TSANTSABANE MUNICIPALITY

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

ANNUAL BUDGET OF

TSANTSABANE MUNICIPALITY

2026/27 TO 2028/29

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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List of documents attached.

Full Tariff List

Detail Capital Budget

A-Schedule

Abbreviations and Acronyms

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

Part 1 – Annual Budget

1.1 Mayor's Report

Recommendation of the draft budget for purpose of public inputs.

1.2 Council Resolutions

On **14 April 2026**, the Council of Tsantsabane 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 Tsantsabane Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) **approves and adopts**:

1.1. The 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 Tsantsabane 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 **draft 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 Tsantsabane Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) **resolved to approve and adopt** 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)**.

4. To give proper effect to the municipality's annual budget, the Council of Tsantsabane 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.

1.3 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 were mainly used to guide the compilation of the 2025/26 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. Similarly, the effect of the water tariffs, as determined by the Vaal Water Board, on consumers. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable.***
- 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 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 and Vaal Water. 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 no funds in the CRR (Capital Replacement Reserve) to fund any capital projects.

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

- 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. 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 2026/27 Medium-term Revenue and Expenditure Framework:

OPERATING REVENUE

Table 1

NC085 Tsantsabane - 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		
R thousand	1	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
Revenue											
Exchange Revenue											
Service charges - Electricity	2	58,517	53,053	71,222	67,101	78,734	78,734	78,734	85,161	92,911	101,366
Service charges - Water	2	15,174	2,961	8,903	15,544	9,586	9,586	9,586	10,360	10,702	11,045
Service charges - Waste Water Management	2	26,223	27,741	31,049	31,915	31,915	31,915	31,915	33,096	34,188	35,282
Service charges - Waste Management	2	15,201	16,284	17,754	20,766	38,956	38,956	38,956	40,397	38,753	39,993
Sale of Goods and Rendering of Services	2	897	527	520	771	868	868	868	900	930	959
Agency services	2	-	-	-	502	502	502	502	510	527	544
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables	2	-	-	-	-	-	-	-	-	-	-
Interest earned from Current and Non Current Assets	2	1,220	1,120	1,952	1,457	1,483	1,483	1,483	1,538	1,588	1,639
Dividends	2	-	-	-	-	-	-	-	-	-	-
Rent on Land	2	-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets	2	589	603	733	630	630	630	630	653	675	696
Licence and permits	2	1	925	2	966	966	966	966	1,001	1,034	1,068
Special rating levies	2	-	-	-	-	-	-	-	-	-	-
Construction Contract Revenue	2	-	-	-	-	-	-	-	-	-	-
Development Charges	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	127	506	218	529	529	529	529	519	536	553
Non-Exchange Revenue											
Property rates	2	-	35,416	32,585	36,316	36,316	36,316	36,316	37,660	38,902	40,147
Surcharges and Taxes	2	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	2	337	432	1,776	2,172	1,640	1,640	1,640	1,645	1,699	1,753
Licences or permits	2	1,104	-	2,716	20	20	20	20	45	46	48
Transfer and subsidies - Operational	2	56,304	63,263	72,551	68,427	68,477	68,477	68,477	71,382	73,101	75,175
Interest	2	-	-	-	-	-	-	-	-	-	-
Fuel Levy	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	-	-	-	-	-	-	-	-	-	-
Gains on disposal of Fixed and Intangible Assets	2	20,989	(9,829)	2,986	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Other Gains	2	-	1,176	(133)	-	-	-	-	-	-	0
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		**196,684**	**194,180**	**244,834**	**259,115**	**282,621**	**282,621**	**282,621**	**296,867**	**307,593**	**322,268**

The operating income for **2026/27** MTREF is **R296,867 million**

This is primarily attributed to the revenue generating sources where:

- **Electricity, water and Sanitation** These service charges are based on 2025/26 audited actuals and inflationary projections as per circular 132 and 134 and Nersa application indicate increases. The entire service charge revenue contributes around **57%** of the total municipal operating revenue.

- **Property Rates** has increased from **R 37,660 million** based on the 2023/24 audited outcomes and projections to **R36,316 million** in 2025/26 MTREF budget year. Property Rates contributes around **13%** of the total operating revenue.

- **Other source of income** primarily increased due to the expected disposal of land during the 2026/27 budget year. Land occupied in Greenfields and Mountain view by residents who are not indigent.

- **Operating Government Grants** (Transfers and Subsidies) Government Grants that are operational in nature amount to **R 71,382 million** (24% of total operating revenue) in total with unconditional equitable share sitting at **R 64,383 million** allocated.

- **Interest earned from Current and Non Current Assets** is as a result of investments made at Standard Bank and ABSA Fixed deposits. The municipality is envisaging re-investing interest earned of R760 000 for the year 2025/26.

OPERATING EXPENDITURE

Table 2

NC085 Tsantsabane - 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		
R thousand	1	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
Expenditure											
Employee related costs	2	83,776	87,655	92,084	92,596	94,033	94,033	94,033	107,804	109,939	112,876
Remuneration of councillors	2	5,723	5,750	5,911	6,642	-	-	-	6,178	6,178	6,178
Bulk purchases - electricity	2	49,958	49,135	63,563	60,000	65,000	65,000	65,000	68,000	70,244	72,492
Inventory consumed	2,8	25,454	25,840	6,380	21,501	21,275	21,275	21,275	23,020	23,764	24,058
Debt impairment	2,3	32,454	34,035	41,899	40,152	45,990	45,990	45,990	40,288	42,605	45,065
Depreciation, amortisation and impairment	2	37,801	43,045	61,866	41,544	41,544	41,544	41,544	41,959	43,344	44,731
Interest, Dividends and Rent on Land	2	18,446	42,740	44,055	6,500	23,000	23,000	23,000	-	-	0
Contracted services	2	31,156	16,130	19,790	19,012	21,384	21,384	21,384	19,335	19,890	20,297
Transfers and subsidies	2	-	-	-	-	-	-	-	-	-	-
Irrecoverable debts written off	2	-	-	-	-	3,000	3,000	3,000	3,500	3,500	3,500
Operational costs	2	18,006	29,696	35,691	36,225	39,918	39,918	39,918	32,665	52,299	53,907
Disposal of Fixed and Intangible Assets	2	-	-	8,531	-	-	-	-	-	-	-
Other Losses	2	-	970	15,277	-	-	-	-	-	-	-
Total Expenditure		**302,774**	**334,996**	**395,048**	**324,172**	**355,145**	**355,145**	**355,145**	**342,750**	**371,763**	**383,104**
Surplus/(Deficit)		**(106,090)**	**(140,815)**	**(150,214)**	**(65,058)**	**(72,524)**	**(72,524)**	**(72,524)**	**(45,883)**	**(64,170)**	**(60,835)**
Transfers and subsidies - capital (monetary allocations)	6	31,585	11,069	35,831	31,190	31,190	31,190	31,190	34,031	25,982	26,781
Transfers and subsidies - capital (in-kind)	6	29,056	9,274	12,751	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		**(45,448)**	**(120,472)**	**(101,632)**	**(33,868)**	**(41,334)**	**(41,334)**	**(41,334)**	**(11,851)**	**(38,188)**	**(34,054)**

With the municipality operating expenditure, there has been a slight decrease of operating expenditure compared to **R 355,145 million** of pre-audit actuals, the current total operating expenditure is at **R 342,750 million**. A decrease of 3% of budgeted expenditure in 2026 /27 financial year.

Employee Related cost has increased from **R 94,033 million** pre-audit in 2025/26 budget year to **R 107,804 million** in 2026/27 MTREF budget year. An increase of 13% is due to additional post budgeted in 2026/27. Municipal workers will get 4,75% wage increase for the year 2026/27.

Depreciation + Debt Impairment are **R41,959 million** and **R40,288 million** These two items, apart from being non-cash items, contribute **(R82,247 million)** 22% of the total operating expenditure adds more pressure on already constraint budget. Hence, we have a deficit of **R45,883 million**.

Given the infrastructural assets the municipality owns, these assets are annually losing value and as a result of wear and tear, usage of obsolesce. Maintenance plan needs to keep up with the depreciating assets.

The municipal debt impairment is influenced by the low collection rate which is less than the norm of 95% hence so much of debt receivable is provided for impairment

Bulk purchases which is electricity and water amount to **R 91.202 million** an increase of bulk purchases from **R 86,275.** Electricity and water purchases budget respectively at **R 68,000 million** and **R 23,020 million** for the financial year 2026/27.

Irrecoverable debts written off is budgeted at **R 3,500 million** for the year 2026/27. No debtors were written off in the year 2025/26.

CAPITAL BUDGET

Table 3

Capital expenditure budgeted for as per the original budget

Project Description	Current Budget FinYear1
NC085_TLM_CAPEX_MIG	5,730,400.00
NC085_TLM_CAPEX_INEP	4,840,000.00
NC085_TLM_CAPEX_WSIG	12,000,000.00
Capital Expenditure_Roads	4,630,900.00
Butterfly Street and Stormwater	5,730,400.00
Newtown Roads:Phase 2 pendoring street and Storm water	5,730,400.00
	38,662,100.00

Capital Projects			
MIG	**Project Cost**	**Grant Funding**	**Internally Funding**
Pendoring Phase 2	9 149 851.89	9 149 851.89	-
Angelier Street	3 595 101.18	2 624 201.18	970 900.00
Solar High Mast Lights	5 417 146.93	5 417 146.93	-
		18 096 000.00	
INEP			
Tructor Bulk Connection	5 000 000.00	4 840 000.00	160 000.00
WSIG			
Groenwater Water Supply	12 000 000.00	12 000 000.00	-
Internally Projects			
Furniture and Office Equipment			2 500 000.00
Office Equipment (Laptops)			1 000 000.00
Total		**34 031 200.00**	**4 630 900.00**

The capital projects have not fully been allocated to allocation as per DoRA but above is what the national government has allocated to the municipality in terms of capital spending and the portion of internally generated funds.

Grants Receipts

NC085 Tsantsabane - 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		
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
RECEIPTS	1,2									
Operating										
National Government										
Monetary Allocations										
Equitable Share		50,271	55,306	58,842	61,881	61,881	61,881	64,383	67,069	69,020
Expanded Public Works Programme Integrated Grant		1,070	950	1,860	–	–	–	1,239	–	–
Local Government Financial Management Grant		2,984	2,566	3,000	3,000	3,000	3,000	3,000	3,100	3,100
Municipal Infrastructure Grant		604	761	656	896	896	896	905	982	1,007
Programme and Project Preparation Support Grant		–	–	–	1,000	1,000	1,000	–	–	0
Specify (Add grant description)		–	–	–	1,500	1,500	1,500	1,500	1,550	1,598
Total Monetary Allocations		54,929	59,584	64,358	68,277	68,277	68,277	71,027	72,701	74,725
Total Operating/National Government		54,929	59,584	64,358	68,277	68,277	68,277	71,027	72,701	74,725
Provincial Government										
Monetary Allocations										
Construction, Education and Training SETA		75	171	147	150	200	200	355	400	450
Mining Companies		-	-	5,241	-	-	-	-	-	0
Unspecified		-	-	-	-	-	-	-	-	0
Total Operating/Provincial Government		75	171	147	150	200	200	355	400	450
District Municipalities										
Monetary Allocations										
Other transfers/grants [insert description]										
Integrated National Electrification Programme Grant		15,996	4,525	13,486	–	–	–	4,840	7,316	7,647
Municipal Infrastructure Grant		11,328	4,631	16,171	17,027	17,027	17,027	17,191,200	18,665,600	19,133,950
Water Services Infrastructure Grant		4,261	1,913	6,174	14,163	14,163	14,163	12,000	-	-
Total Allocations In-kind		-	-	-	-	-	-	-	-	-
Total Capital/Other Grant Providers		-	-	-	-	-	-	-	-	-
Total Capital	5	-	-	-	-	-	-	-	-	-
TOTAL RECEIPTS OF TRANSFERS AND GRANTS		66,332	64,386	80,677	85,454	85,504	85,504	105,413	99,083	101,956

1.4 Operating Revenue Framework

For Tsantsabane Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times, strong revenue management is fundamental to the financial sustainability of Tsantsabane 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 a **95** per cent annual collection rate and **100 percent** for property rates and other key service charges. Installation of Water smart meters for the whole of Tsantsabane 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.

Strategy
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 Tsantsabane area

The following table is a summary of the 2025/26 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 **70** per cent of the total revenue over the 2026/27 MTREF period

NC085 Tsantsabane - Table A1 Budget Summary

Description	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
R thousands	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
Financial Performance										
Property rates	–	35,416	32,585	36,316	36,316	36,316	36,316	37,660	38,902	40,147
Service charges	115,117	100,040	128,927	135,326	159,190	159,190	159,190	169,015	176,554	187,685
Investment revenue	1,220	1,120	1,952	1,457	1,483	1,483	1,483	1,538	1,588	1,639
Transfer and subsidies - Operational	56,304	63,263	72,551	68,427	68,477	68,477	68,477	71,382	73,101	75,175
Other own revenue	24,043	(5,659)	8,818	17,589	17,155	17,155	17,155	17,273	17,447	17,622
Total Revenue (excluding capital transfers and contributions)	196,684	194,180	244,834	259,115	282,621	282,621	282,621	296,867	307,593	322,268
Employee costs	83,776	87,655	92,084	92,596	94,033	94,033	94,033	107,804	109,939	112,876
Remuneration of councillors	5,723	5,750	5,911	6,642	–	–	–	6,178	6,178	6,178
Depreciation, amortisation and impairment	37,801	43,045	61,866	41,544	41,544	41,544	41,544	41,959	43,344	44,731
Interest, Dividends and Rent on Land	18,446	42,740	44,055	6,500	23,000	23,000	23,000	–	–	0
Inventory consumed and bulk purchases	75,412	74,975	69,943	81,501	86,275	86,275	86,275	91,020	94,008	96,550
Transfers and subsidies	–	–	–	–	–	–	–	–	–	–
Other expenditure	81,617	80,830	121,188	95,389	110,293	110,293	110,293	95,788	118,294	122,768
Total Expenditure	302,774	334,996	395,048	324,172	355,145	355,145	355,145	342,750	371,763	383,104
Surplus/(Deficit)	(106,090)	(140,815)	(150,214)	(65,058)	(72,524)	(72,524)	(72,524)	(45,883)	(64,170)	(60,835)
Transfers and subsidies - capital (monetary allocations)	31,585	11,069	35,831	31,190	31,190	31,190	31,190	34,031	25,982	26,781
Transfers and subsidies - capital (in-kind)	29,056	9,274	12,751	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(45,448)	(120,472)	(101,632)	(33,868)	(41,334)	(41,334)	(41,334)	(11,851)	(38,188)	(34,054)
Share of Surplus/Deficit attributable to Associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(45,448)	(120,472)	(101,632)	(33,868)	(41,334)	(41,334)	(41,334)	(11,851)	(38,188)	(34,054)

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.

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 **R 105,413 million** in the 2026/27 budget year.

Table 7

NC085 Tsantsabane - 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		
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
RECEIPTS	1.2									
Operating										
National Government										
Monetary Allocations										
Equitable Share		50,271	55,306	58,842	61,881	61,881	61,881	64,383	67,069	69,020
Expanded Public Works Programme Integrated Grant		1,070	950	1,860	–	–	–	1,239	–	–
Local Government Financial Management Grant		2,984	2,566	3,000	3,000	3,000	3,000	3,000	3,100	3,100
Municipal Infrastructure Grant		604	761	656	896	896	896	905	982	1,007
Programme and Project Preparation Support Grant		–	–	–	1,000	1,000	1,000	–	–	0
Specify (Add grant description)		–	–	–	1,500	1,500	1,500	1,500	1,550	1,598
Total Monetary Allocations		54,929	59,584	64,358	68,277	68,277	68,277	71,027	72,701	74,725
Total Operating/National Government		54,929	59,584	64,358	68,277	68,277	68,277	71,027	72,701	74,725
Provincial Government										
Monetary Allocations										
Construction, Education and Training SETA		75	171	147	150	200	200	355	400	450
Mining Companies		-	-	5,241	-	-	-	-	-	0
Unspecified		-	-	-	-	-	-	-	-	0
Total Operating/Provincial Government		75	171	147	150	200	200	355	400	450
District Municipalities										
Monetary Allocations										
Other transfers/grants [insert description]										
Integrated National Electrification Programme Grant		15,996	4,525	13,486	–	–	–	4,840	7,316	7,647
Municipal Infrastructure Grant		11,328	4,631	16,171	17,027	17,027	17,027	17,191,200	18,665,600	19,133,950
Water Services Infrastructure Grant		4,261	1,913	6,174	14,163	14,163	14,163	12,000	-	-
Total Allocations In-kind		-	-	-	-	-	-	-	-	-
Total Capital/Other Grant Providers		-	-	-	-	-	-	-	-	-
Total Capital	5	-	-	-	-	-	-	-	-	-
TOTAL RECEIPTS OF TRANSFERS AND GRANTS		66,332	64,386	80,677	85,454	85,504	85,504	105,413	99,083	101,956

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.

BUDGET CIRCULAR 132 and 134-2026/27 MTREF. It is inflation fall to 4.4 per cent in 2023/24 and is expected average 3.3 per cent in 2025/26 and to 3.7 per cent in 2026/27.

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariffs increases are determined by an external agency, 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;

1.4.1 Property Rates

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

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

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA) Tsantsabane Municipality increased this value to R30 000;
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy to a maximum valuation of R30 000;
- The limit for indigent households is R 5 960

The categories of rateable properties for purposes of levying rates and the proposed rates for the 2026/27 financial year will be increase by 3.7%.

Property Rates Tariffs for the 2026/27 Financial year

PROPERTY TAX 3.7%

ASSESSMENT RATES	Approved 2022/23	Approved 2023/24	Approved 2024/25	Tariffs 2025/26	Draft Tariffs 2026/27
Residential	0.006192	0.006315	0.0053318	0.0055664	0.0057724
Residential - vacant land	0.0061915	0.0063154	0.0053318	0.0055664	0.0057724
Formal / Informal Settlements	0.0061915	0.0063154	0.0053318	0.0055664	0.0057724
Small Holdings	0.0061915	0.0063154	0.0053318	0.0055664	0.0057724
Farm Properties used / not used	0.0004226	0.0004311	0.0005044	0.0005266	0.0005461
Industrial	0.0105439	0.0107547	0.0098836	0.0103185	0.0107003
Business and Commercial	0.0105439	0.0107547	0.0098836	0.0103185	0.0107003
Communal land - residential & small holdings	0.0061915	0.0063154	0.0066248	0.0069163	0.0071722
Communal land - Business and commercial	0.0105439	0.0107547	0.0098836	0.0103185	0.0107003
Public Service Infrastructure (P.S.I)	0.0061915	0.0016253	0.0013330	0.0013917	0.0014431
Public Benefits Organisations (P.B.O)	0.0061915	0.0016253	0.0013330	0.0013917	0.0014431
Mining (buildings)	0.0590635	0.0602448	0.0631968	0.0659775	0.0684186
Rebate	30,000	30,000.00	30,000	30,000	30,000
Pensioners / social grants rebate / exemption	20%	0.20	20%	20%	20%
Temporary relief rebate / exemption	20%	0.20	20%	20%	20%
Bona fide farmers rebate / exemption	25%	0.25	25%	25%	25%

1.4.2 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 has indicated that the municipalities tariffs are not costs reflective and there is a shortfall of R42 million thus encouraging municipality to carefully review the level and structure of their water tariffs to ensure. The tariff was not increased mainly because water tankers providing free water in Greenfields and Mountain view contribute to the shortfall.

Water tariffs are not cost-reflective –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 water from Vaal at a cost of R14.99p/kl. A tariff increase for 2026/27 effective 1 July 2027 is 3.7%.

The proposed tariffs for the 2026/27 financial year are as follows:

Description	*Charges*	Approved 2023/24	Approved 2024/25	Tariffs 2025/26	Draft Tariffs 2026/27
Residential - basic		463.18	485.87	507.25	526.02
Residential - consumption	*0 - 6kl*	17.19	18.03	18.82	19.52
	6.1 - 12kl	19.93	20.90	21.82	22.63
	13kl - 30kl	23.42	24.57	25.65	26.60
	More than 30kl	31.93	33.49	34.97	36.26
Business - basic		463.18	485.87	507.25	526.02
Business - consumption	*0 - 6kl*	19.93	20.90	21.82	22.63
	6.1 - 12kl	23.42	24.56	25.64	26.59
	13kl - 30kl	31.92	33.49	34.96	36.26
	More than 30kl	40.14	42.11	43.96	45.59
Prepaid Metering					0.00
New Residential consumption	*0 - 6kl*	16.58	17.39	18.16	18.83
	6.1 - 12kl	19.23	20.17	21.06	21.84
	13kl - 30kl	22.60	23.70	24.75	25.66
	More than 30kl	31.92	33.49	34.96	36.26
					0.00
Hospitals, Old Age Homes Schools and Hostels		13.72	14.39	15.02	15.58
Departmental Use		15.83	16.61	17.34	17.98
Consumer Deposits		2,014.62	2,113.33	2,206.32	2,287.96

The outstanding water **account from Vaal Water amounts to more than R140 million** and needs urgent attention. If the water losses are minimised, which will only be viable through installation of smart meters, the monthly bill of Vaal Water will decrease substantially. The municipality needs to ring-fence the water supply and determine what the actual cost per kl should be. Tsantsabane Municipality need to make use of their own boreholes to minimize the usage of Vaal water. We need to be less dependent on Vaal water in 2026/27 financial year and beyond.

The municipality 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

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

Description	Charges	Approved 2023/24	Approved 2024/25	Tariffs 2025/26	Draft Tariffs 2026/27
Basic charge		447.82	469.76	490.43	508.58
Residential & Flats		323.40	339.24	354.17	367.28
Buckets		93.57	98.15	102.47	106.26
Business & Guesthouses		821.22	861.46	899.37	932.65
Hotels & Motels		2,483.19	2,604.87	2,719.48	2,820.10
Mall		12,113.17	12,706.71	13,265.81	13,756.64
Hospitals/Old age homes / Schools		2,153.28	2,258.79	2,358.18	2,445.43
Availability - empty serviced stands		478.29	501.73	523.80	543.18
ASSMANG & other (arrangement)	per 1000 l	60.47	63.43	66.22	68.67
Deposit		7,326.68	7,685.68	8,023.85	8,320.74
NEW CONNECTIONS FEES ON STANDS THAT WAS DEVELOPED BY MUNICIPALITY					
Cost of material		1,493.14	1,566.30	1,635.22	1,695.72
Cost of labour		373.28	391.57	408.80	423.93
15% Administration Levy on material and labour cost		279.98	293.70	306.62	317.96
		2,205.32	2,313.38	2,415.17	2,504.53
ADMIN FEE ON STANDS THAT WAS DEVELOPED BY DEVELOPERS					
Admin Fee		1,119.85	1,174.72	1,226.41	1,271.78
Purified Sewerage Water (if available)	per kilo litre	3.36	3.52	3.67	3.81
Per Extraction		479.16	502.64	524.76	544.17
SEWERAGE PUMPING					
Per tanker load		60.47	63.43	66.22	68.67
Pumping on erven		848.79	890.38	929.56	963.95
After hours and public holidays		1,023.59	1,073.75	1,121.00	1,162.47

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced that it expected the revised bulk electricity pricing structure to be a 8.76% increase in the Eskom bulk electricity tariff to municipalities effectively from 1 July 2026.

On 5 March 2026, the National Energy Regulator of South Africa (NERSA) granted approval for Eskom’s Retail Tariff and Structural Adjustment (ERTSA) application. As part of this approval, the Regulator authorised a 9,01% tariff increase for local authorities (municipalities), effective from 1 July 2026 to 30 June 2027.

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 10% is being regarded as "acceptable" in the industry and Tsantsabane is well above that norm with a loss of 25.58%.

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 Nersa approved for sale of electricity.
Domestic Conventional 2026/27 approved
Increase
Tariff blocks

Block 1 (0 - 50 kWh)	2,14
Block 2 (51 – 350 kWh)	2,71
Block 3 (351 – 600 kWh)	3,65
Block 4 (>600kWh)	4,53

Basic charge: 689,82

Domestic Prepaid
2026/27 approved
Increase
Tariff blocks

Block 1 (0 - 50 kWh)	2,17
Block 2 (51 – 350 kWh)	2,94
Block 3 (351 – 600 kWh)	3,87
Block 4 (>600kWh)	4,29

Commercial Tariffs 2026/27 approved
Increase
Commercial Conventional

oBasiccharge:	1321,16
o Energy charge:	3,79

Commercial Prepaid
2026/27 approved
Increase

o Energy charge:	4,41

Industrial tariffs
Industrial Conventional
2026/27 approved
Increase

oBasiccharge:	1115,21
o Energy charge:	3,39
oDemandCharge:	381,63

Industrial Bulk

2026/27 approved
Increase
oBasiccharge: 561,07
o Energy charge: 3,26
oDemandCharge: 378,58

Industrial Prepaid
2026/27 approved
Increase
o Energy charge: 3,92

Other
Schools
2026/27 approved
Increase
o Energy charge: 3,92

Advertising Boards
2026/27 approved
Increase
o Energy charge: 4,41

1.4.4 Waste Removal and Impact of Tariff Increases

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

Description	Charges	Approved 2023/24	Approved 2024/25	Tariffs 2025/26	Draft Tariffs 2026/27
Residential	Per home	198.35	208.06	217.22	225.26
Per additional living unit		198.35	208.06	217.22	225.26
Business	Per point	572.00	600.03	626.43	649.61
Mall		22,800.06	23,917.27	24,969.63	25,893.50
Industrial		572.00	600.03	626.43	649.61
Containers	Per container	459.11	481.61	502.80	521.40

It is widely accepted that the rendering of this service should at least break even, which is 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.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2025/26 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, 132 & 134
- 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 2025/26 budget and MTREF (classified per main type of operating expenditure):

Table 8

NC085 Tsantsabane - 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		
R thousand	1	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
Expenditure											
Employee related costs	2	83,776	87,655	92,084	92,596	94,033	94,033	94,033	107,804	109,939	112,876
Remuneration of councillors	2	5,723	5,750	5,911	6,642	-	-	-	6,178	6,178	6,178
Bulk purchases - electricity	2	49,958	49,135	63,563	60,000	65,000	65,000	65,000	68,000	70,244	72,492
Inventory consumed	2,8	25,454	25,840	6,380	21,501	21,275	21,275	21,275	23,020	23,764	24,058
Debt impairment	2,3	32,454	34,035	41,899	40,152	45,990	45,990	45,990	40,288	42,605	45,065
Depreciation, amortisation and impairment	2	37,801	43,045	61,866	41,544	41,544	41,544	41,544	41,959	43,344	44,731
Interest, Dividends and Rent on Land	2	18,446	42,740	44,055	6,500	23,000	23,000	23,000	-	-	0
Contracted services	2	31,156	16,130	19,790	19,012	21,384	21,384	21,384	19,335	19,890	20,297
Transfers and subsidies	2	-	-	-	-	-	-	-	-	-	-
Irrecoverable debts writen off	2	-	-	-	-	3,000	3,000	3,000	3,500	3,500	3,500
Operational costs	2	18,006	29,696	35,691	36,225	39,918	39,918	39,918	32,665	52,299	53,907
Disposal of Fixed and Intangible Assets	2	-	-	8,531	-	-	-	-	-	-	-
Other Losses	2	-	970	15,277	-	-	-	-	-	-	-
Total Expenditure		**302,774**	**334,996**	**395,048**	**324,172**	**355,145**	**355,145**	**355,145**	**342,750**	**371,763**	**383,104**
Surplus/(Deficit)		**(106,090)**	**(140,815)**	**(150,214)**	**(65,058)**	**(72,524)**	**(72,524)**	**(72,524)**	**(45,883)**	**(64,170)**	**(60,835)**
Transfers and subsidies - capital (monetary allocations)	6	31,585	11,069	35,831	31,190	31,190	31,190	31,190	34,031	25,982	26,781
Transfers and subsidies - capital (in-kind)	6	29,056	9,274	12,751	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		**(45,448)**	**(120,472)**	**(101,632)**	**(33,868)**	**(41,334)**	**(41,334)**	**(41,334)**	**(11,851)**	**(38,188)**	**(34,054)**

Operationally, there is budgeted deficit of **R 45,883 million** in 2026/27 MTREF Budget. The budget allocation for employee related costs for the 2026/27 financial year totals **R 107,804 million**, which equals 31 per cent of the total operating expenditure. .

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).

DEBT IMPAIRMENT

For the 2025/26 budget year debt impairment amounts to R45,990 million and escalates to R40,288 million by (2026/27). While this expenditure is a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues

DEPRECIATION AND ASSET INPAIRMENT

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation on assets other than land is calculated on cost, using the Straight-line Method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately

FINANCE CHARGES
Finance charges consist primarily of the repayment of interest levied on overdue account and finance/operating leases (cost of capital).

Main operational expenditure categories for the 2026/27 financial year

1.5.1 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. The indigent subsidy as a result of free basic services totals R 5,506 million (2025/26) actuals and increasing to R 6,067 million in 2026/27 and R 6,292 million and R 6,499 million in the outer years.

ACTUALS 2025/26	Property rat	Waste	Sanitation	Water	Electricity
Free basic services provided	- 3,459,098	- 608,992	- 998,723	- 2,344	- 437,281
Total					**-5,506,437**

Turnaround Strategy

Tsantsabane 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 Tsantsabane Municipality.

Goals

- Tsantsabane 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 Tsantsabane 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 Tsantsabane Municipality.

Incentive to residence:

Implement an incentive scheme to attract consumers to settle their debt. Rand for Rand Scheme: the municipality writes-off the amount equal to the amount of the arrears that a consumer is prepared and willing to pay at any given time regardless of the total amount of the debt/arrears of that consumer. The municipality has budget R 3,500 million as Irrecoverable debts written off for the financial 2026/27.

Indigent Households

All outstanding debt of indigent households should be written off as of 30 June 2027. The cost to write off outstanding debt should be calculated and presented to Council. The write off will be in accordance with GRAP standards.

1.6 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 2025/26 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

NC085 Tsantsabane - Table A1 Budget Summary

Description	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
R thousands	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
Financial Performance										
Property rates	–	35,416	32,585	36,316	36,316	36,316	36,316	37,660	38,902	40,147
Service charges	115,117	100,040	128,927	135,326	159,190	159,190	159,190	169,015	176,554	187,685
Investment revenue	1,220	1,120	1,952	1,457	1,483	1,483	1,483	1,538	1,588	1,639
Transfer and subsidies - Operational	56,304	63,263	72,551	68,427	68,477	68,477	68,477	71,382	73,101	75,175
Other own revenue	24,043	(5,659)	8,818	17,589	17,155	17,155	17,155	17,273	17,447	17,622
Total Revenue (excluding capital transfers and contributions)	196,684	194,180	244,834	259,115	282,621	282,621	282,621	296,867	307,593	322,268
Employee costs	83,776	87,655	92,084	92,596	94,033	94,033	94,033	107,804	109,939	112,876
Remuneration of councillors	5,723	5,750	5,911	6,642	–	–	–	6,178	6,178	6,178
Depreciation, amortisation and impairment	37,801	43,045	61,866	41,544	41,544	41,544	41,544	41,959	43,344	44,731
Interest, Dividends and Rent on Land	18,446	42,740	44,055	6,500	23,000	23,000	23,000	–	–	0
Inventory consumed and bulk purchases	75,412	74,975	69,943	81,501	86,275	86,275	86,275	91,020	94,008	96,550
Transfers and subsidies	–	–	–	–	–	–	–	–	–	–
Other expenditure	81,617	80,830	121,188	95,389	110,293	110,293	110,293	95,788	118,294	122,768
Total Expenditure	302,774	334,996	395,048	324,172	355,145	355,145	355,145	342,750	371,763	383,104
Surplus/(Deficit)	(106,090)	(140,815)	(150,214)	(65,058)	(72,524)	(72,524)	(72,524)	(45,883)	(64,170)	(60,835)
Transfers and subsidies - capital (monetary allocations)	31,585	11,069	35,831	31,190	31,190	31,190	31,190	34,031	25,982	26,781
Transfers and subsidies - capital (in-kind)	29,056	9,274	12,751	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(45,448)	(120,472)	(101,632)	(33,868)	(41,334)	(41,334)	(41,334)	(11,851)	(38,188)	(34,054)
Share of Surplus/Deficit attributable to Associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(45,448)	(120,472)	(101,632)	(33,868)	(41,334)	(41,334)	(41,334)	(11,851)	(38,188)	(34,054)

Capital expenditure & funds sources										
Capital expenditure	39,327	27,839	4,147	31,890	33,762	33,762	33,762	42,162	29,482	30,281
Transfers recognised - capital	38,989	18,256	25,755	31,190	31,190	31,190	31,190	34,031	25,982	26,781
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	338	9,584	(21,609)	700	2,573	2,573	2,573	8,131	3,500	3,500
Total sources of capital funds	39,327	27,839	4,147	31,890	33,762	33,762	33,762	42,162	29,482	30,281
Financial position										
Total current assets	42,557	48,396	54,725	104,180	263,146	263,146	263,146	464,158	333,237	349,861
Total non current assets	743,341	729,685	724,493	796,356	638,595	638,595	638,595	726,978	(11,504)	(12,016)
Total current liabilities	493,997	572,075	634,083	896,042	659,485	659,485	659,485	628,062	(83,892)	(86,316)
Total non current liabilities	29,822	25,278	25,278	25,278	25,278	25,278	25,278	47,324	–	0
Community wealth/Equity	344,504	358,023	222,661	237,764	143,066	143,066	143,066	108,969	–	0
Cash flows										
Net cash from (used) operating	105,583	62,929	224,277	32,454	105,549	105,549	105,549	18,845	(3,224)	2,297
Net cash from (used) investing	–	–	550	(19,890)	(3,092)	(3,092)	(3,092)	(30,162)	(17,482)	(18,281)
Net cash from (used) financing	–	–	–	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	121,146	70,627	234,906	19,759	113,068	113,068	113,068	(706)	(21,411)	(37,395)
Cash backing/surplus reconciliation										
Cash and investments available	121,146	70,627	234,906	19,759	113,068	113,068	113,068	(706)	(21,411)	(37,395)
Application of cash and investments	476,752	566,782	630,610	863,253	625,049	625,049	625,049	453,576	(167,774)	(174,502)
Balance - surplus (shortfall)	(355,606)	(496,155)	(395,705)	(843,494)	(511,981)	(511,981)	(511,981)	(454,282)	146,363	137,107
Asset management										
Asset register summary (WDV)	675,732	643,927	656,706	679,008	537,846	537,846		620,529	(37,486)	(38,797)
Depreciation	37,801	43,045	37,198	41,544	41,544	41,544		41,959	43,344	44,731
Renewal and Upgrading of Existing Assets	–	6,010	448	–	–	–		–	–	0
Repairs and Maintenance	89,073	86,110	2,382	9,839	9,939	9,939		11,064	11,429	11,794
Free services										
Cost of Free Basic Services provided	(17,130)	(18,664)	(18,353)	4,639	4,639	4,639		4,639	24,783	25,788
Revenue cost of free services provided	–	2,742	–	6,067	6,067	6,067		6,067	6,292	6,499
Households below minimum service level										
Water:	–	–	–	–	–	–		–	–	–
Sanitation/sewerage:	–	–	–	–	–	–		–	–	–
Energy:	–	–	–	–	–	–		–	–	–
Refuse:	–	–	–	–	–	–		–	–	–

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 emphasises the importance of the municipal budget being funded. The current budget (MTREF 2026/27) is not 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.

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)

NC085 Tsantsabane - 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		
R thousand	1	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
Revenue - Functional										
Governance and administration		78,749	94,771	110,773	118,819	118,463	118,463	122,753	125,724	129,106
Executive and council		–	–	–	–	–	–	–	–	0
Finance and administration		78,749	94,771	110,773	118,819	118,463	118,463	122,753	125,724	129,106
Internal audit		–	–	–	–	–	–	–	–	–
Community and public safety		1,601	2,424	1,677	3,436	3,263	3,263	3,328	3,438	3,547
Community and social services		1,363	1,420	1,499	2,387	2,177	2,177	2,202	2,275	2,346
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		238	1,004	178	1,048	1,086	1,086	1,126	1,163	1,201
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		41,590	5,508	32,380	18,565	18,745	18,745	18,962	20,543	21,064
Planning and development		–	–	15,467	140	320	320	1,261	1,350	1,387
Road transport		41,590	5,508	16,913	18,425	18,425	18,425	17,701	19,192	19,678
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		135,386	111,821	148,585	149,485	173,340	173,340	185,855	183,870	195,332
Energy sources		74,513	62,907	84,705	67,097	78,720	78,720	90,001	100,227	109,013
Water management		19,448	4,889	15,077	29,707	23,749	23,749	22,360	10,702	11,045
Waste water management		26,223	27,741	31,049	31,915	31,915	31,915	33,096	34,188	35,282
Waste management		15,201	16,284	17,754	20,766	38,956	38,956	40,397	38,753	39,993
Other	4	–	–	–	–	–	–	–	–	–
Total Revenue - Functional	2	257,326	214,524	293,416	290,305	313,811	313,811	330,898	333,575	349,049
Expenditure - Functional										
Governance and administration		132,620	163,504	177,181	90,664	103,586	103,586	81,272	102,420	104,799
Executive and council		16,587	11,564	10,897	14,366	5,314	5,314	10,676	10,937	10,759
Finance and administration		116,014	151,064	164,970	74,803	96,733	96,733	68,832	89,830	92,346
Internal audit		19	877	1,314	1,495	1,540	1,540	1,764	1,653	1,695
Community and public safety		18,394	25,698	26,213	29,184	33,890	33,890	25,819	25,432	26,161
Community and social services		6,748	10,907	12,048	16,948	19,298	19,298	13,596	12,680	13,001
Sport and recreation		7,829	7,963	6,691	5,664	5,294	5,294	5,320	5,495	5,671
Public safety		3,798	6,828	6,235	3,775	6,294	6,294	6,005	6,329	6,532
Housing		19	–	1,239	2,798	3,004	3,004	898	927	957
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		18,132	15,767	23,935	29,889	31,771	31,771	38,373	39,543	40,250
Planning and development		6,637	10,513	5,930	6,926	8,781	8,781	13,471	13,844	14,196
Road transport		11,495	5,253	18,005	22,964	22,990	22,990	24,902	25,699	26,054
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		141,176	152,754	176,922	176,682	188,146	188,146	197,286	204,368	211,892
Energy sources		63,104	63,779	81,201	80,622	104,156	104,156	103,963	108,359	112,900
Water management		33,144	16,932	28,375	37,478	41,637	41,637	38,448	39,370	40,585
Waste water management		37,951	56,006	42,154	43,576	28,971	28,971	33,613	34,699	35,787
Waste management		6,976	16,037	25,192	15,006	13,382	13,382	21,262	21,941	22,620
Other	4	–	–	–	–	–	–	–	–	–
Total Expenditure - Functional	3	310,323	357,723	404,251	326,420	357,393	357,393	342,750	371,763	383,104
Surplus/(Deficit) for the year		(52,997)	(143,199)	(110,835)	(36,115)	(43,582)	(43,582)	(11,851)	(38,188)	(34,054)

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 if 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 the 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)

NC085 Tsantsabane - 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		
R thousand	1	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
Revenue											
Exchange Revenue											
Service charges - Electricity	2	58,517	53,053	71,222	67,101	78,734	78,734	78,734	85,161	92,911	101,366
Service charges - Water	2	15,174	2,961	8,903	15,544	9,586	9,586	9,586	10,360	10,702	11,045
Service charges - Waste Water Management	2	26,223	27,741	31,049	31,915	31,915	31,915	31,915	33,096	34,188	35,282
Service charges - Waste Management	2	15,201	16,284	17,754	20,766	38,956	38,956	38,956	40,397	38,753	39,993
Sale of Goods and Rendering of Services	2	897	527	520	771	868	868	868	900	930	959
Agency services	2	-	-	-	502	502	502	502	510	527	544
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables	2	-	-	-	-	-	-	-	-	-	-
Interest earned from Current and Non Current Assets	2	1,220	1,120	1,952	1,457	1,483	1,483	1,483	1,538	1,588	1,639
Dividends	2	-	-	-	-	-	-	-	-	-	-
Rent on Land	2	-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets	2	589	603	733	630	630	630	630	653	675	696
Licence and permits	2	1	925	2	966	966	966	966	1,001	1,034	1,068
Special rating levies	2	-	-	-	-	-	-	-	-	-	-
Construction Contract Revenue	2	-	-	-	-	-	-	-	-	-	-
Development Charges	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	127	506	218	529	529	529	529	519	536	553
Non-Exchange Revenue											
Property rates	2	-	35,416	32,585	36,316	36,316	36,316	36,316	37,660	38,902	40,147
Surcharges and Taxes	2	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	2	337	432	1,776	2,172	1,640	1,640	1,640	1,645	1,699	1,753
Licences or permits	2	1,104	-	2,716	20	20	20	20	45	46	48
Transfer and subsidies - Operational	2	56,304	63,263	72,551	68,427	68,477	68,477	68,477	71,382	73,101	75,175
Interest	2	-	-	-	-	-	-	-	-	-	-
Fuel Levy	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	-	-	-	-	-	-	-	-	-	-
Gains on disposal of Fixed and Intangible Assets	2	20,989	(9,829)	2,986	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Other Gains	2	-	1,176	(133)	-	-	-	-	-	-	0
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		**196,684**	**194,180**	**244,834**	**259,115**	**282,621**	**282,621**	**282,621**	**296,867**	**307,593**	**322,268**
Expenditure											
Employee related costs	2	83,776	87,655	92,084	92,596	94,033	94,033	94,033	107,804	109,939	112,876
Remuneration of councillors	2	5,723	5,750	5,911	6,642	-	-	-	6,178	6,178	6,178
Bulk purchases - electricity	2	49,958	49,135	63,563	60,000	65,000	65,000	65,000	68,000	70,244	72,492
Inventory consumed	2,8	25,454	25,840	6,380	21,501	21,275	21,275	21,275	23,020	23,764	24,058
Debt impairment	2,3	32,454	34,035	41,899	40,152	45,990	45,990	45,990	40,288	42,605	45,065
Depreciation, amortisation and impairment	2	37,801	43,045	61,866	41,544	41,544	41,544	41,544	41,959	43,344	44,731
Interest, Dividends and Rent on Land	2	18,446	42,740	44,055	6,500	23,000	23,000	23,000	-	-	0
Contracted services	2	31,156	16,130	19,790	19,012	21,384	21,384	21,384	19,335	19,890	20,297
Transfers and subsidies	2	-	-	-	-	-	-	-	-	-	-
Irrecoverable debts written off	2	-	-	-	-	3,000	3,000	3,000	3,500	3,500	3,500
Operational costs	2	18,006	29,696	35,691	36,225	39,918	39,918	39,918	32,665	52,299	53,907
Disposal of Fixed and Intangible Assets	2	-	-	8,531	-	-	-	-	-	-	-
Other Losses	2	-	970	15,277	-	-	-	-	-	-	-
Total Expenditure		**302,774**	**334,996**	**395,048**	**324,172**	**355,145**	**355,145**	**355,145**	**342,750**	**371,763**	**383,104**
Surplus/(Deficit)		**(106,090)**	**(140,815)**	**(150,214)**	**(65,058)**	**(72,524)**	**(72,524)**	**(72,524)**	**(45,883)**	**(64,170)**	**(60,835)**
Transfers and subsidies - capital (monetary allocations)	6	31,585	11,069	35,831	31,190	31,190	31,190	31,190	34,031	25,982	26,781
Transfers and subsidies - capital (in-kind)	6	29,056	9,274	12,751	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		**(45,448)**	**(120,472)**	**(101,632)**	**(33,868)**	**(41,334)**	**(41,334)**	**(41,334)**	**(11,851)**	**(38,188)**	**(34,054)**
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		**(45,448)**	**(120,472)**	**(101,632)**	**(33,868)**	**(41,334)**	**(41,334)**	**(41,334)**	**(11,851)**	**(38,188)**	**(34,054)**
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		**(45,448)**	**(120,472)**	**(101,632)**	**(33,868)**	**(41,334)**	**(41,334)**	**(41,334)**	**(11,851)**	**(38,188)**	**(34,054)**
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	**(45,448)**	**(120,472)**	**(101,632)**	**(33,868)**	**(41,334)**	**(41,334)**	**(41,334)**	**(11,851)**	**(38,188)**	**(34,054)**

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.

Part 2 – Supporting Documentation

1.7 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.

1.7.1 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 2026. Key dates applicable to the process were:

- **August 2026 –** Joint strategic planning session of the Budget Steering Committee. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2023/24 MTREF.

- **November 2026 –** Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines.

- **7 to 14 January 2027** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;

- **January 2027** – Multi-year budget proposals are submitted to the Budget and Steering committee.

- **29 January 2027** - Council considers the *2024/25 Mid-year Review and Adjustments Budget.*

- **February 2027** - Recommendations of the Budget and steering committee. The draft 2024/25 MTREF is revised accordingly.

- **30 March 2027** - Tabling in Council of the draft 2025/26 IDP and 2025/26 MTREF for public consultation.

- **April 2027 –** Public consultation;

- **13 May 2027** - Closing date for written comments.

- **13 to 23 May 2027** – finalisation of the 2025/26 IDP and 2025/26 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.

- **Workshop councillors on the budget – 26 May 2025** and

- **30 May 2025** - Tabling of the 2026/27 IDP and 2025/26 MTREF before Council for consideration and approval.

- **Mayor sign the SDBIP** and performance contracts of senior managers for 2025/26 by

1.7.2 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.

1.7.3 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.

1.8 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 the 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 save 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 Tsantsabane principles through a caring, accessible and accountable service by:
    - Optimising effective community participation in the ward committee system; and
    - Implementing Tsantsabane 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;

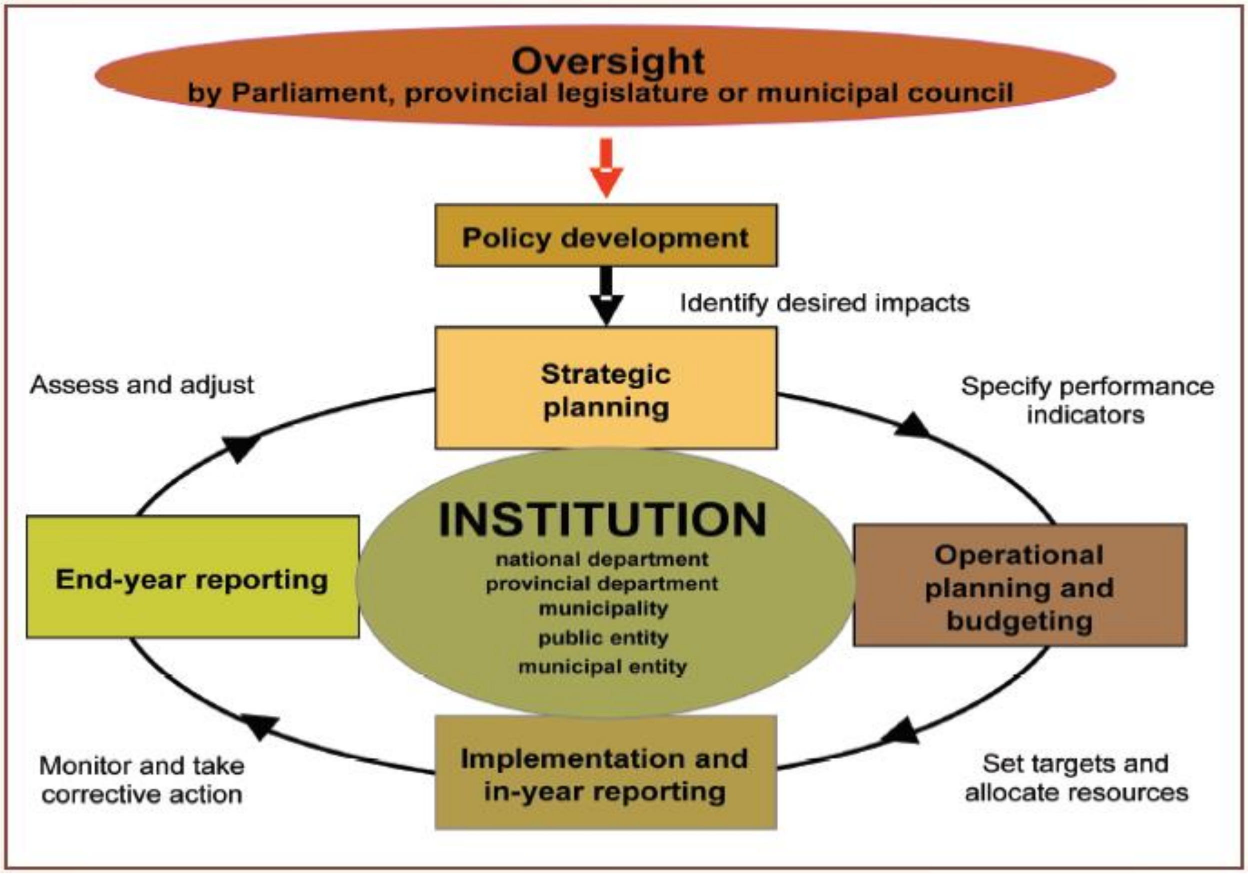
In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned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

1.9 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, Mr HG Mathobela 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.

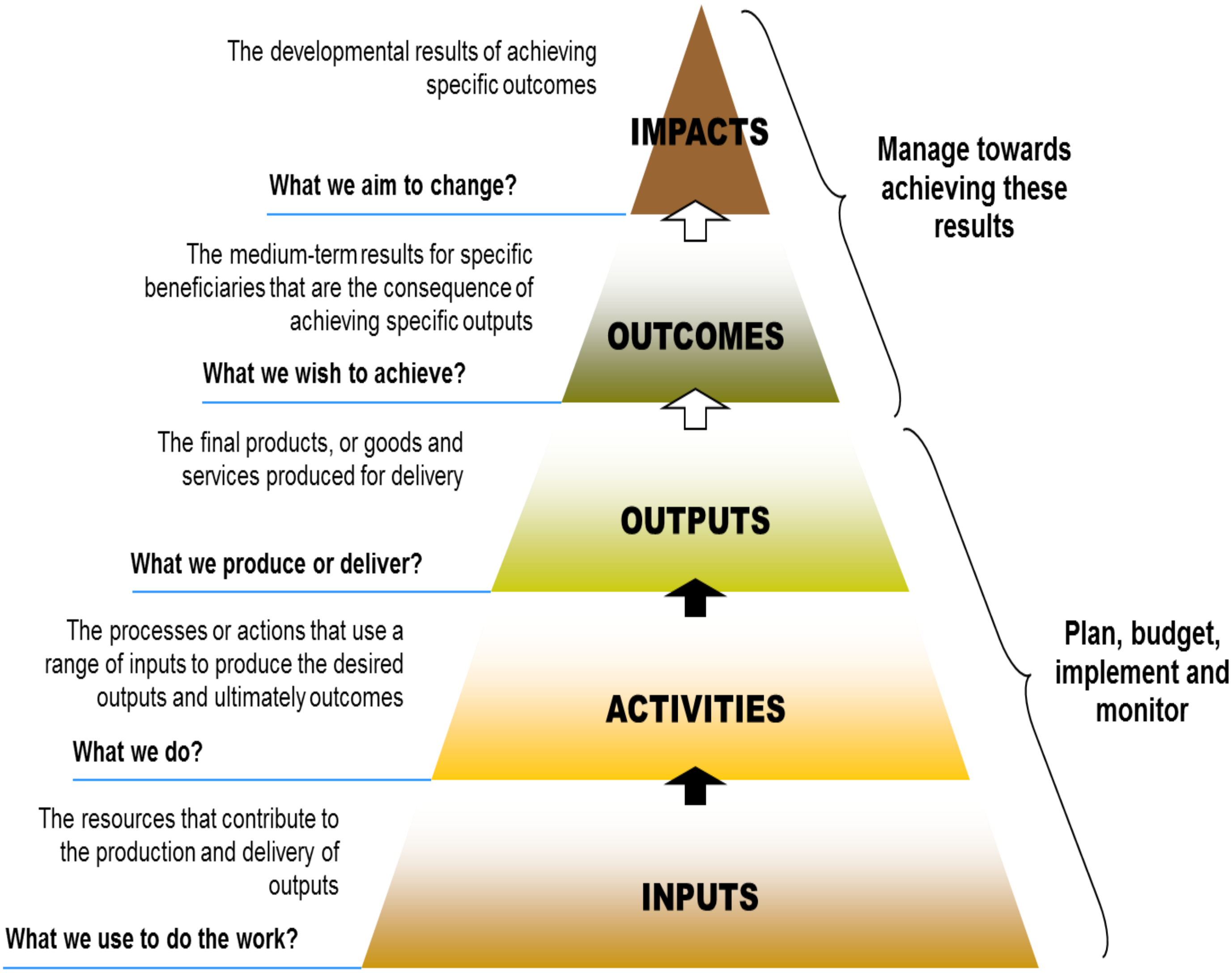
The planning, budgeting and reporting cycle can be graphically illustrated as follows:



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.

1.9.1 Performance indicators and benchmarks

1.9.1.1 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, Tsantsabane 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 ration 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..

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.

1.9.1.2 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. This ratio is well above the norm, indicating a weak 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.

1.9.1.3 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.

1.9.1.4 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 is based on all cash receipts, also for direct income. The collection rate used for the calculation of debtors' payments was 70 per cent.

1.9.1.5 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.

1.9.1.6 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 is 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.

1.9.2 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.

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.

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.

1.10 Overview of budget related-policies

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

1.10.1 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 2026/27 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 70 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels.

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.

1.10.2 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).

1.10.3 Budget Adjustment Policy

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

1.10.4 Supply Chain Management Policy

The Supply Chain Management Policy was workshop by Council for approval during May 2026. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

1.10.5 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.

1.10.6 Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy was 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.

1.10.7 Tariff Policies

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

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

- Contract Management Policy
- Asset Management Policy
- Banking and Investment Policy
- Commitments Policy
- Bad Debt Write Off Policy
- Budget Policy
- Fraud and Anti-corruption Policy
- Virement Policy
- Related party Policy
- UIF Policy
- Credit Control and Debt Collection Policy
- Property Rates Policy
- Tariff Policy
- Supply Chain Management Policy
- Cost containment Policy
- Indigent Policy
- Way Leave Application Policy
- Informal Trading Policy

1.11 Overview of budget assumptions

1.11.1 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.

1.11.2 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.

1.11.3 Credit rating outlook

There is no credit rating for Tsantsabane Municipality.

1.11.4 Interest rates for borrowing and investment of funds.

The municipality did not budget for any loan funding during the 2025/26 financial year.

1.11.5 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher that 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 (70 per cent) of annual billings. Cash flow is assumed to be 68 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.

1.11.6 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.

1.11.7 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.

1.11.8 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.

1.11.9 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 2026/27 MTREF of which performance has been factored into the cash flow budget on grant funding.

1.12 Overview of budget funding

1.12.1 Medium-term outlook: operating revenue

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

NC085 Tsantsabane - 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		
R thousand	1	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
Revenue											
Exchange Revenue											
Service charges - Electricity	2	58,517	53,053	71,222	67,101	78,734	78,734	78,734	85,161	92,911	101,366
Service charges - Water	2	15,174	2,961	8,903	15,544	9,586	9,586	9,586	10,360	10,702	11,045
Service charges - Waste Water Management	2	26,223	27,741	31,049	31,915	31,915	31,915	31,915	33,096	34,188	35,282
Service charges - Waste Management	2	15,201	16,284	17,754	20,766	38,956	38,956	38,956	40,397	38,753	39,993
Sale of Goods and Rendering of Services	2	897	527	520	771	868	868	868	900	930	959
Agency services	2	-	-	-	502	502	502	502	510	527	544
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables	2	-	-	-	-	-	-	-	-	-	-
Interest earned from Current and Non Current Assets	2	1,220	1,120	1,952	1,457	1,483	1,483	1,483	1,538	1,588	1,639
Dividends	2	-	-	-	-	-	-	-	-	-	-
Rent on Land	2	-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets	2	589	603	733	630	630	630	630	653	675	696
Licence and permits	2	1	925	2	966	966	966	966	1,001	1,034	1,068
Special rating levies	2	-	-	-	-	-	-	-	-	-	-
Construction Contract Revenue	2	-	-	-	-	-	-	-	-	-	-
Development Charges	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	127	506	218	529	529	529	529	519	536	553
Non-Exchange Revenue											
Property rates	2	-	35,416	32,585	36,316	36,316	36,316	36,316	37,660	38,902	40,147
Surcharges and Taxes	2	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	2	337	432	1,776	2,172	1,640	1,640	1,640	1,645	1,699	1,753
Licences or permits	2	1,104	-	2,716	20	20	20	20	45	46	48
Transfer and subsidies - Operational	2	56,304	63,263	72,551	68,427	68,477	68,477	68,477	71,382	73,101	75,175
Interest	2	-	-	-	-	-	-	-	-	-	-
Fuel Levy	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	-	-	-	-	-	-	-	-	-	-
Gains on disposal of Fixed and Intangible Assets	2	20,989	(9,829)	2,986	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Other Gains	2	-	1,176	(133)	-	-	-	-	-	-	0
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		**196,684**	**194,180**	**244,834**	**259,115**	**282,621**	**282,621**	**282,621**	**296,867**	**307,593**	**322,268**
Expenditure											
Employee related costs	2	83,776	87,655	92,084	92,596	94,033	94,033	94,033	107,804	109,939	112,876
Remuneration of councillors	2	5,723	5,750	5,911	6,642	-	-	-	6,178	6,178	6,178
Bulk purchases - electricity	2	49,958	49,135	63,563	60,000	65,000	65,000	65,000	68,000	70,244	72,492
Inventory consumed	2,8	25,454	25,840	6,380	21,501	21,275	21,275	21,275	23,020	23,764	24,058
Debt impairment	2,3	32,454	34,035	41,899	40,152	45,990	45,990	45,990	40,288	42,605	45,065
Depreciation, amortisation and impairment	2	37,801	43,045	61,866	41,544	41,544	41,544	41,544	41,959	43,344	44,731
Interest, Dividends and Rent on Land	2	18,446	42,740	44,055	6,500	23,000	23,000	23,000	-	-	0
Contracted services	2	31,156	16,130	19,790	19,012	21,384	21,384	21,384	19,335	19,890	20,297
Transfers and subsidies	2	-	-	-	-	-	-	-	-	-	-
Irrecoverable debts written off	2	-	-	-	-	3,000	3,000	3,000	3,500	3,500	3,500
Operational costs	2	18,006	29,696	35,691	36,225	39,918	39,918	39,918	32,665	52,299	53,907
Disposal of Fixed and Intangible Assets	2	-	-	8,531	-	-	-	-	-	-	-
Other Losses	2	-	970	15,277	-	-	-	-	-	-	-
Total Expenditure		**302,774**	**334,996**	**395,048**	**324,172**	**355,145**	**355,145**	**355,145**	**342,750**	**371,763**	**383,104**
Surplus/(Deficit)		**(106,090)**	**(140,815)**	**(150,214)**	**(65,058)**	**(72,524)**	**(72,524)**	**(72,524)**	**(45,883)**	**(64,170)**	**(60,835)**
Transfers and subsidies - capital (monetary allocations)	6	31,585	11,069	35,831	31,190	31,190	31,190	31,190	34,031	25,982	26,781
Transfers and subsidies - capital (in-kind)	6	29,056	9,274	12,751	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		**(45,448)**	**(120,472)**	**(101,632)**	**(33,868)**	**(41,334)**	**(41,334)**	**(41,334)**	**(11,851)**	**(38,188)**	**(34,054)**
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		**(45,448)**	**(120,472)**	**(101,632)**	**(33,868)**	**(41,334)**	**(41,334)**	**(41,334)**	**(11,851)**	**(38,188)**	**(34,054)**
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		**(45,448)**	**(120,472)**	**(101,632)**	**(33,868)**	**(41,334)**	**(41,334)**	**(41,334)**	**(11,851)**	**(38,188)**	**(34,054)**
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	**(45,448)**	**(120,472)**	**(101,632)**	**(33,868)**	**(41,334)**	**(41,334)**	**(41,334)**	**(11,851)**	**(38,188)**	**(34,054)**

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 a 70 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- 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.

1.12.2 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).

1.12.3 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:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is 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.

1.12.4 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.

1.12.4.1 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 negative, 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.

1.12.4.2 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.

1.12.4.3 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.

1.12.4.4 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.

1.12.4.5 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.

1.12.4.6 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.

1.12.4.7 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.

1.12.4.8 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.

1.12.4.9 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.

1.12.4.10 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.

1.12.4.11 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.

1.12.4.12 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.

1.13 Councillor and employee benefits

MBRR SA22 - Summary of councillor and staff benefits

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

MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

1.14 Other supporting documents

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

MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

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

MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

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

MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

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.

1.16 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 has 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
   Tsantsabane Municipality has established audit committee.

1.17 Municipal Manager's Quality Certificate

I, Heinrich Gaonyadiwe Mathobela, Municipal Manager of Tsantsabane 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 HG Mathobela

Municipal Manager of Tsantsabane Municipality

Signature : ____________________

Date :_____________________2026