b>	<b>51,628</b>	<b>51,628</b>	<b>31,644</b>	<b>29,428</b>	<b>24,517</b>	<b>23,502</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>29,274</b>	<b>80,192</b>	<b>322,372</b>	<b>28,812</b>	<b>46,500</b>	<b>46,500</b>	<b>341,342</b>	<b>16,051</b>	<b>566</b>	<b>592</b>
Transfers recognised - capital	(635)	59,028	111,910	28,812	46,500	46,500	130,735	15,511	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	29,909	21,164	-	-	-	-	210,032	-	-	-
<b>Total sources of capital funds</b>	<b>29,274</b>	<b>80,192</b>	<b>111,910</b>	<b>28,812</b>	<b>46,500</b>	<b>46,500</b>	<b>340,768</b>	<b>15,511</b>	<b>-</b>	<b>-</b>
<b>Financial position</b>										
Total current assets	154,822	64,284	132,537	194,006	150,263	150,263	156,059	167,489	88,260	87,781
Total non current assets	454,251	551,098	583,872	575,043	623,451	623,451	612,130	591,143	528,702	528,344
Total current liabilities	165,058	109,870	156,549	(227,171)	68,161	68,161	176,714	85,805	63,428	63,608
Total non current liabilities	5,886	1,960	2,210	1,960	47,211	47,211	2,210	47,211	26,211	26,211
Community wealth/Equity	669,806	1,018,160	1,529,487	994,260	658,342	658,342	1,771,168	625,616	527,322	526,306
<b>Cash flows</b>										
Net cash from (used) operating	26,735	33,510	42,546	36,311	37,657	37,657	32,975	42,709	11,781	12,081
Net cash from (used) investing	(138)	(214)	9,842	(33,134)	(47,836)	(47,836)	9,842	(19,600)	(633)	(634)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-
<b>Cash/cash equivalents at the year end</b>	<b>31,455</b>	<b>38,153</b>	<b>57,245</b>	<b>16,399</b>	<b>8,665</b>	<b>8,665</b>	<b>47,612</b>	<b>41,953</b>	<b>53,101</b>	<b>64,548</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	31,455	38,153	57,245	16,399	8,665	8,665	47,612	41,953	53,101	64,548
Application of cash and investments	127,345	73,974	109,553	(303,908)	(2,757)	(2,757)	110,377	(33,662)	13,549	14,530
<b>Balance - surplus (shortfall)</b>	<b>(95,889)</b>	<b>(35,820)</b>	<b>(52,308)</b>	<b>320,306</b>	<b>11,422</b>	<b>11,422</b>	<b>(62,765)</b>	<b>75,615</b>	<b>39,552</b>	<b>50,018</b>

**Explanatory notes to Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the Municipality’s budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts subject to approval by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality’s commitment to eliminating basic service delivery backlogs.
  - a. Financial management reforms emphasise the importance of the municipal budget being funded. *The current budget (MTREF 2026/27) is funded as required by National Treasury due to huge creditors book which the municipality is not able to finance as a*

result of cash flow problems emanating from cash collection rate from debtors. The assessment of this requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard. The operating surplus/deficit (after Total Expenditure) is Positive over the MTREF.

- b. During this adjustment budget council enter into an agreement with the bulk electricity supplier to matched the budget income for year to the debt due to Eskom.
3. The cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently none of its obligations are cash-backed.

**TABLE 12**

**MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by functional classification)**

**NC086 Kgatelopele - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)**

Functional Classification Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
<b>Revenue - Functional</b>	1									
<b>Governance and administration</b>		57,026	57,267	54,695	96,346	78,433	78,433	69,590	70,529	72,748
Executive and council		149	8,446	35,697	198	198	198	34	34	34
Finance and administration		56,877	48,820	18,998	96,148	78,235	78,235	69,555	70,495	72,714
Internal audit		-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		2,186	2,124	2,374	1,275	1,275	1,275	2,610	1,330	1,390
Community and social services		2,171	2,101	2,359	1,250	1,250	1,250	2,585	1,304	1,362
Sport and recreation		16	22	15	25	25	25	25	27	27
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		433	384	703	1,632	1,632	1,632	2,132	2,238	2,541
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		433	384	703	1,632	1,632	1,632	2,132	2,238	2,541
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		104,831	160,325	122,810	99,995	109,546	109,546	94,652	89,120	90,612
Energy sources		24,772	14,174	38,086	35,817	34,661	34,661	41,421	41,101	41,166
Water management		39,315	78,692	53,758	32,569	52,668	52,668	15,194	9,473	9,933
Waste water management		33,300	59,586	22,733	19,548	14,037	14,037	25,977	25,943	26,594
Waste management		7,444	7,873	8,233	12,061	8,182	8,182	12,061	12,603	12,919
<b>Other</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	164,477	220,100	180,581	199,248	190,886	190,886	168,984	163,217	167,290
<b>Expenditure - Functional</b>										
<b>Governance and administration</b>		58,387	60,182	63,160	57,631	58,611	58,611	55,819	53,498	55,206
Executive and council		12,464	14,431	16,029	15,250	14,599	14,599	14,738	14,048	14,598
Finance and administration		44,630	44,526	46,148	40,580	41,919	41,919	39,216	37,360	38,789
Internal audit		1,293	1,226	983	1,802	2,092	2,092	1,864	2,090	1,818
<b>Community and public safety</b>		7,068	4,496	5,586	4,436	6,221	6,221	7,161	6,632	7,010
Community and social services		5,446	2,804	3,363	3,857	4,041	4,041	4,488	4,026	4,380
Sport and recreation		1,621	1,701	2,222	579	2,180	2,180	2,413	2,334	2,346
Public safety		-	-	-	-	-	-	260	272	284
Housing		-	-	-	-	-	-	-	-	-
Health		1	(9)	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		5,539	5,092	8,024	20,567	23,166	23,166	18,091	17,883	18,406
Planning and development		1,324	783	1,062	1,315	1,312	1,312	1,764	1,791	1,823
Road transport		4,215	4,308	6,962	19,252	21,854	21,854	16,327	16,092	16,583
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		53,064	85,012	73,802	63,907	51,261	51,261	58,485	60,687	63,167
Energy sources		28,414	31,856	40,797	37,263	31,423	31,423	34,664	39,188	40,365
Water management		18,709	26,718	6,025	10,479	6,771	6,771	6,812	7,471	7,882
Waste water management		1,731	19,401	21,314	6,368	4,742	4,742	5,133	4,840	5,103
Waste management		4,210	7,036	5,666	9,797	8,325	8,325	11,876	9,187	9,817
<b>Other</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	124,058	154,781	150,572	146,541	139,258	139,258	139,556	138,700	143,789
<b>Surplus/(Deficit) for the year</b>		40,419	65,318	30,010	52,707	51,628	51,628	29,428	24,517	23,502

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

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per functional classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports. This simply means "against which function the transaction should be recorded".
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenue for the Trading Services should exceed their expenditures. The table highlights that this is not the case for any of the trading services. As already noted above, the municipality will be undertaking a detailed study of these functions to explore ways of improving efficiencies and provide a basis for re-evaluating these functions' tariff structures.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

### **TABLE 14**

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

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

1. The A4 Table seeks to reflect the operating revenue by source and expenditure in order to indicate the municipality's financial performance.

NC086 Kgatelopele - 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 & Expenditure Framework		
		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 +2 2028/29
<b>Revenue</b>											
<b>Exchange Revenue</b>											
Service charges - Electricity	2	24,453	14,174	38,086	35,765	34,608	34,608	24,950	41,369	41,046	41,110
Service charges - Water	2	10,902	8,344	11,036	12,569	15,072	15,072	8,833	15,194	9,473	9,933
Service charges - Waste Water Management	2	4,261	4,460	5,199	10,736	5,225	5,225	2,912	7,796	6,295	6,453
Service charges - Waste Management	2	7,444	7,873	8,233	12,061	8,182	8,182	5,432	12,061	12,603	12,919
Sale of Goods and Rendering of Services	2	158	106	1,744	132	132	132	36	132	138	141
Agency services	2	-	-	(8)	450	450	450	187	450	452	454
Interest	-	-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables	2	3,169	1,507	1,489	1,776	1,776	1,776	1,492	3,492	3,344	3,437
Interest earned from Current and Non Current Assets	2	5,605	3,444	1,295	4,575	4,575	4,575	602	4,575	4,781	4,900
Dividends	2	-	-	-	-	-	-	-	-	-	-
Rent on Land	2	-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets	2	149	135	461	386	386	386	169	222	231	235
Licence and permits	2	428	383	694	1,100	1,100	1,100	919	1,600	1,700	2,000
Special rating levies	2	-	-	-	-	-	-	-	-	-	-
Construction Contract Revenue	2	-	-	-	-	-	-	-	-	-	-
Development Charges	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	41	-	99	22	22	22	4	22	23	24
<b>Non-Exchange Revenue</b>											
Property rates	2	14,513	15,742	19,327	18,437	19,694	19,694	10,767	18,766	19,279	19,780
Surcharges and Taxes	2	-	-	-	9,396	9,396	9,396	-	-	-	-
Fines, penalties and forfeits	2	5	-	-	143	143	143	27	143	149	153
Licences or permits	2	-	-	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational	2	35,663	38,448	40,595	41,006	41,006	41,006	31,305	43,223	43,281	44,812
Interest	2	1,050	559	592	883	883	883	755	749	774	799
Fuel Levy	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	-	-	-	-	-	-	-	-	-	-
Gains on disposal of Fixed and Intangible Assets	2	(1,711)	(760)	(9,763)	21,000	1,830	1,830	-	1,010	-	-
Other Gains	2	574	211	1,245	-	-	-	-	-	-	-
Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>106,704</b>	<b>94,626</b>	<b>120,325</b>	<b>170,436</b>	<b>144,478</b>	<b>144,478</b>	<b>88,389</b>	<b>150,803</b>	<b>143,569</b>	<b>147,149</b>
<b>Expenditure</b>											
Employee related costs	2	42,530	43,543	48,328	40,775	51,862	51,862	31,088	55,403	55,364	57,583
Remuneration of councillors	2	4,685	5,030	5,229	5,298	4,363	4,363	3,026	4,363	4,184	4,223
Bulk purchases - electricity	2	24,352	28,874	33,777	30,115	30,115	30,115	25,011	30,246	34,768	35,637
Inventory consumed	2,8	4,638	1,736	2,135	538	-	-	462	-	-	-
Debt impairment	2,3	-	-	-	13,943	607	607	-	607	4,360	4,544
Depreciation, amortisation and impairment	2	16,198	24,611	23,092	17,669	17,669	17,669	-	18,708	11,981	12,364
Interest, Dividends and Rent on Land	2	3,054	3,388	5,214	1,200	1,200	1,200	4,606	800	1,255	1,313
Contracted services	2	18,476	16,056	20,374	17,608	12,119	12,119	11,753	12,872	10,352	11,217
Transfers and subsidies	2	-	-	-	-	-	-	-	-	-	-
Irrecoverable debts written off	2	1,110	17,523	(331)	3,533	3,533	3,533	-	3,533	3,689	3,855
Operational costs	2	9,014	14,021	12,753	15,860	17,789	17,789	10,451	13,024	12,747	13,052
Disposal of Fixed and Intangible Assets	2	-	-	-	-	-	-	-	-	-	-
Other Losses	2	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>124,058</b>	<b>154,781</b>	<b>150,572</b>	<b>146,541</b>	<b>139,258</b>	<b>139,258</b>	<b>86,397</b>	<b>139,556</b>	<b>138,700</b>	<b>143,789</b>
<b>Surplus/(Deficit)</b>		<b>(17,354)</b>	<b>(60,155)</b>	<b>(30,246)</b>	<b>23,895</b>	<b>5,220</b>	<b>5,220</b>	<b>1,992</b>	<b>11,247</b>	<b>4,869</b>	<b>3,361</b>
Transfers and subsidies - capital (monetary allocations)	6	57,773	125,473	60,256	28,812	46,408	46,408	29,652	18,181	19,648	20,141
Transfers and subsidies - capital (in-kind)	6	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>40,419</b>	<b>65,318</b>	<b>30,010</b>	<b>52,707</b>	<b>51,628</b>	<b>51,628</b>	<b>31,644</b>	<b>29,428</b>	<b>24,517</b>	<b>23,502</b>
Income Tax	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after income tax</b>		<b>40,419</b>	<b>65,318</b>	<b>30,010</b>	<b>52,707</b>	<b>51,628</b>	<b>51,628</b>	<b>31,644</b>	<b>29,428</b>	<b>24,517</b>	<b>23,502</b>
Share of Surplus/Deficit attributable to Joint Venture	-	-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>40,419</b>	<b>65,318</b>	<b>30,010</b>	<b>52,707</b>	<b>51,628</b>	<b>51,628</b>	<b>31,644</b>	<b>29,428</b>	<b>24,517</b>	<b>23,502</b>
Share of Surplus/Deficit attributable to Associate	-	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>1</b>	<b>40,419</b>	<b>65,318</b>	<b>30,010</b>	<b>52,707</b>	<b>51,628</b>	<b>51,628</b>	<b>31,644</b>	<b>29,428</b>	<b>24,517</b>	<b>23,502</b>

## Part 2 – Supporting Documentation

### 2.5 Overview of the annual budget process

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

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

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

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

#### 3.5.1 Budget Process Overview

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

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

- **30 August 2025** – The IDP process plan was tabled and approved in Council
- 
- **October 2025** – IDP community participation meeting was held in all wards
- **March 2026** – Budget inputs and engagements was held with various departments and units in the Municipality
- **31 March 2026** – Tabling in Council of the draft 2026/27 IDP and 2026/27 MTREF for public consultation.

- **27 May 2026** – Workshop was held with management and councillor to review policies and by-laws
- **May 2026** – Second round of community participation meetings was held where the draft budget and was presented to the community
- **13 to 23 May 2026** – finalisation of the 2026/27 IDP and 2026/27 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework.
- **29 May** - Tabling in Council of the final 2026/27 IDP and 2026/27 MTREF for consideration and approval.

### **3.5.2 IDP and Service Delivery and Budget Implementation Plan**

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

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

The IDP has been taken into a business and financial planning process leading up to the 2026/27 MTREF, based on the approved 2025/26 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2026/27 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2025/26 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### **3.5.3 Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2026/27 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2026/27 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2025/26 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 70 and 72 has been taken into consideration in the planning and prioritisation process.

## **2.6 Overview of alignment of annual budget with IDP**

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

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

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

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

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

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

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2015 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

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

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide water;
  - Provide sanitation;
  - Provide waste removal;
  - Provide housing;

- Provide roads and storm water;
  - Provide public transport;
  - Provide municipal planning services; and
  - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
- Ensuring there is a clear structural plan for the Municipality;
  - Ensuring planning processes function in accordance with set timeframes;
  - Facilitating the use of labour-intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
- Effective implementation of the Indigent Policy;
  - Working with the provincial department of health to provide primary health care services;
  - Extending waste removal services and ensuring effective Municipality cleansing;
  - Ensuring all waste water treatment works are operating optimally;
  - Working with strategic partners such as SAPS, to address crime;
  - Ensuring safe working environments by effective enforcement of building and health regulations;
  - Promote viable, sustainable communities through proper zoning; and
  - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Kgatelopele principles through a caring, accessible and accountable service by:
- Optimising effective community participation in the ward committee system; and
  - Implementing Kgatelopele in the revenue management strategy.
- 5.1 Promote sound governance through:
- Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
- Reviewing the use of contracted services
  - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
- Review of the organizational structure to optimize the use of personnel;

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

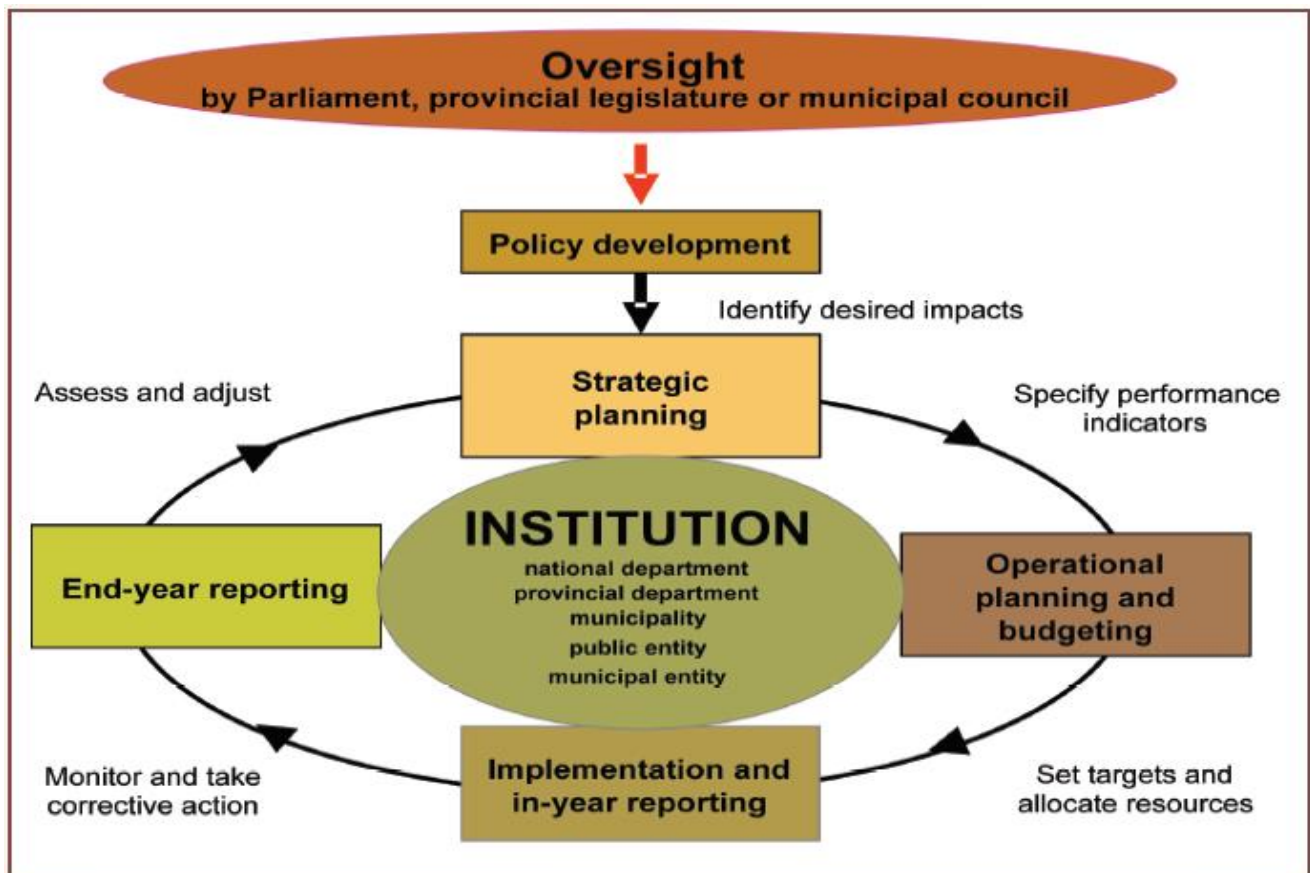
In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This

process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

## 2.7 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality with the help of the Municipal Manager, Adv W Blundin and the ZFM District Municipality, helped with the development and implemented a performance management system. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

The planning, budgeting and reporting cycle can be graphically illustrated as follows:

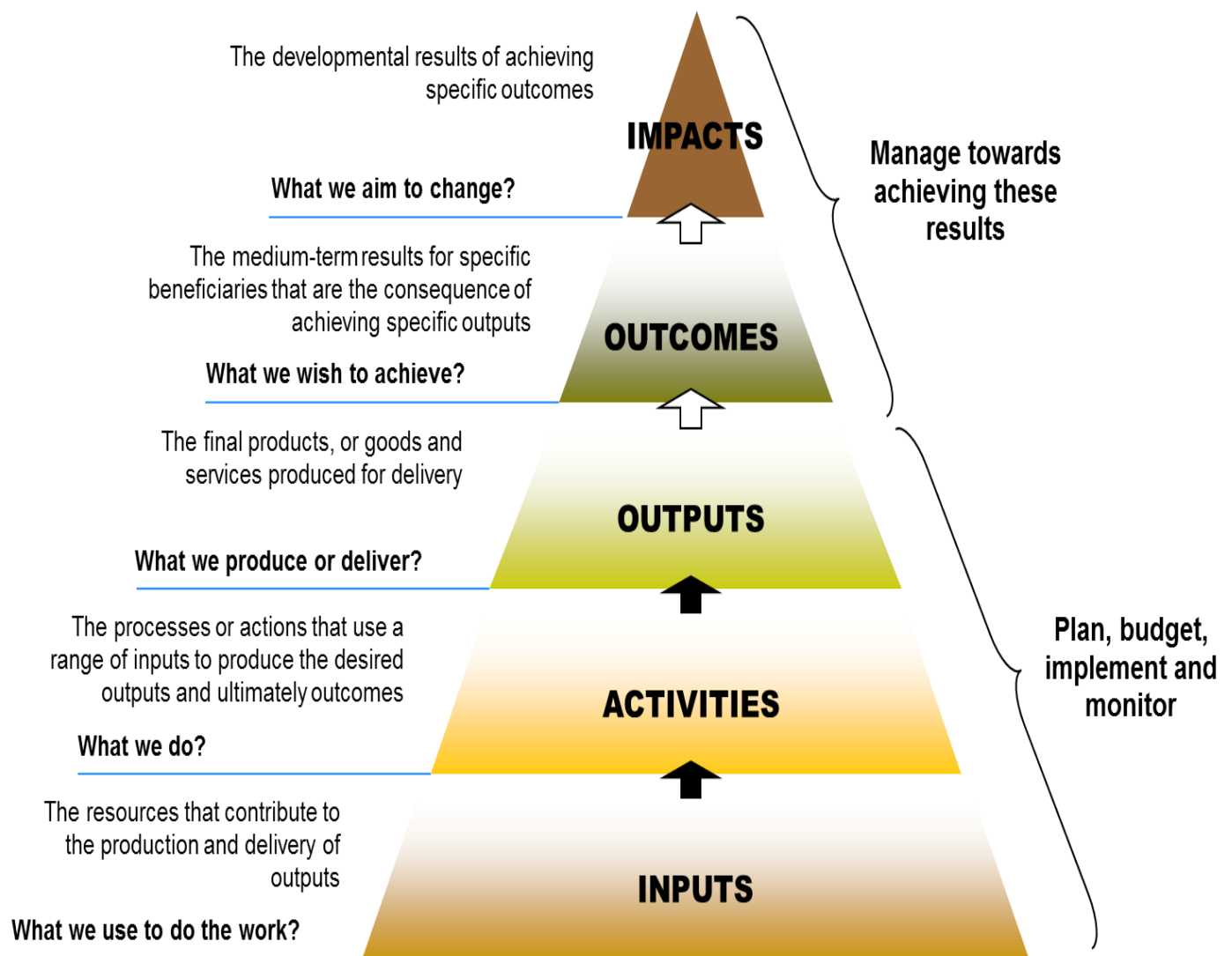


The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting

stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

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

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

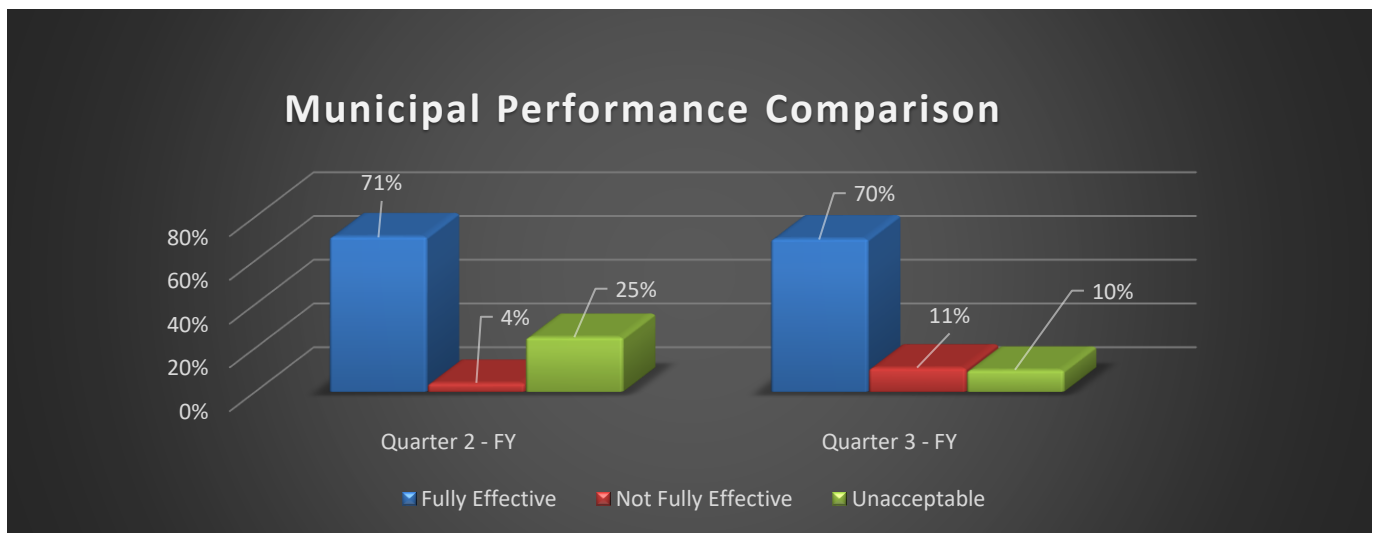


The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

### 3.7.1 Performance indicators and benchmarks as SDBIP 2025/26

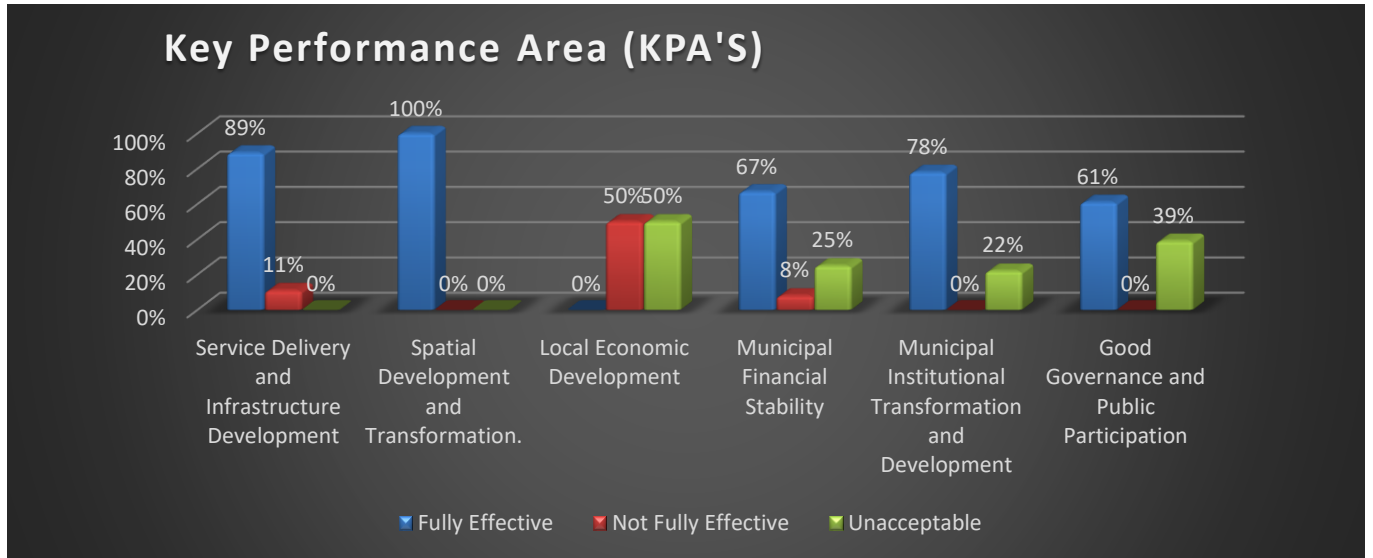
#### HIGH LEVEL SUMMARY OF PERFORMANCE FOR QUARTER 3 THE 2025/2026 FINANCIAL YEAR

Figure 1: High level summary quarterly performance comparison



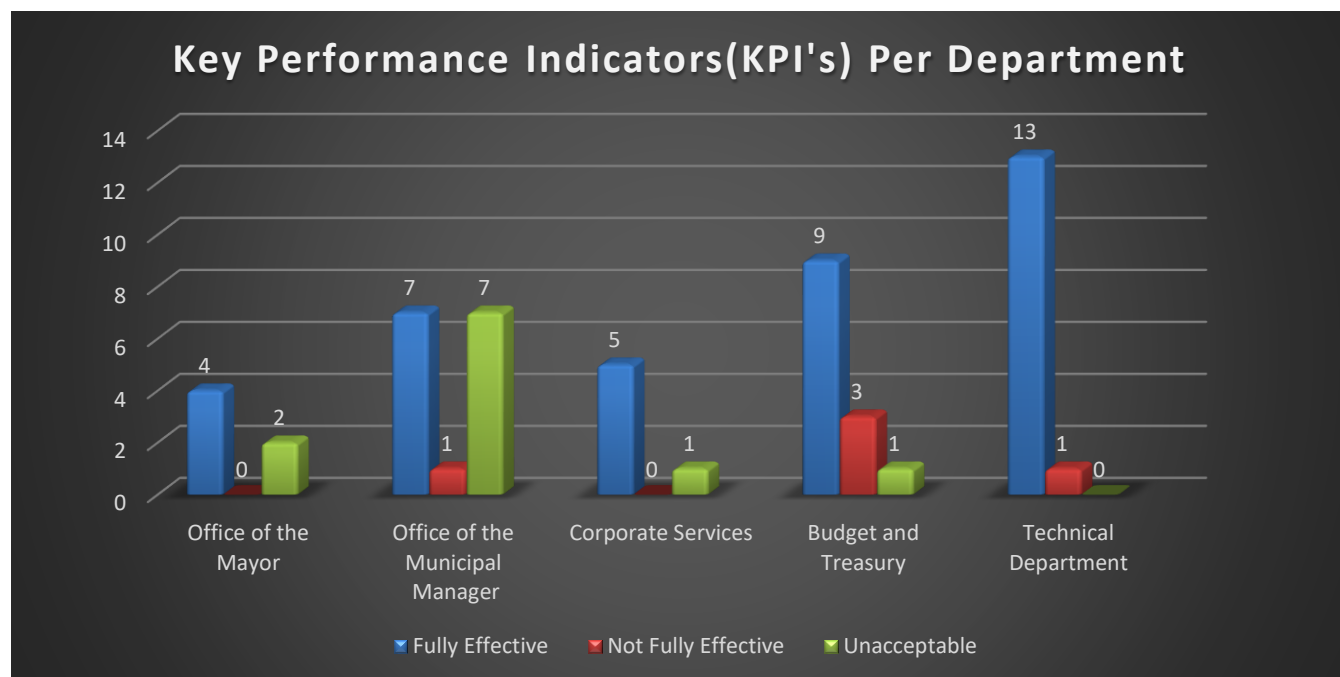
**QUARTER 3 INSTITUTIONAL PERFORMANCE PER KEY PERFORMANCE AREAS (KPA'S)  
FOR 2025/2026 FINANCIAL YEAR**

Figure 2: Key Performance Areas (KPA)



## QUARTER 3 DEPARTMENTAL PERFORMANCE PER KEY PERFORMANCE INDICATORS (KPI) FOR 2025/2026 FINANCIAL YEAR

Figure 3: Key Performance Indicators (KPI's)



### 3.7.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long-term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Kgatelopele Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2026/27 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. This ratio is by far below the borrowing capacity of the municipality, but it needs to be noted that capital grants and transfers has contributed significantly to the municipality's capital expenditure programs, thus limiting the need for borrowing.
- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing is less than 1% throughout the MTREF period. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality should limit external interest charges to the minimum.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing.

- The municipality intend to borrow money from DBSA during the MTREF period in the attempt to fund a prepaid water meter project and ring-fence the increase through such a project.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2026/27 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

#### 3.7.1.2 *Safety of Capital*

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. At 4.2 : at this ratio is well below the norm, indicating a strong financial position.
- *The gearing ratio* is a measure of the total long-term borrowings over funds and reserves. A ratio in the region of 50% is a general benchmark and the Kgatelopele Local Municipality currently have long-term debt agreement with Eskom to which funded over the MTREF.

#### 3.7.1.3 *Liquidity*

- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations.

#### 3.7.1.4 *Revenue Management*

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection. The collection rates in this indicator are based on all cash receipts, also for direct income. The collection rate used for the calculation of debtors' payments was 82 per cent.

#### 3.7.1.5 *Creditors Management*

- The Municipality did not manage to ensure that creditors are settled within the legislated 30 days of invoice. The liquidity ratio is of concern. This had an impact on suppliers' perceptions of risk of doing business with the Municipality.

#### 3.7.1.6 Other Indicators

- The electricity/water losses have been measured. The Municipality needs to measure all water and electricity losses and is annually reported in the financial statements and monthly in the Section 71 reports.
- Employee costs as a percentage of operating revenue are fairly constant over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also fairly constant owing directly to cost drivers such as bulk purchases increasing above inflation. The expenditure on repairs and maintenance is well below acceptable levels, but the actual cost will only be determined when a costing system is implemented.

#### **3.7.2 Free Basic Services: basic social services package for indigent households**

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

For the MTREF an estimate of 1599 registered indigent have been provided for in the budget. In terms of the Municipality's indigent policy registered households are entitled to 6kl fee water, 50 kwh of electricity, free sanitation and free waste removal equivalent once a week, as well as a discount on their property rates. All residential properties will receive exemption for the first R30 000. Households registered for indigent subsidies will be granted an additional R10 000 (R40 000) on all ratable market values, with additional provision for pensionaries as detail in council policy Customer Care, Debt Collection, Indigent & Tampering Policy.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained elsewhere in this report.

## **2.8 Overview of budget related-policies**

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

### **3.8.1 Review of credit control and debt collection procedures/policies**

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

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, they are entitled to free basic services.

The Municipality needs to change all water meters to smart water meters. The municipality will not be sustainable if we do not collect all the outstanding debt through the pre-paid water system.

### **3.8.2 Asset Management, Infrastructure Investment and Funding Policy**

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

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

### **3.8.3 Budget Adjustment Policy**

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

#### **3.8.4 Supply Chain Management Policy**

The Supply Chain Management Policy was workshop by Council for approval during Feb 2025. An amended policy was considered by Council which the following amendments was made:

1. Amending the tender threshold from R 200 000 to R 300 000 to align with the revised Municipal Supply Chain Regulations

#### **3.8.5 Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy will be workshop for council for approval.

#### **3.8.6 Cash Management and Investment Policy**

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

#### **3.8.7 Tariff Policies**

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

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

- Asset Management Policy
- Banking and Investment Policy
- Bad Debt Write Off Policy
- Budget Policy
- Borrowing Policy
- Contract Management Policy
- Customer Care, Credit Control, Debt Collection, Indigent and Tampering Policy
- Debt Incentive Scheme Policy
- Expenditure Management Policy
- Funding and Reserves Policy
- Inventory Management Policy
- Investment Policy
- Impairment Policy

- Petty Cash Policy
- Preferential Procurement Policy
- Property Rates Policy
- Subsistence and travelling policy
- Supply Chain Management Policy
- Tariff Policy
- Unauthorized, Irregular and Fruitless and Wasteful Expenditure Policy
- Virement Policy
- Cost containment policy

## **2.9 Overview of budget assumptions**

### **3.9.1 External factors**

Domestically, after five years of strong growth, during which lot of jobs were created, our economy shrank fast, and thousands of people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven and that growth for 2023 will be minimal with a slightly better growth in the outer years.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

### **3.9.2 General inflation outlook and its impact on the municipal activities**

There are five key factors that have been taken into consideration in the compilation of the 2026/27 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration.

### **3.9.3 Credit rating outlook**

There is no credit rating for Kgatelopele Municipality.

### **3.9.4 Interest rates for borrowing and investment of funds.**

The municipality did not budget for any loan funding during the 2026/27 financial year.

### **3.9.5 Collection rate for revenue services**

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

The rate of revenue collection is currently expressed as a percentage (82 per cent) of annual billings. Cash flow is assumed to be 82 per cent of billings. The performance of any increased collections or arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

### **3.9.6 Growth or decline in tax base of the municipality.**

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

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

### **3.9.7 Salary increases.**

The Salary and Wage Collective Agreement for the period 01 July 2026 to 31 June 2027 has a new agreement stipulated increase as 4.75%. South African Local Government Bargaining Council (SALGBC), municipalities are advised to consider their financial sustainability when considering salary increases. It has been observed over the previous years that salary increases were above inflation. In addition, municipalities that could not afford such increases did not apply for exemption as provided by SALGBC.

### **3.9.8 Impact of national, provincial and local policies**

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

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

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

### **3.9.9 Ability of the municipality to spend and deliver on the programmes.**

It is estimated that a spending rate of at least 75 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2026/27MTREF of which performance has been factored into the cash flow budget on grant funding.

## **2.10 Overview of budget funding**

### **3.10.1 Medium-term outlook: operating revenue**

The following table is a breakdown of the operating revenue over the medium-term:

NC086 Kgatelopele - 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 & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
<b>Revenue</b>											
<b>Exchange Revenue</b>											
Service charges - Electricity	2	24,453	14,174	38,086	35,765	34,608	34,608	24,950	41,369	41,046	41,110
Service charges - Water	2	10,902	8,344	11,036	12,569	15,072	15,072	8,833	15,194	9,473	9,933
Service charges - Waste Water Management	2	4,261	4,460	5,199	10,736	5,225	5,225	2,912	7,796	6,295	6,453
Service charges - Waste Management	2	7,444	7,873	8,233	12,061	8,182	8,182	5,432	12,061	12,603	12,919
Sale of Goods and Rendering of Services	2	158	106	1,744	132	132	132	36	132	138	141
Agency services	2	-	-	(8)	450	450	450	187	450	452	454
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables	2	3,169	1,507	1,489	1,776	1,776	1,776	1,492	3,492	3,344	3,437
Interest earned from Current and Non Current Assets	2	5,605	3,444	1,295	4,575	4,575	4,575	602	4,575	4,781	4,900
Dividends	2	-	-	-	-	-	-	-	-	-	-
Rent on Land	2	-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets	2	149	135	461	386	386	386	169	222	231	235
Licence and permits	2	428	383	694	1,100	1,100	1,100	919	1,600	1,700	2,000
Special rating levies	2	-	-	-	-	-	-	-	-	-	-
Construction Contract Revenue	2	-	-	-	-	-	-	-	-	-	-
Development Charges	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	41	-	99	22	22	22	4	22	23	24
<b>Non-Exchange Revenue</b>											
Property rates	2	14,513	15,742	19,327	18,437	19,694	19,694	10,767	18,766	19,279	19,780
Surcharges and Taxes	2	-	-	-	9,396	9,396	9,396	-	-	-	-
Fines, penalties and forfeits	2	5	-	-	143	143	143	27	143	149	153
Licences or permits	2	-	-	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational	2	35,663	38,448	40,595	41,006	41,006	41,006	31,305	43,223	43,281	44,812
Interest	2	1,050	559	592	883	883	883	755	749	774	799
Fuel Levy	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	-	-	-	-	-	-	-	-	-	-
Gains on disposal of Fixed and Intangible Assets	2	(1,711)	(760)	(9,763)	21,000	1,830	1,830	-	1,010	-	-
Other Gains	2	574	211	1,245	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>106,704</b>	<b>94,626</b>	<b>120,325</b>	<b>170,436</b>	<b>144,478</b>	<b>144,478</b>	<b>88,389</b>	<b>150,803</b>	<b>143,569</b>	<b>147,149</b>
<b>Expenditure</b>											
Employee related costs	2	42,530	43,543	48,328	40,775	51,862	51,862	31,088	55,403	55,364	57,583
Remuneration of councillors	2	4,685	5,030	5,229	5,298	4,363	4,363	3,026	4,363	4,184	4,223
Bulk purchases - electricity	2	24,352	28,874	33,777	30,115	30,115	30,115	25,011	30,246	34,768	35,637
Inventory consumed	2,8	4,638	1,736	2,135	538	-	-	462	-	-	-
Debt impairment	2,3	-	-	-	13,943	607	607	-	607	4,360	4,544
Depreciation, amortisation and impairment	2	16,198	24,611	23,092	17,669	17,669	17,669	-	18,708	11,981	12,364
Interest, Dividends and Rent on Land	2	3,054	3,388	5,214	1,200	1,200	1,200	4,606	800	1,255	1,313
Contracted services	2	18,476	16,056	20,374	17,608	12,119	12,119	11,753	12,872	10,352	11,217
Transfers and subsidies	2	-	-	-	-	-	-	-	-	-	-
Irrecoverable debts written off	2	1,110	17,523	(331)	3,533	3,533	3,533	-	3,533	3,689	3,855
Operational costs	2	9,014	14,021	12,753	15,860	17,789	17,789	10,451	13,024	12,747	13,052
Disposal of Fixed and Intangible Assets	2	-	-	-	-	-	-	-	-	-	-
Other Losses	2	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>124,058</b>	<b>154,781</b>	<b>150,572</b>	<b>146,541</b>	<b>139,258</b>	<b>139,258</b>	<b>86,397</b>	<b>139,556</b>	<b>138,700</b>	<b>143,789</b>
<b>Surplus/(Deficit)</b>		<b>(17,354)</b>	<b>(60,155)</b>	<b>(30,246)</b>	<b>23,895</b>	<b>5,220</b>	<b>5,220</b>	<b>1,992</b>	<b>11,247</b>	<b>4,869</b>	<b>3,361</b>
Transfers and subsidies - capital (monetary allocations)	6	57,773	125,473	60,256	28,812	46,408	46,408	29,652	18,181	19,648	20,141
Transfers and subsidies - capital (in-kind)	6	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>40,419</b>	<b>65,318</b>	<b>30,010</b>	<b>52,707</b>	<b>51,628</b>	<b>51,628</b>	<b>31,644</b>	<b>29,428</b>	<b>24,517</b>	<b>23,502</b>
Income Tax		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after income tax</b>		<b>40,419</b>	<b>65,318</b>	<b>30,010</b>	<b>52,707</b>	<b>51,628</b>	<b>51,628</b>	<b>31,644</b>	<b>29,428</b>	<b>24,517</b>	<b>23,502</b>
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>40,419</b>	<b>65,318</b>	<b>30,010</b>	<b>52,707</b>	<b>51,628</b>	<b>51,628</b>	<b>31,644</b>	<b>29,428</b>	<b>24,517</b>	<b>23,502</b>
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>1</b>	<b>40,419</b>	<b>65,318</b>	<b>30,010</b>	<b>52,707</b>	<b>51,628</b>	<b>51,628</b>	<b>31,644</b>	<b>29,428</b>	<b>24,517</b>	<b>23,502</b>

**Breakdown of operating revenue over the 2026/27 MTREF**

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as electricity and solid waste

removal, property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of an 82 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval base on COS model.
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

Investment revenue contributes significantly to the revenue base of the Municipality. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

### **3.10.2 Cash Flow Management**

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words, the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long-term borrowing (debt).

### **3.10.3 Cash Backed Reserves/Accumulated Surplus Reconciliation**

This following table does not meet the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

NC086 Kgatelopele - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	31,455	38,153	57,245	16,399	8,665	8,665	47,612	41,953	53,101	64,548
Other current investments > 90 days		-	-	-	-	-	-	-	-	-	-
Non current investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>31,455</b>	<b>38,153</b>	<b>57,245</b>	<b>16,399</b>	<b>8,665</b>	<b>8,665</b>	<b>47,612</b>	<b>41,953</b>	<b>53,101</b>	<b>64,548</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		78,337	8,935	17,642	-	17,709	17,709	10,827	17,709	17,709	17,709
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	(10,057)	(8,724)	(3,437)	(17,526)	(13,816)	(13,816)	(3,738)	(2,654)	(35,028)	(35,248)
Other working capital requirements	3	56,657	66,637	88,548	(286,381)	(10,563)	(10,563)	96,489	(52,629)	26,956	28,157
Other provisions		2,408	7,126	6,799	-	3,912	3,912	6,799	3,912	3,912	3,912
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		<b>127,345</b>	<b>73,974</b>	<b>109,553</b>	<b>(303,908)</b>	<b>(2,757)</b>	<b>(2,757)</b>	<b>110,377</b>	<b>(33,662)</b>	<b>13,549</b>	<b>14,530</b>
<b>Surplus(shortfall) - Excluding Non-Current Creditors Trf to Debt Relief Benefits</b>		<b>(95,889)</b>	<b>(35,820)</b>	<b>(52,308)</b>	<b>320,306</b>	<b>11,422</b>	<b>11,422</b>	<b>(62,765)</b>	<b>75,615</b>	<b>39,552</b>	<b>50,018</b>
<b>Creditors transferred to Debt Relief - Non-Current portion</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus(shortfall) - Including Non-Current Creditors Trf to Debt Relief Benefits</b>		<b>(95,889)</b>	<b>(35,820)</b>	<b>(52,308)</b>	<b>320,306</b>	<b>11,422</b>	<b>11,422</b>	<b>(62,765)</b>	<b>75,615</b>	<b>39,552</b>	<b>50,018</b>

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What are the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

### 3.10.4 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality.

#### 3.10.4.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is positive, for any year of the medium-term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short-term debt at the end of the financial year.

#### 3.10.4.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of

the cash backed reserves/surpluses is contained in the previous page. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

#### *3.10.4.3 Monthly average payments covered by cash or cash equivalents*

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts.

#### *3.10.4.4 Surplus/deficit excluding depreciation offsets*

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

**It needs to be noted that a surplus or deficit does not necessarily mean that the budget is funded from a cash flow perspective.**

#### *3.10.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target*

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

#### *3.10.4.6 Cash receipts as a percentage of ratepayer and other revenue*

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget.

#### *3.10.4.7 Debt impairment expense as a percentage of billable revenue*

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 8 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

#### *3.10.4.8 Capital payments percentage of capital expenditure.*

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 90 per cent payments has been factored into the cash position forecasted over the entire financial year.

#### *3.10.4.9 Transfers/grants revenue as a percentage of Government transfers/grants available*

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers and therefore no percentage is being shown as outstanding.

#### *3.10.4.10 Consumer debtors change (Current and Non-current)*

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position.

#### *3.10.4.11 Repairs and maintenance expenditure level*

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance is contained elsewhere in this report.

#### *3.10.4.12 Asset renewal/rehabilitation expenditure level*

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained elsewhere in this report.

### **Councillor and employee benefits**

## MBRR SA22 - Summary of councillor and staff benefits

NC086 Kgatelopele - Supporting Table SA22 Summary councillor and staff benefits											
Summary of Employee and Councillor remuneration		Ref	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
	1		A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>											
<b>Allowances and Service Related Benefits</b>											
Basic Salary			4,231	4,531	4,681	4,775	3,605	3,605	3,605	3,350	3,287
Cell phone Allowance			442	500	454	523	623	623	623	689	776
Housing Allowance			-	-	-	-	-	-	-	-	-
In-kind Benefits			-	-	-	-	-	-	-	-	-
Market Related Non-pensionable Allowance			-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance			-	-	-	-	-	-	-	-	-
Office-bearer Allowance			-	-	-	-	-	-	-	-	-
Out of pocket Expenses			-	-	-	-	-	-	-	-	-
Travelling Allowance			13	-	94	-	135	135	135	145	160
Use of Personal Facilities			-	-	-	-	-	-	-	-	-
<b>Total Allowances and Service Related Benefits</b>			<b>4,685</b>	<b>5,030</b>	<b>5,229</b>	<b>5,298</b>	<b>4,363</b>	<b>4,363</b>	<b>4,363</b>	<b>4,184</b>	<b>4,223</b>
<b>Social Contributions</b>											
Medial Aid Benefits			-	-	-	-	-	-	-	-	-
Pension Fund Contributions			-	-	-	-	-	-	-	-	-
<b>Total Social Contributions</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Councillors</b>			<b>4,685</b>	<b>5,030</b>	<b>5,229</b>	<b>5,298</b>	<b>4,363</b>	<b>4,363</b>	<b>4,363</b>	<b>4,184</b>	<b>4,223</b>

NC086 Kgatelopele - Supporting Table SA22 Summary councillor and staff benefits											
Summary of Employee and Councillor remuneration		Ref	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
	1		A	B	C	D	E	F	G	H	I



**All other supporting schedules are available on request and will also be placed on the website**

## **2.11 Other supporting documents**

**All other supporting schedules are available on request and will also be placed on the website.**

## **1.15 Contracts having future budgetary implications.**

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

## **3.1 Legislation compliance status**

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


1. In year reporting  
Reporting to National Treasury in electronic format was not fully complied with on a monthly basis. Section 71 reporting to the mayor (within 10 working days) has improved. The CFO needs to take Actions to comply with above. The Municipalities website is active as and needs to publish the information on the Municipality's website.
  2. Internship programme  
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five (5) interns undergoing training in various divisions of the Financial Services Department.
  3. Budget and Treasury Office  
The Budget and Treasury Office have been established in accordance with the MFMA. Additional staff needs to be appointed to help with the compilation of the budget, Treasury reports and the AFS.
  4. Audit Committee  
Kgatelopele Municipality has established audit committee.
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### 3.2 Municipal Manager's Quality Certificate

I, W Blundin, Municipal Manager of Kgatelopele 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 Adv. W Blundin

Municipal Manager of Kgatelopele Municipality

Signature : 

Date : 25 March 2026

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