ANNEXURE “A”

KOUGA LOCAL MUNICIPALITY

KOUGA
local municipality
Good Governance through Service Excellence

2025/26 – 2027/28

ANNUAL BUDGET

TABLE OF CONTENTS

		Page
PART 1 – ANNUAL BUDGET		
1.1	Executive Mayor's Report	5
1.2	Council Resolutions	8
1.3	Executive Summary	9
1.4	Operating Revenue Framework	11
1.5	Operating Expenditure Framework	17
1.6	Capital Expenditure	21
1.7	Annual Budget Tables	22
PART 2 – SUPPORTING DOCUMENTATION		
2.1	Overview of annual budget process	41
2.2	Alignment of annual budget with Integrated Development Plan	41
2.3	Measurable performance objectives and indicators	43
2.4	Overview of budget related policies	46
2.5	Overview of budget assumptions	47
2.6	Overview of budget funding	48
2.7	Expenditure on allocations and grant programmes	59
2.8	Allocations and grants made by the municipality	61
2.9	Councillors' and employee benefits	62
2.10	Monthly targets for revenue, expenditure and cash flow	63
2.11	Annual budgets and service delivery and budget implementation plans – Directorates	66
2.12	Legislation compliance status	66
2.13	Municipal Manager's quality certification	68

LIST OF TABLES

Table No.	Title	Page
1.	Overview of 2025/26 MTREF	10
2.	Summary of main revenue sources	12
3.	Mix of main revenue sources	13
4.	Operating transfers and grant receipts	14
5.	Summary of operating expenditure by standard classification item	17
6.	Repairs and maintenance per asset class	20
7.	2025/26 medium term capital budget per vote	21
8.	Budget summary	23
9.	Budgeted financial performance (revenue and expenditure by standard classification)	25
10.	Budgeted financial performance (revenue and expenditure by municipal vote)	27
11.	Budgeted financial performance (revenue and expenditure)	28
12.	Budgeted capital expenditure by vote, standard classification and funding source	30
13.	Budgeted financial position	32
14.	Budgeted cash flow statement	34
15.	Cash backed reserves/accumulated surplus reconciliation	35
16.	Asset Management	36
17.	Basic service delivery measurement	39

Table No.	Title	Page
18.	Breakdown of the operating revenue over the medium term	48
19.	Investment information	50
20.	Sources of capital revenue over MTREF	51
21.	Capital transfers and grant receipts	52
22.	Budgeted cash flow statement	54
23.	Cash backed reserves/accumulated surplus reconciliation	55

LIST OF FIGURES

Figure No.	Title	Page
1.	Main operational expenditure categories for the 2025/26 financial year	19
2.	Capital Expenditure	21
3.	Breakdown of operating revenue over the 2025/26 MTREF	49
4.	Sources of capital revenue for the 2025/26 financial year	51

PART 1 – ANNUAL BUDGET
1.1 FOREWORD BY THE EXECUTIVE MAYOR

FOREWORD BY THE EXECUTIVE MAYOR

It is my greatest privilege, on behalf of Kouga Municipality and in my capacity as Executive Mayor of Kouga Municipality, to present to you the municipality's Integrated Development Plan (IDP) for the cycle 2022 to 2027.

The IDP provides the strategic framework for a municipality to fulfil its mandate and apply its budget.

It is a five-year document that is drawn up in partnership with communities and other spheres of government. Reviewed annually, it enables a municipality to do short, medium, and long-term planning to meet communities' needs, with due consideration of those projects being implemented by district, provincial, and national governments.

The IDP and Budget will be externally focused, driven by community needs and geared towards meeting community aspirations gleaned from stakeholder consultations and engagements throughout the past months. It will, furthermore, continue to be guided by narratives that provide strategic focus areas. These are:

Keep Kouga Serviced
Keep Kouga Clean
Keep Kouga Green
Keep Kouga Safe
Keep Kouga Smart and
Keep Kouga Growing

These strategic focus areas are underscored by our internal priorities which include:

1. To incrementally implement our renewable energy strategy.
2. The resurfacing of our road infrastructure.
3. The repair and upgrading of all wastewater treatment plants in Kouga Municipality to achieve a minimum of 70% Green Drop report.
4. To Improve customer services by achieving a 95% achievement of turnaround times according to the approved Customer Service Charter.

Whilst we still have a lot of work ahead of us, I am immensely proud of the progress we have made thus far which include several recent achievements.

We are pleased to have launched the Roads Reseal Project on the 23rd of January, unveiling the largest single investment in infrastructure to date. This monumental R200 million resealing and rehabilitation project aims to upgrade 150 km of road.

We are thrilled that Kouga has won the Provincial Greenest Municipality Award, reaffirming our commitment to sustainable development and environmental conservation.

We are boosting service delivery across the region with the recent acquisition of 60 new vehicles, representing a total investment of close to R60 million. We are proud to report that 97% of our fleet is in excellent working condition.

Another milestone is receiving our first clean audit, a significant achievement highlighting our unwavering commitment to financial sustainability.

Furthermore, we are pleased to have launched a corruption hotline in line with our zero-tolerance stance on fraud and corruption.

We must strive to provide dignity to the poorest within our community. Informal settlements across the Kouga region are set to be upgraded at a combined cost of more than **R100 million.**

The implementation of this project will see nine informal communities with over 3 000 households be provided with decent basic services, such as water, electricity, sanitation, and waste management.

This will help to address the ongoing dependence of informal areas on the bucket system – which we are committed to removing entirely.

I trust that this IDP will stimulate the municipality's partnership with communities, the private sector, and other spheres of government for us to achieve our goals.

Together we are more, when we unite against the deterioration and destruction of our physical, cultural, structural, and moral assets, and can seize the potential we hold to be the best Municipality in South Africa.

The Council would like to thank all residents, ward committees, sector departments and stakeholder groups who actively participated in the compilation of Kouga's IDP.

I would also like to thank our ward councillors for facilitating the meetings in their wards and the municipal administration who prepared the new document in accordance with legislation and the Council's new mandate.

We look forward to building on our relationship with all stakeholders and continually improving on the municipality's planning processes so that, together, we can achieve our vision of Service Excellence Through Good Governance.

Let us all collaborate on our shared future, showcasing Kouga Municipality as a blueprint of what a flourishing South Africa can look like.

Cllr Hatting Bornman

………………………………

EXECUTIVE MAYOR

1.2 COUNCIL RESOLUTIONS

1.2.1 That the Executive Mayor recommends that the Council, by resolution taken by the majority of its full number, and in terms of Section 30(2) of the Local Government: Municipal Structures Act No. 117 of 1998 (as amended), read in conjunction with Section 24 of the Local Government: Municipal Finance Management Act, Act 56 of 2003:

1.2.1.1 Approves the 2025/26 – 2027/28 Annual Budget, as set out in the **Annexure "A"** on the following tables:

a) Consolidated Budget Summary [Table A1] [Page 23]

b) Budgeted Financial Performance (revenue and expenditure by standard classification); [Table A2] [Page 25]

c) Budgeted Financial Performance (revenue and expenditure by municipal vote); [Table A3] [Page 27]

d) Budgeted Financial Performance (revenue by source and expenditure by type); [Table A4] [Page 28]

e) Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source. [Table A5] [Page 30]

1.2.1.2 That the budgeted financial position, budgeted cash flows, cash-backed reserves/accumulated surplus, asset management and basic service delivery targets be noted as set out in the following tables:

a) Budgeted Financial Position; [Table A6] [Page 32]
b) Budgeted Cash Flows; [Table A7] [Page 34]
c) Cash backed reserves and accumulated surplus reconciliation; [Table A8] [Page 35]
d) Asset management ; [Table A9] [Page 36]
e) Basic service delivery measurement. [Table A10] [Page 39]

1.2.1.3 That the tariffs be increased as follows, with effect from 1 July 2025:

Property rates	6%
Water	6.9%
Sanitation	6.9%
Refuse	6.5%
Electricity (average increase in electricity income)	12.74%
Environmental Management Fee	6.5%

a) Indicative tariffs for 2026/27 and 2027/28 will be increased as follows:

	2026/27	2027/28
Property rates	6%	6%
Water	6.9%	6.9%
Sanitation	6.9%	6.9%
Refuse	6.5%	6.5%
Electricity (average increase in electricity income)	5.36%	6.19%
Environmental Management Fee	6.5%	6.5%

1.2.1.4 That Council approves "**Annexure B"** which regulates the format of the budget documentation as set out in Schedule A (version 6.9) of the Municipal Budget and Reporting Regulations. This includes the main Tables A1 - A10 as well as the supporting tables SA1 – SA38.

1.2.1.5 That the Council notes the 2025/26 Capital Expenditure, **"Annexure C"**.

1.2.1.6 That the Council approves the tariffs, as reflected in "**Annexure D"**.

1.2.1.7 That the Council approves the Budget-Related Policies, as reflected in **"Annexure E".**

1.2.1.8 That the 2025/26 Procurement Plan be approved **"Annexure F"**.

1.2.1.9 That the mSCOA road map be approved. **"Annexure G".**

1.2.1.10 That the Provincial Treasury's Budget Funding Assessment Report be noted, **"Annexure H".**

1.2.1.11 That the Annual Budget be submitted to the National Treasury in both printed and electronic format and the relevant Provincial Treasury.

1.3. EXECUTIVE SUMMARY

The key service delivery priorities, as reflected in the IDP, informed the development of the Budget, including the need to maintain and improve the Municipality's financial sustainability.
It is also noted that cost containment measures are being implemented to curb costs and to improve operational efficiency.

National Treasury's MFMA Circulars No. 126,128 and 129 were used to guide the compilation of the 2025/26 Medium Term Revenue and Expenditure Framework (MTREF).

The Municipality faced the following significant challenges during the compilation of the 2025/26 MTREF:

- Maintaining an acceptable employee-related cost ratio.
- Increased costs associated with bulk electricity and water purchases, placing upward pressure on municipal tariff increases.
- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure.
- Maintaining electricity and water losses at acceptable levels.
- Maintaining revenue collection rates at the targeted levels; and
- Maintaining an acceptable cost coverage ratio.

The following budgeting principles and guidelines directly informed the compilation of the 2025/26 MTREF:

- The priorities and targets relating to the key strategic focus areas, as outlined in the IDP.
- The level of property rates and tariff increases to consider the need to address maintenance and infrastructural backlogs.
- The level of property rates and tariff increases to ensure the delivery of municipal services on a financially sustainable basis.
- The need to enhance the municipality's revenue base.
- The municipality took a R 200 million loan with the Development Bank of South Africa (DBSA) for the rehabilitation of roads within the Kouga area.
- In accordance with Section 19 of the Municipal Finance Management Act, the relevant Directors must submit comprehensive reports in relation to new projects, inter alia; dealing with the total project costs, funding sources, future operating budget implications and associated tariff implications, before the Council finally approves the implementation of any new projects.

In view of the aforementioned, the following table represents an overview of the 2025/26 Medium-term Revenue and Expenditure Framework:

Table 1 (Overview of the 2025/26 MTREF)

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	Budget Year 2025/26	% Incr./Decr.	Budget Year 2026/27	% Incr./Decr.	Budget Year 2027/28	% Incr./Decr.
Revenue							
Total Revenue (excluding capital transfers and contributions)	1 362 086	1 468 686	7,83%	1 550 436	5,57%	1 642 562	5,94%
Total Expenditure	1 459 766	1 581 117	8,31%	1 669 758	5,61%	1 729 315	3,57%
Surplus/(Deficit)	(97 680)	(112 431)	15,10%	(119 322)	6,13%	(86 753)	-27,29%
Total Capital Expenditure	259 754	265 462	2,20%	86 679	-67,35%	65 482	-24,45%

Total operating revenue has increased by 7.83% or R 106,600 million for the 2025/26 financial year, compared to the 2024/25 Adjustments Budget.

For the two outer years, operational revenue increased by 5.57% and 5.94% respectively, resulting in a total revenue growth of R 280,476 million over the MTREF, when compared to the 2024/25 financial year.

Total operating expenditure for the 2025/26 financial year amounts to R 1,581 billion, resulting in a budgeted deficit of R 112,431 million. Compared to the 2024/25 Adjustments Budget, operational expenditure increased by 8.31% in the 2025/26 Budget.

For the two outer years, operational expenditure increases by 5.61% and 3.57% respectively. The 2026/27 and 2027/28 budgets reflect operating deficits of R 119,322 million and R 86,753 million respectively.

The major operating expenditure items for 2025/26 are employee related costs (33.22%), bulk electricity purchases (27.89%), contracted services (9.03%), depreciation (9.01%), inventory consumed (7.24%), operational costs (6.43%) and debt impairment (4.12%).

Funding for the 2025/26 Operating Budget is obtained from various sources, the major sources being service charges such as electricity, water, sanitation, environmental management fees and refuse collection (51.84%), property rates (20.73%), grants and subsidies received from National and Provincial Governments (14.62%).

To fund the 2025/26 Operating Budget, the following increases in property rates and service charges have been proposed, with effect from 1 July 2025:

Property rates	-	6%
Water	-	6.9%
Sanitation	-	6.9%
Refuse	-	6.5%
Electricity (average increase in income)	-	12.74%
Environmental Management Fee	-	6.5%

The capital budget of R 265,462 million for 2025/26 is R 5,708 million or 2.2% more than the 2024/25 Adjustments Budget.

The Capital Budget over the MTREF will be mostly funded from government grants and subsidies and borrowings, as the municipality has limited internal funding available.

1.4. <u>OPERATING REVENUE FRAMEWORK</u>

The continued provision and expansion of municipal services is largely dependent on the Municipality generating sufficient revenues. Efficient and effective revenue management is thus of vital importance in ensuring the ongoing financial sustainability of the Municipality. Furthermore, in accordance with the MFMA, expenditure must be limited to the realistically anticipated revenues.

The Municipality’s revenue management strategy includes the following key components:

- National Treasury’s guidelines in this regard.
- Tariff Policies.
- Property Rates Policy.
- Indigent Policy and provision of free basic services.
- The level of property rates and tariffs increases must ensure financially sustainable service delivery.
- The level of property rates and tariff increases to consider the maintenance and replacement of infrastructure, including the expansion of services.
- Determining fully cost reflective tariffs for trading services.

- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA).
- Water bulk tariff increases as approved by the Nelson Mandela Bay Metropolitan Municipality.
- Efficient revenue management, targeting a 95% annual collection rate for property rates and service charges.

The following table is a summary of the 2025/26 MTREF (classified by main revenue source):

Table 2 (Summary of main revenue sources)

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
Revenue				
Exchange Revenue				
Service charges - Electricity	425 559	479 524	505 275	536 566
Service charges - Water	138 057	147 583	157 766	168 652
Service charges - Waste Water Management	76 014	81 259	86 866	92 860
Service charges - Waste Management	62 146	52 990	56 434	60 102
Sale of Goods and Rendering of Services	9 533	10 044	10 586	11 159
Agency services	4 554	4 554	4 554	4 554
Interest earned from Receivables	32 335	34 661	37 024	39 560
Interest earned from Current and Non-Current Assets	15 498	16 273	17 086	17 941
Rental from Fixed Assets	3 187	3 322	3 465	3 614
Licence and permits	2 851	2 856	2 860	2 865
Special rating levies	–	15 436	16 362	17 344
Operational Revenue	2 523	1 955	1 955	1 955
Non-Exchange Revenue				
Property rates	298 309	304 484	322 753	342 118
Surcharges and Taxes	–	22 602	24 118	25 736
Fines, penalties and forfeits	43 859	45 795	47 861	50 021
Licences or permits	11 772	3 139	3 307	3 486
Transfer and subsidies - Operational	210 720	214 766	223 052	233 048
Interest	5 510	5 841	6 192	6 563
Operational Revenue	19 658	21 605	22 920	24 417
Total Revenue (excluding capital transfers and contributions)	**1 362 086**	**1 468 686**	**1 550 436**	**1 642 562**

The following table illustrates the mix of main revenue sources, supporting the 2025/26 MTREF:

Table 3 (Mix of main revenue sources)

Description	Current Year 2024/25		2025/26 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2025/26	%	Budget Year 2026/27	%	Budget Year 2027/28	%
Revenue								
Exchange Revenue								
Service charges - Electricity	425 559	31,24%	479 524	32,65%	505 275	32,59%	536 566	32,67%
Service charges - Water	138 057	10,14%	147 583	10,05%	157 766	10,18%	168 652	10,27%
Service charges - Waste Water Management	76 014	5,58%	81 259	5,53%	86 866	5,60%	92 860	5,65%
Service charges - Waste Management	62 146	4,56%	52 990	3,61%	56 434	3,64%	60 102	3,66%
Sale of Goods and Rendering of Services	9 533	0,70%	10 044	0,68%	10 586	0,68%	11 159	0,68%
Agency services	4 554	0,33%	4 554	0,31%	4 554	0,29%	4 554	0,28%
Interest earned from Receivables	32 335	2,37%	34 661	2,36%	37 024	2,39%	39 560	2,41%
Interest earned from Current and Non-Current Assets	15 498	1,14%	16 273	1,11%	17 086	1,10%	17 941	1,09%
Rental from Fixed Assets	3 187	0,23%	3 322	0,23%	3 465	0,22%	3 614	0,22%
Licence and permits	2 851	0,21%	2 856	0,19%	2 860	0,18%	2 865	0,17%
Special rating levies	–	0,00%	15 436	1,05%	16 362	1,06%	17 344	1,06%
Operational Revenue	2 523	0,19%	1 955	0,13%	1 955	0,13%	1 955	0,12%
Non-Exchange Revenue								
Property rates	298 309	21,90%	304 484	20,73%	322 753	20,82%	342 118	20,83%
Surcharges and Taxes	–	0,00%	22 602	1,54%	24 118	1,56%	25 736	1,57%
Fines, penalties and forfeits	43 859	3,22%	45 795	3,12%	47 861	3,09%	50 021	3,05%
Licences or permits	11 772	0,86%	3 139	0,21%	3 307	0,21%	3 486	0,21%
Transfer and subsidies - Operational	210 720	15,47%	214 766	14,62%	223 052	14,39%	233 048	14,19%
Interest	5 510	0,40%	5 841	0,40%	6 192	0,40%	6 563	0,40%
Operational Revenue	19 658	1,44%	21 605	1,47%	22 920	1,48%	24 417	1,49%
Total Revenue (excluding capital transfers and contributions)	**1 362 086**	**100,00%**	**1 468 686**	**100,00%**	**1 550 436**	**100,00%**	**1 642 562**	**100,00%**

In the 2024/25 financial year, rates and service charges amounted to R 1,000 billion. This increases to R 1,066 billion, R 1,129 billion and R 1,200 billion in the 2025/26, 2026/27 and 2027/28 financial years, respectively.

The major operating revenue sources for 2025/26 are electricity (32.65%), property rates (20.73%), operating grants & subsidies (14.62%), water (10.05%), wastewater management (5.53%) and waste management (3.61%).

The following table provides a breakdown of the various operating grants and subsidies allocated to the Municipality over the medium term:

Table 4 (Operating Transfers and Grant Receipts)

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
RECEIPTS:				
-				
Operating Transfers and Grants				
National Government:	**197 704**	**209 308**	**217 481**	**227 477**
Operational Revenue: General Revenue: Equitable Share	192 664	203 533	213 418	223 037
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	1 495	2 081	–	–
Local Government Financial Management Grant [Schedule 5B]	1 723	1 785	2 001	2 289
Municipal Infrastructure Grant [Schedule 5B]	1 822	1 909	2 062	2 151
Provincial Government:	**9 952**	**2 955**	**2 955**	**2 955**
Sports and Recreation	2 955	2 955	2 955	2 955
Housing	6 997	–	–	–
District Municipality:	**2 393**	**2 503**	**2 616**	**2 616**
Environmental Health Subsidy	2 393	2 503	2 616	2 616
Other Grant Providers:	**50**	**–**	**–**	**–**
Departmental Agencies and Accounts	50	–	–	–
Total Operating Transfers and Grants	**210 099**	**214 766**	**223 052**	**233 048**
Capital Transfers and Grants				
National Government:	**63 331**	**51 334**	**59 934**	**58 115**
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	2 586	5 440	7 558	7 900
Municipal Infrastructure Grant [Schedule 5B]	34 624	36 265	39 180	40 871
Municipal Disaster Recovery Grant [Schedule 4B]	12 180	–	–	–
Water Services Infrastructure Grant [Schedule 5B]	13 941	9 629	13 196	9 344
Provincial Government:	**74 194**	**30 000**	**20 000**	**–**
Infrastructure	74 194	30 000	20 000	–
District Municipality:	**1 600**	**1 600**	**1 600**	**1 600**
Fire Services	1 600	1 600	1 600	1 600
Total Capital Transfers and Grants	**139 125**	**82 934**	**81 534**	**59 715**
TOTAL RECEIPTS OF TRANSFERS & GRANTS	**349 224**	**297 700**	**304 586**	**292 763**

The Municipality is faced with the significant challenge of providing services with its limited financial resources. Against this background, the Municipality has undertaken the tariff determination process relating to property rates and service charges as follows:

1.4.1. Property Rates

Property rates fund the costs associated with the provision of general services, such as fire, library and roads and stormwater services.

The following provisions 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 rateable value (Section 17(h) of the MPRA).
- An additional R85 000 rebate will be granted to registered indigents in terms of the Indigent Policy.
- If the usage of a property changes during a financial year, the rebate applicable will be reduced *pro rata* for the balance of the financial year.
- Residential properties with a market value up of R400 000 including the impermissible rate of R15 000.
- R 200 000 on one residential property, including the impermissible rate of R15 000, for Rate Payer 60 years and older with a gross household income not more than R15 000.00

A property rates increase of 6% in cents in the rand is proposed as from 1 July 2025.

The property rates increase is mainly influenced by the following:

- Employee-related costs increased by 9.5%.
- Providing for debt impairment.

1.4.2 Sale of Water and Impact of Tariff Increases

In accordance with National Treasury's MFMA Circulars, no. 51, 55, 58, 66, 70, 74, 85, 88, 89, 91, 93 and 94, Municipalities are encouraged to review the level and structure of their water tariffs to ensure:

- Fully cost reflective water tariffs – tariffs should include the costs associated with bulk water purchases, the maintenance and renewal of purification plants, water networks and water reticulation expansion.
- Water tariffs are structured to protect basic levels of service; and
- Water tariffs are designed to encourage efficient and sustainable consumption.

A phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers.

A tariff increases of 6.9% is proposed as from 1 July 2025. The tariff increase is mainly influenced by the following:

- Employee related costs increased by 9.5%.
- The cost of bulk water purchases increased by 23.3%.
- Providing for debt impairment.

The water tariff structure is designed in such a manner that higher levels of water consumption are progressively charged at a higher rate.

1.4.3 Sale of Electricity and Impact of Tariff Increases

The National Energy Regulator of South Africa (NERSA) is responsible for price determination of the bulk costs for electricity, a 11.32% increase in bulk costs for electricity was approved by Nersa.
The Municipality is proposing a 12.74% increase on average consumer tariffs to offset the additional electricity bulk purchases costs, as from 1 July 2025. The tariffs increase of 12.74% is subjected to the approval by Nersa.

The tariff increases are mainly influenced by the following:

- Employee related costs increased by 9.5%.
- The cost of bulk electricity purchases increased by 11.32%.
- Repairs and maintenance of electricity infrastructure.
- Providing for debt impairment.

1.4.4 Sanitation and Impact of Tariff Increases

In accordance with National Treasury's MFMA Circulars, no. 51, 55, 58, 66, 70, 74, 85, 88, 89, 91, 93 and 94, Municipalities are encouraged to review the level and structure of their sanitation tariffs to ensure:

- Fully cost reflective sanitation tariffs – tariffs should include the costs associated with maintenance and renewal of treatment plants, sanitation networks and sanitation infrastructure expansion.
- Sanitation tariffs are structured to protect basic levels of service; and
- Sanitation tariffs are designed to encourage efficient and sustainable consumption.

A phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers.

A tariff increases of 6.9% is proposed as from 1 July 2025. The tariff increase is mainly influenced by the following:

- Employee-related costs increased by 9.5%.
- Providing for debt impairment.

1.4.5 Refuse Collection and Impact of Tariff Increases

National Treasury has urged municipalities to ensure that refuse tariffs are fully cost reflective. The tariffs should consider the need to maintain a cash-backed reserve to cover the future costs of the rehabilitation of landfill sites. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers.

A tariff increase of 6.5% is for refuse collection, as from 1 July 2025.

The tariff increase is mainly influenced by the following:

- Employee-related costs increased by 9.5%.
- Providing for debt impairment

1.4.6 Environmental Management Fees and Impact of Tariff increases

A tariff increase of 6.5% is for the environmental management fee, as from 1 July 2025.

1.5. OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2025/26 budget and MTREF are informed by the following:

- The funding of the budget over the medium-term is informed by the requirements of Section 18 and 19 of the MFMA.

- A balanced budget approach by limiting operating expenditure to operating revenue.

The following table is a high-level summary of the 2025/26 budget and MTREF (classified per main type of operating expenditure):

Table 5 (Summary of operating expenditure by standard classification item)

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	**Adjusted Budget**	**Budget Year 2025/26**	**Budget Year 2026/27**	**Budget Year 2027/28**
Revenue				
Expenditure				
Employee related costs	479 710	525 261	553 291	581 155
Remuneration of councillors	15 594	15 988	16 387	16 797
Bulk purchases - electricity	413 349	441 010	490 988	521 380
Inventory consumed	105 570	114 422	120 715	125 352
Debt impairment	(108 015)	65 115	68 669	72 553
Depreciation and amortisation	117 798	142 422	146 083	141 974
Interest	13 002	20 106	25 695	21 945
Contracted services	146 314	142 734	131 868	130 309
Transfers and subsidies	400	950	950	950
Irrecoverable debts written off	177 229	11 487	12 180	12 952
Operational costs	98 816	101 623	102 931	103 948
Total Expenditure	**1 459 766**	**1 581 117**	**1 669 758**	**1 729 315**

The total operating expenditure increased by R 121,351 million (8.31%) from R 1,460 billion in 2024/25 to R 1,581 billion in 2025/26.

Below is a discussion of the main expenditure components.

Employee related costs

The 2025/26 budget provides for a general increase of 5.15%, based on the salary and wage collective agreement.

The total budget provision of R 525,261 million represents an increase of 9.5% over the 2025/26 budget. Employee related costs in the 2025/26 Budget, represent 33.22% of the total operating expenditure.

Remuneration of Councillors

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). There is no proclamation in terms of Remuneration of Councillors yet.

Debt Impairment

The provision for debt impairment and irrecoverable debts written off was determined based on a targeted annual collection rate of 95% for property rates and services charges. For the 2025/26 financial year this amounted to R 65,115 million (includes traffic fines debt impairment) and R 11,487 million, respectively. While this expenditure represents a non-cash flow item, it is considered in determining the total costs associated with the rendering of municipal services and the realistically anticipated revenues.

Depreciation and Asset Impairment

The provision for depreciation and asset impairment has been informed by the Municipality's Fixed Assets Register. The budget amounts to R 142,422 million for the 2025/26 financial year and equates to 9.01% of the total operating expenditure.

Bulk Electricity Purchases

The bulk purchases increased by 6.69% or R 27,661 million, compared to the 2024/25 adjustments budget. The Bulk electricity purchases constitute 27.89% of total operating expenditure for 2025/26.

The National Energy Regulator of South Africa (NERSA) is responsible for price determination of the bulk costs for electricity, a 11.32% increase in bulk costs for electricity was approved by Nersa.

Inventory Consumed

Inventory consumed relates to the inventory items, such as bulk water purchases, material and supplies, consumables, printing and stationery, fuel, and oil etc., initially budgeted under bulk purchases and general expenses, being transferred to other materials. This is in line with the mSCOA requirements. The budget for 2025/26 amounts to R 114,422 million and equates to 7.24% of the total operating expenditure.

Contracted Services

In the 2025/26 financial year, the budget provision amounts to R 142,732 million and equates to 9.03% of the total operating expenditure.

Transfers and subsidies

Transfers and subsidies relate to grant-in-aid given by the municipality to various non-profit organizations, in line with the Council approved grant-in-aid policy. In the 2025/26 financial year, the budget provision amounts to R 0,950 million and equates to 0.06% of the total operating expenditure.

Operational Costs

Operational costs comprise of various line items relating to the daily operations of the municipality.
In the 2025/26 financial year, the budget provision amounts to R 101,623 million and equates to 6.43% of the total operating expenditure.

The graph below reflects the expenditure components of the budgeted statement of financial performance.

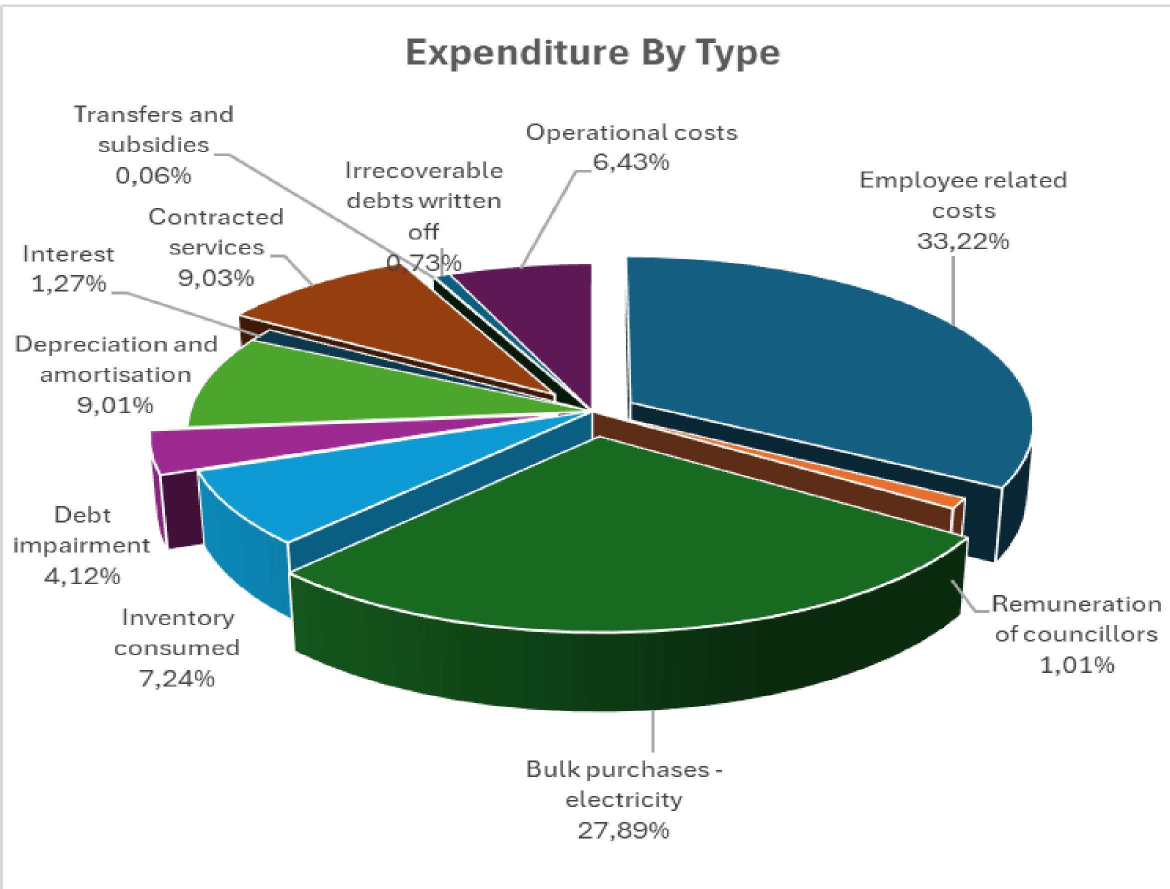

Figure 1 Main operational expenditure categories for the 2025/26 financial year.

1.5.1 Priority relating to repairs and maintenance.

The repairs and maintenance expenditure in the 2025/26 financial year decreased by R 8,219 million or 3.43% compared to the 2024/25 Approved Adjustments Budget.

It is to be noted that repairs and maintenance constitute 14.65%, 14.42% and 14.44% of the total operating expenditure, for the 2025/26, 2026/27 and 2027/28 financial years, respectively.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 6 (Repairs and maintenance per asset class)

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	**Adjusted Budget**	**Budget Year 2025/26**	**Budget Year 2026/27**	**Budget Year 2027/28**
Repairs and Maintenance by Asset Class	**239 865**	**231 646**	**240 726**	**249 741**
Roads Infrastructure	55 109	30 189	31 597	31 843
Storm water Infrastructure	553	1 620	1 780	1 790
Electrical Infrastructure	35 060	38 638	40 005	41 443
Water Supply Infrastructure	34 277	36 498	38 301	40 054
Sanitation Infrastructure	44 191	55 160	58 749	62 617
Solid Waste Infrastructure	–	–	–	–
Rail Infrastructure	–	–	–	–
Coastal Infrastructure	1 235	3 005	2 905	2 705
Information and Communication Infrastructure	–	–	–	–
Infrastructure	***170 425***	***165 110***	***173 337***	***180 453***
Community Facilities	42 306	30 433	31 921	33 461
Sport and Recreation Facilities	1 340	4 200	1 800	1 300
Community Assets	***43 646***	***34 633***	***33 721***	***34 761***
Operational Buildings	4 143	3 494	3 485	3 515
Other Assets	***4 143***	***3 494***	***3 485***	***3 515***
Licences and Rights	–	165	175	180
Intangible Assets	**–**	***165***	***175***	***180***
Computer Equipment	**–**	**335**	**335**	**335**
Machinery and Equipment	**587**	**1 367**	**1 598**	**1 661**
Transport Assets	**21 063**	**26 543**	**28 075**	**28 836**

For the 2025/26 financial year an amount of R 165,110 million (71.28%) of total repairs and maintenance will be spent on infrastructure assets.

1.5.2 Free Basic Services: Indigent Support

Indigent support assists indigent households that have limited financial ability to pay for municipal services. To qualify for free services, the households are required to register in terms of the Municipality’s Indigent Policy, whilst the monthly household income may not exceed two state pensions. Details relating to free services, cost of free basic services, as well as basic service delivery measurement are contained in Table A10 (Basic Service Delivery Measurement).

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

1.6. CAPITAL EXPENDITURE

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 7 (2025/26 Medium-term capital budget per vote)

Vote Description		2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
Capital expenditure - Vote				
Single-year expenditure to be appropriated				
Vote 1 - OFFICE OF THE MUNICIPAL MANAGER	28	–	–	–
Vote 2 - OFFICE OF THE DEPUTY MUNICIPAL MANAGER	1 933	1 050	–	–
Vote 3 - FINANCE AND ECONOMIC DEVELOPMENT	992	621	–	–
Vote 4 - COMMUNITY SERVICES	1 634	4 891	5 391	3 391
Vote 5 - CIVIL AND WATER SERVICES	145 782	206 142	55 930	38 265
Vote 6 - ELECTRO/MECHANICAL SERVICES	87 429	49 509	25 357	23 826
Vote 7 - PLANNING AND DEVELOPMENT	21 956	3 250	–	–
Total Capital Expenditure - Vote	**259 754**	**265 462**	**86 679**	**65 482**

Civil and Water Services receives the highest allocation of R 206,142 million in 2025/26, which equates to 77.65%, followed by Electro/Mechanical Services at R 49,509 million (18.65%), Community Services at R 4,891 million (1.84%), Planning and Development at R 3,250 million (1.22%), Office of the Deputy Municipal Manager at R 1,050 million (0.40%) and Finance and Economic Development at R 0,621 million (0.23%) respectively.

The following graph provides a breakdown of the capital budget over the MTREF.

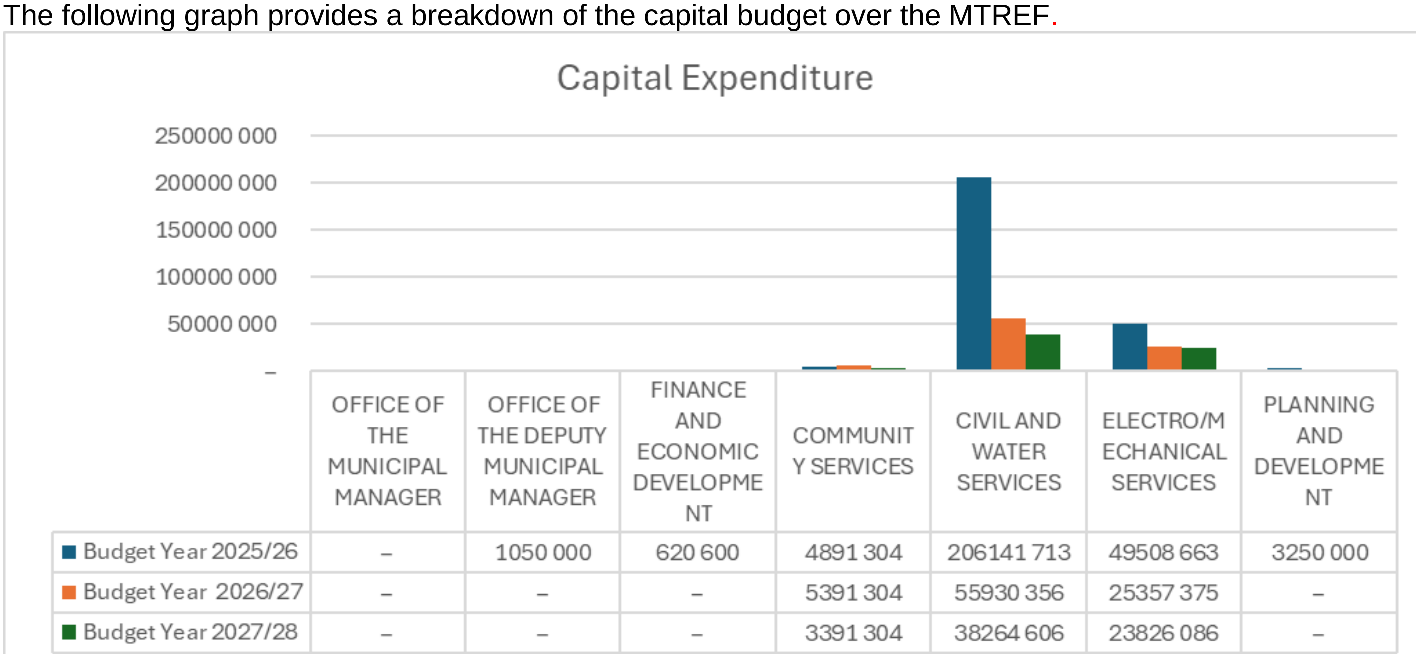

Figure 2 Capital Expenditure

1.7. ANNUAL BUDGET TABLES

The ten main budget tables, as required in terms of the Municipal Budget and Reporting Regulations, are included in this section. These tables set out the Municipality's 2025/256 Budget and MTREF to be considered for approval by the Council. Each table is accompanied by *explanatory notes*.

Table 8 (Table A1 - Budget Summary)

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousands	**Adjusted Budget**	**Budget Year 2025/26**	**Budget Year 2026/27**	**Budget Year 2027/28**
Financial Performance				
Property rates	298 309	304 484	322 753	342 118
Service charges	701 777	761 356	806 342	858 180
Investment revenue	15 498	16 273	17 086	17 941
Transfer and subsidies - Operational	210 720	214 766	223 052	233 048
Other own revenue	135 782	171 808	181 203	191 275
Total Revenue (excluding capital transfers and contributions)	1 362 086	1 468 686	1 550 436	1 642 562
Employee costs	479 710	525 261	553 291	581 155
Remuneration of councillors	15 594	15 988	16 387	16 797
Depreciation and amortisation	117 798	142 422	146 083	141 974
Interest	13 002	20 106	25 695	21 945
Inventory consumed and bulk purchases	518 919	555 432	611 702	646 733
Transfers and subsidies	400	950	950	950
Other expenditure	314 343	320 959	315 649	319 762
Total Expenditure	1 459 766	1 581 117	1 669 758	1 729 315
Surplus/(Deficit)	(97 680)	(112 431)	(119 322)	(86 753)
Transfers and subsidies - capital (monetary allocations)	177 916	82 934	81 534	59 715
Transfers and subsidies - capital (in-kind)	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	80 236	(29 497)	(37 788)	(27 038)
Share of surplus/ (deficit) of associate	–	–	–	–
Intercompany/Parent subsidiary transactions	–	–	–	–
Surplus/(Deficit) for the year	80 236	(29 497)	(37 788)	(27 038)
Capital expenditure & funds sources				
Capital expenditure	259 754	265 462	86 679	65 482
Transfers recognised - capital	157 391	72 117	70 899	51 926
Borrowing	72 745	152 174	–	–
Internally generated funds	29 618	41 172	15 780	13 556
Total sources of capital funds	259 754	265 462	86 679	65 482
Financial position				
Total current assets	316 865	266 780	284 148	328 913
Total non-current assets	2 454 784	2 577 825	2 518 421	2 441 929
Total current liabilities	282 405	285 984	295 469	289 994
Total non-current liabilities	366 975	465 849	452 116	452 902
Community wealth/Equity	2 122 268	2 092 771	2 054 984	2 027 945

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousands	**Adjusted Budget**	**Budget Year 2025/26**	**Budget Year 2026/27**	**Budget Year 2027/28**
Cash flows				
Net cash from (used) operating	174 756	139 042	135 991	142 190
Net cash from (used) investing	(208 748)	(265 462)	(86 679)	(65 482)
Net cash from (used) financing	84 736	76 010	(31 944)	(31 944)
Cash/cash equivalents at the year end	194 402	143 991	161 359	206 124
Cash backing/surplus reconciliation				
Cash and investments available	194 402	143 991	161 359	206 124
Application of cash and investments	188 457	137 541	147 025	156 069
Balance - surplus (shortfall)	5 945	6 451	14 334	50 054
Asset management				
Asset register summary (WDV)	2 454 784	2 577 825	2 518 421	2 441 929
Depreciation	117 798	142 422	146 083	141 974
Renewal and Upgrading of Existing Assets	160 435	47 361	51 899	38 019
Repairs and Maintenance	239 865	231 646	240 726	249 741
Free services				
Cost of Free Basic Services provided	61 419	65 676	70 070	74 778
Revenue cost of free services provided	353	4 207	4 459	4 727
Households below minimum service level				
Water:	–	–	–	–
Sanitation/sewerage:	–	–	–	–
Energy:	–	–	–	–
Refuse:	–	–	–	–

Explanatory notes to Table A1 - Budget Summary

The aim of the Budget Summary is to provide a concise overview of the proposed budget from all the major financial perspectives (operating expenditure, capital expenditure, financial position, cash flow, and MFMA funding compliance). The table provides an overview of the amounts to be approved by the Council within the context of operating performance, resources utilised for capital expenditure, financial position, cash, and funding compliance, as well as the Municipality’s commitment to eliminating basic service delivery backlogs.

Table 9 (Table A2 - Budgeted Financial Performance -revenue and expenditure by standard classification)

Functional Classification Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
Revenue - Functional				
Governance and administration	**499 867**	**530 621**	**558 750**	**587 678**
Executive and council	142	142	142	142
Finance and administration	499 725	530 479	558 609	587 537
Internal audit	–	–	–	–
Community and public safety	**121 074**	**50 121**	**41 075**	**21 971**
Community and social services	3 365	3 385	3 406	3 429
Sport and recreation	11 504	12 255	13 056	13 910
Public safety	1 857	1 870	1 883	1 898
Housing	101 747	30 000	20 000	–
Health	2 601	2 612	2 730	2 734
Economic and environmental services	**61 677**	**40 955**	**40 870**	**42 921**
Planning and development	10 246	10 838	11 527	12 184
Road transport	32 160	10 185	8 104	8 104
Environmental protection	19 272	19 932	21 239	22 633
Trading services	**857 384**	**929 924**	**991 274**	**1 049 707**
Energy sources	443 138	501 093	529 836	562 523
Water management	202 542	203 581	220 531	230 985
Waste water management	133 188	141 631	151 816	161 279
Waste management	78 516	83 619	89 091	94 921
Other	**–**	**–**	**–**	**–**
Total Revenue - Functional	**1 540 002**	**1 551 621**	**1 631 970**	**1 702 277**
Expenditure - Functional				
Governance and administration	**367 998**	**402 672**	**411 118**	**422 824**
Executive and council	60 989	66 561	68 597	71 078
Finance and administration	306 592	332 893	339 306	348 378
Internal audit	418	3 218	3 215	3 369
Community and public safety	**138 745**	**141 482**	**145 388**	**149 720**
Community and social services	13 796	12 289	12 829	13 045
Sport and recreation	72 073	73 671	74 141	76 283
Public safety	33 342	35 167	37 213	39 026
Housing	11 670	11 626	12 083	11 799
Health	7 863	8 729	9 122	9 567

Functional Classification Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
Economic and environmental services	**198 075**	**206 880**	**219 966**	**219 961**
Planning and development	37 410	39 914	42 553	44 436
Road transport	151 875	158 635	169 436	167 905
Environmental protection	8 790	8 331	7 977	7 619
Trading services	**754 928**	**830 084**	**893 286**	**936 810**
Energy sources	494 191	527 947	579 414	614 630
Water management	105 776	121 164	127 044	127 980
Waste water management	90 277	109 169	112 439	117 431
Waste management	64 683	71 803	74 389	76 770
Other	**20**	**–**	**–**	**–**
Total Expenditure - Functional	**1 459 766**	**1 581 117**	**1 669 758**	**1 729 315**
Surplus/(Deficit) for the year	**80 236**	**(29 497)**	**(37 788)**	**(27 038)**

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

The ‘standard classification’ refers to a modified Government Finance Statistics (GFS) reporting structure. The aim of the standard classification approach is to ensure that all municipalities approve a budget in one common format, to facilitate comparison across all municipalities. It should be noted that the revenue by vote, as reflected in this table, includes revenue attributable to capital grants.

Table 10 (Table A3 - Budgeted Financial Performance - revenue and expenditure by municipal vote)

Vote Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
Revenue by Vote				
Vote 1 - OFFICE OF THE MUNICIPAL MANAGER	–	–	–	–
Vote 2 - OFFICE OF THE DEPUTY MUNICIPAL MANAGER	1 683	1 115	1 115	1 115
Vote 3 - FINANCE AND ECONOMIC DEVELOPMENT	454 924	484 342	510 440	537 244
Vote 4 - COMMUNITY SERVICES	168 477	176 939	186 704	196 946
Vote 5 - CIVIL AND WATER SERVICES	361 609	349 202	374 409	394 415
Vote 6 - ELECTRO/MECHANICAL SERVICES	443 139	501 094	529 838	562 525
Vote 7 - PLANNING AND DEVELOPMENT	110 171	38 929	29 465	10 033
Total Revenue by Vote	**1 540 002**	**1 551 621**	**1 631 970**	**1 702 277**
Expenditure by Vote ***to be appropriated***				
Vote 1 - OFFICE OF THE MUNICIPAL MANAGER	31 803	18 128	18 475	19 158
Vote 2 - OFFICE OF THE DEPUTY MUNICIPAL MANAGER	127 824	167 613	169 047	173 330
Vote 3 - FINANCE AND ECONOMIC DEVELOPMENT	136 835	139 445	143 150	147 008
Vote 4 - COMMUNITY SERVICES	291 128	314 436	324 216	335 022
Vote 5 - CIVIL AND WATER SERVICES	325 759	341 894	360 569	362 805
Vote 6 - ELECTRO/MECHANICAL SERVICES	507 837	555 517	608 118	644 388
Vote 7 - PLANNING AND DEVELOPMENT	38 579	44 085	46 182	47 604
Total Expenditure by Vote	**1 459 766**	**1 581 117**	**1 669 758**	**1 729 315**
Surplus/(Deficit) for the year	**80 236**	**(29 497)**	**(37 788)**	**(27 038)**

Explanatory notes to Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. The purpose of the format in which the budget is presented, is to enable the Council to enforce a vote in accordance with the municipality's organisational structure, to assign responsibility for the revenue and expenditure recorded against these votes to the Municipal Manager and Directors concerned. Operating revenue and expenditure are thus presented by 'vote'. A 'vote' is defined as one of the main segments into which a budget of a municipality is divided into, for the appropriation of funds.

Table 11 (Table A4 - Budgeted Financial Performance - revenue and expenditure)

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
Revenue				
Exchange Revenue				
Service charges - Electricity	425 559	479 524	505 275	536 566
Service charges - Water	138 057	147 583	157 766	168 652
Service charges - Waste Water Management	76 014	81 259	86 866	92 860
Service charges - Waste Management	62 146	52 990	56 434	60 102
Sale of Goods and Rendering of Services	9 533	10 044	10 586	11 159
Agency services	4 554	4 554	4 554	4 554
Interest earned from Receivables	32 335	34 661	37 024	39 560
Interest earned from Current and Non Current Assets	15 498	16 273	17 086	17 941
Rental from Fixed Assets	3 187	3 322	3 465	3 614
Licence and permits	2 851	2 856	2 860	2 865
Special rating levies	–	15 436	16 362	17 344
Operational Revenue	2 523	1 955	1 955	1 955
Non-Exchange Revenue				
Property rates	298 309	304 484	322 753	342 118
Surcharges and Taxes	–	22 602	24 118	25 736
Fines, penalties and forfeits	43 859	45 795	47 861	50 021
Licences or permits	11 772	3 139	3 307	3 486
Transfer and subsidies - Operational	210 720	214 766	223 052	233 048
Interest	5 510	5 841	6 192	6 563
Operational Revenue	19 658	21 605	22 920	24 417
Total Revenue (excluding capital transfers and contributions)	**1 362 086**	**1 468 686**	**1 550 436**	**1 642 562**
Expenditure				
Employee related costs	479 710	525 261	553 291	581 155
Remuneration of councillors	15 594	15 988	16 387	16 797
Bulk purchases - electricity	413 349	441 010	490 988	521 380
Inventory consumed	105 570	114 422	120 715	125 352
Debt impairment	(108 015)	65 115	68 669	72 553
Depreciation and amortisation	117 798	142 422	146 083	141 974
Interest	13 002	20 106	25 695	21 945
Contracted services	146 314	142 734	131 868	130 309
Transfers and subsidies	400	950	950	950
Irrecoverable debts written off	177 229	11 487	12 180	12 952
Operational costs	98 816	101 623	102 931	103 948
Total Expenditure	**1 459 766**	**1 581 117**	**1 669 758**	**1 729 315**
Surplus/(Deficit)	**(97 680)**	**(112 431)**	**(119 322)**	**(86 753)**
Transfers and subsidies - capital (monetary allocations)	177 916	82 934	81 534	59 715
Surplus/(Deficit) for the year	**80 236**	**(29 497)**	**(37 788)**	**(27 038)**

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

Revenue

1. The Financial Performance Budget is required to be approved concurrently by revenue source and expenditure type, to ensure consistency with annual reporting format requirements. A key aim is to facilitate comparison between the annual results and the original budget, to assess performance.

2. Total revenue (excluding capital transfers and contributions) amounts to R 1,469 billion in 2025/26 and increases to R 1,643 billion in 2027/28.This represents a year-on-year increase of 7.83% for the 2025/26 financial year and increases of 5.57% for the 2026/27 financial year and increases of 5.94% for the 2027/28 financial year, respectively.

3. Revenue from property rates amounts to R 304,484 million in the 2025/26 financial year and increases to R 342,118 million in 2027/28, which amounts to 20.73% of the total operating revenue base of the Municipality.

4. Services charges relating to electricity, water, sanitation and refuse collection constitute the biggest component of the total revenue base, amounting to R 761,356 million for the 2025/26 financial year and increasing to R 858,180 million in 2027/28. For the 2025/26 financial year services charges amount to 51.84% of the total revenue base.

5. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It is to be noted that the grants increased by 1.92% for 2025/26, increases by 3.86% for 2026/27 and increases by 4.48% for 2027/28, compared to previous financial years.

   Below a breakdown of property rates and service charges for 2025/26:

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework					
R thousand	**Adjusted Budget**	**Budget Year 2025/26**	**%Incr.**	**Budget Year 2026/27**	**%Incr.**	**Budget Year 2027/28**	**%Incr.**
Revenue							
Exchange Revenue							
Service charges - Electricity	425 559	479 524	12,68%	505 275	5,37%	536 566	6,19%
Service charges - Water	138 057	147 583	6,90%	157 766	6,90%	168 652	6,90%
Service charges - Waste Water Management	76 014	81 259	6,90%	86 866	6,90%	92 860	6,90%
Service charges - Waste Management	62 146	66 186	6,50%	70 488	6,50%	75 069	6,50%
Property rates	298 309	319 920	7,24%	339 115	6,00%	359 462	6,00%
Total	**1 000 086**	**1 094 471**	**9,44%**	**1 159 510**	**5,94%**	**1 232 609**	**6,30%**

Table 12 (Table A5 - Budgeted Capital Expenditure by vote, standard classification, and funding source)

Vote Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
Capital expenditure - Vote				
Single-year expenditure to be appropriated				
Vote 1 - OFFICE OF THE MUNICIPAL MANAGER	28	–	–	–
Vote 2 - OFFICE OF THE DEPUTY MUNICIPAL MANAGER	1 933	1 050	–	–
Vote 3 - FINANCE AND ECONOMIC DEVELOPMENT	992	621	–	–
Vote 4 - COMMUNITY SERVICES	1 634	4 891	5 391	3 391
Vote 5 - CIVIL AND WATER SERVICES	145 782	206 142	55 930	38 265
Vote 6 - ELECTRO/MECHANICAL SERVICES	87 429	49 509	25 357	23 826
Vote 7 - PLANNING AND DEVELOPMENT	21 956	3 250	–	–
Total Capital Expenditure - Vote	**259 754**	**265 462**	**86 679**	**65 482**
Capital Expenditure - Functional				
Governance and administration	**54 101**	**2 621**	**2 500**	**2 000**
Executive and council	300	–	–	–
Finance and administration	53 773	2 621	2 500	2 000
Internal audit	28	–	–	–
Community and public safety	**21 947**	**2 441**	**1 391**	**1 391**
Community and social services	–	50	–	–
Sport and recreation	–	–	–	–
Public safety	1 391	2 391	1 391	1 391
Housing	20 556	–	–	–
Health	–	–	–	–
Economic and environmental services	**44 907**	**173 232**	**21 101**	**8 726**
Planning and development	3 482	6 580	10 764	3 741
Road transport	41 425	166 652	10 337	4 985
Environmental protection	–	–	–	–
Trading services	**138 799**	**87 169**	**61 686**	**53 365**
Energy sources	36 423	49 509	25 357	23 826
Water management	53 133	18 289	22 717	56
Waste water management	49 242	17 872	12 112	29 483
Waste management	–	1 500	1 500	–
Other	**–**	**–**	**–**	**–**
Total Capital Expenditure - Functional	**259 754**	**265 462**	**86 679**	**65 482**

Vote Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
Funded by:				
National Government	70 927	44 639	52 116	50 535
Provincial Government	85 073	26 087	17 391	–
District Municipality	1 391	1 391	1 391	1 391
Transfers recognised - capital	**157 391**	**72 117**	**70 899**	**51 926**
Public contributions & donations				
Borrowing	72 745	152 174	–	–
Internally generated funds	29 618	41 172	15 780	13 556
Total Capital Funding	**259 754**	**265 462**	**86 679**	**65 482**

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification, and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote; capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

2. The capital programme is funded by national grants, borrowings and internally generated funds. For 2025/26, capital transfers totals R 72,117 million (27.17%) and amount to R 51,926 million for 2027/28 (79.30%). Borrowing amounts to R 152,174 million (57.32%) in the 2025/26 financial year. These funding sources are further discussed in detail in Section 2.6 (Overview of Budget Funding).

Table 13 (Table A6 - Budgeted Financial Position)

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	**Adjusted Budget**	**Budget Year 2025/26**	**Budget Year 2026/27**	**Budget Year 2027/28**
ASSETS				
Current assets				
Cash and cash equivalents	194 402	143 991	161 359	206 124
Trade and other receivables from exchange transactions	59 899	59 899	59 899	59 899
Receivables from non-exchange transactions	26 651	26 651	26 651	26 651
Current portion of non-current receivables	–	–	–	–
Inventory	22 123	22 450	22 450	22 450
VAT	12 790	12 790	12 790	12 790
Other current assets	999	999	999	999
Total current assets	**316 865**	**266 780**	**284 148**	**328 913**
Non current assets				
Investments	–	–	–	–
Investment property	250 794	250 794	250 794	250 794
Property, plant and equipment	2 203 572	2 326 613	2 267 209	2 190 717
Biological assets	–	–	–	–
Living and non-living resources	–	–	–	–
Heritage assets	–	–	–	–
Intangible assets	419	419	419	419
Trade and other receivables from exchange transactions	–	–	–	–
Non-current receivables from non-exchange transactions	–	–	–	–
Other non-current assets	–	–	–	–
Total non current assets	**2 454 784**	**2 577 825**	**2 518 421**	**2 441 929**
TOTAL ASSETS	**2 771 648**	**2 844 605**	**2 802 569**	**2 770 841**
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Financial liabilities	38 274	31 944	31 944	17 424
Consumer deposits	31 660	31 660	31 660	31 660
Trade and other payables from exchange transactions	142 896	143 222	143 222	143 222
Trade and other payables from non-exchange transactions	0	–	–	–
Provision	54 868	64 451	73 936	82 980
VAT	14 707	14 707	14 707	14 707
Other current liabilities	–	–	–	–
Total current liabilities	**282 405**	**285 984**	**295 469**	**289 994**
Non current liabilities				
Financial liabilities	120 843	203 183	171 239	153 815
Provision	137 347	139 560	139 560	139 560
Long term portion of trade payables	–	–	–	–
Other non-current liabilities	108 785	123 106	141 317	159 527
Total non current liabilities	**366 975**	**465 849**	**452 116**	**452 902**
TOTAL LIABILITIES	**649 380**	**751 834**	**747 585**	**742 896**
NET ASSETS	**2 122 268**	**2 092 771**	**2 054 984**	**2 027 945**
COMMUNITY WEALTH/EQUITY				
Accumulated surplus/(deficit)	2 122 268	2 078 271	2 040 484	2 013 445
Reserves and funds	–	14 500	14 500	14 500
Other	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	**2 122 268**	**2 092 771**	**2 054 984**	**2 027 945**

Explanatory notes to Table A6 - Budgeted Financial Position

1. The table presents Assets less Liabilities as Community Wealth. The order of items within each group is also aligned to the convention of showing items in order of liquidity, i.e., assets readily converted to cash or liabilities immediately required to be met from cash appear first.

2. Any movement on the Budgeted Financial Performance or the Capital Budget will invariably have an impact on the Budgeted Financial Position. For example, the collection rate assumption will impact on the cash position of the municipality and consequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption informs the budget provision for debt impairment, which in turn impacts on the provision for bad debts. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is directly informed by forecasting the statement of financial position.

Table 14 (Table A7 - Budgeted cash flow statement)

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	288 628	294 809	312 497	331 247
Service charges	823 774	908 343	962 412	1 024 456
Other revenue	116 169	127 258	106 083	103 166
Transfers and Subsidies - Operational	210 720	214 766	223 052	233 048
Transfers and Subsidies - Capital	139 125	82 934	81 534	59 715
Interest	15 498	16 273	17 086	17 941
Dividends	–	–	–	–
Payments				
Suppliers and employees	(1 407 663)	(1 485 124)	(1 540 030)	(1 605 051)
Interest	(11 097)	(19 267)	(25 693)	(21 381)
Transfers and Subsidies	(400)	(950)	(950)	(950)
NET CASH FROM/(USED) OPERATING ACTIVITIES	**174 756**	**139 042**	**135 991**	**142 190**
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	–	–	–	–
Decrease (increase) in non-current receivables	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–
Payments				
Capital assets	(208 748)	(265 462)	(86 679)	(65 482)
NET CASH FROM/(USED) OPERATING ACTIVITIES	**(208 748)**	**(265 462)**	**(86 679)**	**(65 482)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	–	–	–	–
Borrowing long term/refinancing	100 000	100 000	–	–
Increase (decrease) in consumer deposits	–	–	–	–
Payments				
Repayment of borrowing	(15 264)	(23 990)	(31 944)	(31 944)
NET CASH FROM/(USED) FINANCING ACTIVITIES	**84 736**	**76 010**	**(31 944)**	**(31 944)**
NET INCREASE/ (DECREASE) IN CASH HELD	**50 743**	**(50 411)**	**17 368**	**44 764**
Cash/cash equivalents at the year begin:	143 659	**194 402**	**143 991**	**161 359**
Cash/cash equivalents at the year end:	**194 402**	**143 991**	**161 359**	**206 124**

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement represents the first measurement in determining whether the budget is funded.

2. It reflects the expected cash inflows versus cash outflows that are likely to result from the implementation of the budget.

3. The cash position of the Municipality increases over the 2025/26 to 2027/28 period, from R 195,402 million to R 206,124 million.

4. Cash and cash equivalents amount to R 195,402 million as at the end of the 2025/26 financial year and increase to R 206,124 million in 2027/28.

Table 15 (Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation)

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Cash and investments available				
Cash/cash equivalents at the year end	194 402	143 991	161 359	206 124
Other current investments > 90 days	–	–	–	–
Non-current Investments	–	–	–	–
Cash and investments available:	**194 402**	**143 991**	**161 359**	**206 124**
Application of cash and investments				
Trade payables from non-exchange transactions: Unspent conditional Grants	0	–	–	–
Unspent borrowing	75 000	–	–	–
Statutory requirements	1 917	1 917	1 917	1 917
Other working capital requirements	56 672	56 672	56 672	56 672
Other provisions	54 868	64 451	73 936	82 980
Long term investments committed	–	–	–	–
Reserves to be backed by cash/investments	–	14 500	14 500	14 500
Total Application of cash and investments:	**188 457**	**137 541**	**147 025**	**156 069**
Surplus(shortfall)	**5 945**	**6 451**	**14 334**	**50 054**

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.

2. The table assesses the funding levels of the budget by firstly forecasting the cash and investments at year-end and secondly reconciling the available funding to the liabilities/commitments that exist.

3. As part of the budgeting and planning guidelines that informed the compilation of the 2025/26 MTREF, the end objective of the medium-term framework was to ensure the budget is funded as required in accordance with section 18 of the MFMA.

4. It is to be noted that the budget moves from a funding surplus of R 6,451 million in 2025/26 to a funding surplus of R 50,054 million in 2027/28.

Table 16 (Table A9 - Asset Management)

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	**Adjusted Budget**	**Budget Year 2025/26**	**Budget Year 2026/27**	**Budget Year 2027/28**
CAPITAL EXPENDITURE				
Total New Assets	**99 319**	**218 101**	**34 780**	**27 463**
Roads Infrastructure	21 983	165 652	10 337	4 985
Storm water Infrastructure	–	–	–	–
Electrical Infrastructure	2 945	37 817	10 920	13 826
Water Supply Infrastructure	16 463	1 795	100	20
Sanitation Infrastructure	718	870	6 500	1 500
Infrastructure	***42 110***	***206 134***	***27 857***	***20 331***
Community Facilities	1 400	–	–	–
Community Assets	***1 400***	–	–	–
Computer Equipment	**2 280**	**2 050**	**2 500**	**2 000**
Furniture and Office Equipment	**1 032**	–	–	–
Machinery and Equipment	**100**	**50**	–	–
Transport Assets	**52 397**	**5 168**	**2 922**	**5 132**
Land	–	**4 700**	**1 500**	–
Total Renewal of Existing Assets	**15 771**	**2 370**	**12 623**	**2 724**
Storm water Infrastructure	10 591	–	–	–
Electrical Infrastructure	5 000	–	–	–
Water Supply Infrastructure	180	2 313	10 837	36
Sanitation Infrastructure	–	57	1 786	2 688
Infrastructure	***15 771***	***2 370***	***12 623***	***2 724***
Total Upgrading of Existing Assets	**144 663**	**44 991**	**39 277**	**35 295**
Roads Infrastructure	8 602	1 000	–	–
Storm water Infrastructure	424	–	–	–
Electrical Infrastructure	28 323	11 300	10 000	10 000
Water Supply Infrastructure	57 046	14 181	11 780	–
Sanitation Infrastructure	48 525	17 336	8 263	25 295
Infrastructure	***142 919***	***43 817***	***30 044***	***35 295***
Community Facilities	–	1 000	–	–
Sport and Recreation Facilities	1 744	174	9 233	–
Community Assets	***1 744***	***1 174***	***9 233***	–

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
Total Capital Expenditure	**259 754**	**265 462**	**86 679**	**65 482**
Roads Infrastructure	30 585	166 652	10 337	4 985
Storm water Infrastructure	11 016	–	–	–
Electrical Infrastructure	36 268	49 117	20 920	23 826
Water Supply Infrastructure	73 689	18 289	22 717	56
Sanitation Infrastructure	49 242	18 263	16 549	29 483
Infrastructure	***200 800***	***252 321***	***70 524***	***58 350***
Community Facilities	1 400	1 000	–	–
Sport and Recreation Facilities	1 744	174	9 233	–
Community Assets	***3 144***	***1 174***	***9 233***	**–**
Computer Equipment	**2 280**	**2 050**	**2 500**	**2 000**
Furniture and Office Equipment	**1 032**	**–**	**–**	**–**
Machinery and Equipment	**100**	**50**	**–**	**–**
Transport Assets	**52 397**	**5 168**	**2 922**	**5 132**
Land	**–**	**4 700**	**1 500**	**–**
TOTAL CAPITAL EXPENDITURE - Asset class	**259 754**	**265 462**	**86 679**	**65 482**
ASSET REGISTER SUMMARY - PPE (WDV)	2 454 784	2 577 825	2 518 421	2 441 929
Roads Infrastructure	512 770	483 751	602 189	508 068
Storm water Infrastructure	50 504	50 079	50 079	49 789
Electrical Infrastructure	182 336	182 312	156 950	156 049
Water Supply Infrastructure	395 760	623 057	621 602	664 200
Sanitation Infrastructure	409 423	366 652	365 599	363 215
Solid Waste Infrastructure	13 699	11 048	11 048	11 048
Infrastructure	***1 564 491***	***1 716 899***	***1 807 468***	***1 752 370***
Community Assets	54 187	98 525	98 525	98 525
Investment properties	250 794	250 794	250 794	250 794
Other Assets	241 641	222 179	67 787	48 814
Intangible Assets	419	419	419	419
Computer Equipment	5 356	524	10 974	10 474
Furniture and Office Equipment	(7 853)	1 141	405	342
Machinery and Equipment	5 597	5 913	5 643	5 499
Transport Assets	106 214	44 292	42 467	40 754
Land	233 939	237 139	233 939	233 939
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	**2 454 784**	**2 577 825**	**2 518 421**	**2 441 929**

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
EXPENDITURE OTHER ITEMS				
Depreciation	117 798	142 422	146 083	141 974
Repairs and Maintenance by Asset Class	**239 865**	**231 646**	**240 726**	**249 741**
Roads Infrastructure	55 109	30 189	31 597	31 843
Storm water Infrastructure	553	1 620	1 780	1 790
Electrical Infrastructure	35 060	38 638	40 005	41 443
Water Supply Infrastructure	34 277	36 498	38 301	40 054
Sanitation Infrastructure	44 191	55 160	58 749	62 617
Coastal Infrastructure	1 235	3 005	2 905	2 705
Infrastructure	***170 425***	***165 110***	***173 337***	***180 453***
Community Facilities	42 306	30 433	31 921	33 461
Sport and Recreation Facilities	1 340	4 200	1 800	1 300
Community Assets	***43 646***	***34 633***	***33 721***	***34 761***
Operational Buildings	4 143	3 494	3 485	3 515
Other Assets	***4 143***	***3 494***	***3 485***	***3 515***
Licences and Rights	–	165	175	180
Intangible Assets	**–**	***165***	***175***	***180***
Computer Equipment	**–**	**335**	**335**	**335**
Machinery and Equipment	**587**	**1 367**	**1 598**	**1 661**
Transport Assets	**21 063**	**26 543**	**28 075**	**28 836**
TOTAL EXPENDITURE OTHER ITEMS	**357 663**	**374 068**	**386 809**	**391 715**

Explanatory notes to Table A9 - Asset Management

1. The table provides a summarised version of the capital programme divided into new assets and renewal of existing assets; and reflects the relevant asset categories. The associated repairs and maintenance and depreciation are also reflected. It also provides an indication of the resources deployed for maintaining and renewing existing assets, as well as the extent of asset expansion.

2. National Treasury has suggested that municipalities should allocate at least 40% of their capital budget to the renewal/rehabilitation of existing assets, and allocations to repairs and maintenance should be 8% of PPE. In this regard the expenditure relating to the renewal/rehabilitation of existing assets amounts to 17.8% of the capital budget, whilst repairs and maintenance constitute 10.8% of PPE.

Table 17 (Table A10 - Basic Service Delivery Measurement)

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
Household service targets				
Water:				
Piped water inside dwelling	–	–	–	–
Piped water inside yard (but not in dwelling)	–	–	–	–
Using public tap (at least min.service level)	–	–	–	–
Other water supply (at least min.service level)	–	–	–	–
Minimum Service Level and Above sub-total	–	–	–	–
Using public tap (< min.service level)	–	–	–	–
Other water supply (< min.service level)	–	–	–	–
No water supply	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–
Total number of households	**–**	**–**	**–**	**–**
Sanitation/sewerage:				
Flush toilet (connected to sewerage)	–	–	–	–
Flush toilet (with septic tank)	–	–	–	–
Chemical toilet	–	–	–	–
Pit toilet (ventilated)	–	–	–	–
Other toilet provisions (> min.service level)	–	–	–	–
Minimum Service Level and Above sub-total	–	–	–	–
Bucket toilet	–	–	–	–
Other toilet provisions (< min.service level)	–	–	–	–
No toilet provisions	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–
Total number of households	**–**	**–**	**–**	**–**
Energy:				
Electricity (at least min.service level)	–	–	–	–
Electricity - prepaid (min.service level)	–	–	–	–
Minimum Service Level and Above sub-total	–	–	–	–
Electricity (< min.service level)	–	–	–	–
Electricity - prepaid (< min. service level)	–	–	–	–
Other energy sources	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–
Total number of households	**–**	**–**	**–**	**–**

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
Refuse:				
Removed at least once a week	–	–	–	–
Minimum Service Level and Above sub-total	–	–	–	–
Removed less frequently than once a week	–	–	–	–
Using communal refuse dump	–	–	–	–
Using own refuse dump	–	–	–	–
Other rubbish disposal	–	–	–	–
No rubbish disposal	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–
Total number of households	**–**	**–**	**–**	**–**
Households receiving Free Basic Service				
Water (6 kilolitres per household per month)	21 487 061	22 969 668	24 554 575	26 248 841
Sanitation (free minimum level service)	13 673 095	14 616 538	15 625 079	16 703 210
Electricity/other energy (50kwh per household per month)	1 989 710	2 243 199	2 363 434	2 509 731
Refuse (removed at least once a week)	24 269 252	25 846 752	27 526 792	29 316 033
Informal Settlements	–	–	–	–
Cost of Free Basic Services provided - Formal Settlements (R'000)				
Water (6 kilolitres per **indigent** household per month)	21 487	22 970	24 555	26 249
Sanitation (free sanitation service to **indigent households**)	13 673	14 617	15 625	16 703
Electricity/other energy (50kwh per **indigent** household per month)	1 990	2 243	2 363	2 510
Refuse (removed once a week **for indigent households**)	24 269	25 847	27 527	29 316
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)	–	–	–	–
Total cost of FBS provided	**61 419**	**65 676**	**70 070**	**74 778**
Highest level of free service provided per household				
Property rates (R value threshold)	–	–	–	–
Water (kilolitres per household per month)	–	–	–	–
Sanitation (kilolitres per household per month)	–	–	–	–
Sanitation (Rand per household per month)	–	–	–	–
Electricity (kwh per household per month)	–	–	–	–
Refuse (average litres per week)	–	–	–	–
Revenue cost of subsidised services provided (R'000)				
Property rates **(tariff adjustment)** (**impermissable values per section 17 of MPRA**)	–	–	–	–
Property rates exemptions, reductions and rebates **and impermissable values in excess of section 17 of MPRA)**	353	4 207	4 459	4 727
Water **(in excess of 6 kilolitres per indigent household per month)**	–	–	–	–
Sanitation **(in excess of free sanitation service to indigent households)**	–	–	–	–
Electricity/other energy **(in excess of 50 kwh per indigent household per month)**	–	–	–	–
Refuse **(in excess of one removal a week for indigent households)**	–	–	–	–
Municipal Housing - rental rebates	–	–	–	–
Housing - top structure subsidies	–	–	–	–
Other	–	–	–	–
Total revenue cost of subsidised services provided	**353**	**4 207**	**4 459**	**4 727**

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

PART 2 – SUPPORTING DOCUMENTATION

2.1 OVERVIEW OF ANNUAL BUDGET PROCESS

The Budget process started in September 2024 after the approval of a timetable to guide the preparation of the 2025/26 to 2027/28 Operating and Capital Budgets.

The timetable provides broad timeframes for the IDP and Budget preparation process. It allows for consultation with stakeholders, such as the elected public representatives, employees of the Municipality, Civil Society, State departments, business, and labour, during April/May 2025. The main aim of the timetable is to ensure that an IDP and a balanced Budget are tabled in May 2025. The Budget and IDP will be tabled by the Executive Mayor at a Council meeting scheduled for 29 May 2025. After this meeting, it will be submitted to National and Provincial Treasury.

The budget consultation process had taken the form of series of public meetings in the various wards under the direction and leadership of the Executive Mayor and his Mayoral Committee. The inputs of the consultations of the aforementioned consultations were taken into consideration, whilst the Executive Mayor will table the IDP and Budget for consideration and approval at a Council meeting to be held on 29 May 2025.

The Service Delivery and Budget Implementation Plan is the mechanism that ensures that the IDP and the Budget is aligned.

2.1.1 IDP & Budget Timetable 2025/26 to 2027/28

The preparation of the 2025/26 to 2027/28 IDP and Budget were guided by the following schedule of key deadlines as approved by Council on 28 August 2024.

Activity	Date
IDP/Budget Schedule approved by Council	28 August 2024
Tabling of Draft IDP and Budget in Council	27 March 2025
Public Participation	During April and May 2025
Final adoption of IDP and Budget by Council	29 May 2025
Approval of SDBIP by Executive Mayor	26 June 2025

2.2 ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

The Integrated Development Plan (IDP) determines and prioritises the needs of the community.

The review of the IDP, in accordance with the Municipal Systems Act, was guided and informed by the following principles:

- Achievement of the five strategic priorities of the municipality.
- Focusing on service delivery backlogs and the maintenance of infrastructure.
- Addressing community priorities (needs) as identified in the IDP.

The review of the IDP focused on establishing measurable performance indicators and targets. These targets informed the preparation of the multi-year budget, as well as the Service Delivery and Budget Implementation Plan (SDBIP).

The 2025/26 to 2027/28 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- Municipal transformation and development
- Service delivery and infrastructure development.
- Local economic development
- Financial sustainability and viability
- Good governance and public participation

The budget consultation process took the form of a series of meetings held throughout the municipal area with the elected public representatives, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments on how the budget addresses the IDP priorities and objectives. The feedback flowing from these meetings was referred to the relevant Directorates for their attention.

2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Description of financial indicator	Basis of calculation	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
Borrowing Management					
Credit Rating					
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1,8%	2,7%	3,5%	3,1%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	2,3%	3,4%	4.3%	3,8%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	337,6%	242,9%	0,0%	0,0%
Safety of Capital					
Gearing	Long Term Borrowing/ Funds & Reserves	0,0%	0,0%	0,0%	0,0%
Liquidity					
Current Ratio	Current assets/current liabilities	1,1	0,9	1,0	1,1
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1,1	0,9	1,0	1,1
Liquidity Ratio	Monetary Assets/Current Liabilities	0,7	0,5	0,5	0,7
Revenue Management					
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	0,0%	0,0%	0,0%	0,0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		95,0%	95,0%	95,0%	95,0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	22,9%	21,3%	20,2%	19,0%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old				
Creditors Management					
Creditors System Efficiency	% of Creditors Paid Within Terms (within`MFMA' s 65(e))				
Creditors to Cash and Investments		73,5%	99,5%	88,8%	69,5%

Description of financial indicator	Basis of calculation	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
Other Indicators					
Electricity Distribution Losses (2)	Total Volume Losses (kW) technical				
	Total Volume Losses (kW) non technical				
	Total Cost of Losses (Rand '000)				
	% Volume (units purchased and generated less units sold)/units purchased and generated				
Water Volumes :System input	Bulk Purchase				
	Water treatment works				
	Natural sources				
Water Distribution Losses (2)	Total Volume Losses (kℓ)				
	Total Cost of Losses (Rand '000)				
	% Volume (units purchased and generated less units sold)/units purchased and generated				
Employee costs	Employee costs/(Total Revenue - capital revenue)	35,2%	35,8%	35,7%	35,4%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	36,4%	36,9%	36,7%	36,4%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	17,6%	15,8%	15,5%	15,2%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	9,6%	11,1%	11,1%	10,0%
IDP regulation financial viability indicators	-				
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	–	–	–	–
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	8,6%	8,0%	7,5%	7,1%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	1,7	1,1	1,2	1,5

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure may be funded from capital grants, internal sources, and long-term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. The following financial performance indicators formed part of the compilation of the 2025/26 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing, compared to the total operating expenditure. The cost of borrowing amounts to 2.7% of total operating expenditure over the 2025/26 MTREF.
-

2.3.1.2 Liquidity

- The *current ratio* is a measure of the current assets divided by the current liabilities. The Municipality has set a benchmark limit of 1. For the 2025/26 MTREF, the current ratio is 0.9 in the 2025/26, 1.0 in the 2026/27 and 1.1 in the 2027/28 financial years.

- *The liquidity ratio* is a measure of the municipality's ability to utilize cash and cash equivalents to meet its current liabilities. A liquidity ratio of 1 should be maintained. For 2025/26 MTREF, the liquidity ratio is at 0,5:1. This represents a significant risk for the Municipality, as any under collection of revenue will result in financial challenges for the Municipality. As part of the medium-term financial planning objectives, this ratio must be maintained at a minimum of 1.

2.3.2 Basic social services package for indigent households

The Constitution stipulates that a municipality must structure and manage its administration, budgeting and planning to give priority to the basic needs of the community and to promote their social and economic development. The basic social package is an affirmation of the Municipality's commitment to push back the frontiers of poverty by providing social welfare to those residents who cannot afford to pay, because of adverse social and economic conditions.

2.4 OVERVIEW OF BUDGET RELATED POLICIES

The MFMA and the Budget and Reporting Regulations require budget-related policies to be reviewed, and where applicable, be updated on an annual basis.

2.4.1 Financial Management Policies

Several policies have been adopted by the Council. The policies govern the financial management functions of the Municipality, such as supply chain management, budget virements, credit control and debt collection, etc.

2.4.2 The following budget-related policies were reviewed and submitted to Council for adoption.

- Customer Care, Credit Control and Debt Collection Policy.
- Property Rates Policy.
- Funding and Reserves Policy.
- Budget Virement Policy.
- Budget Implementation and Management Policy.
- Indigent Policy.
- Asset Management Policy.

the 2025/26 MTREF has been prepared on the basis of achieving an average revenue collection rate of 95% of current billings.

2.4.3 Supply Chain Management Policy

A revised Supply Chain Management Policy was adopted by Council on 31 May 2024.

2.4.4 Cost Containment Policy

The Cost Containment Policy was reviewed and adopted by Council on 31 May 2024.

2.4.5 Cash Management and Investment Policy

A revised Cash Management and Investment Policy was adopted by Council on 31 May 2024.

2.4.6 Borrowing Policy

A revised Borrowing Policy was adopted by Council on 31 May 2024.

2.4.7 Unallocated Revenue and Building Deposit Policy

A revised Unallocated Revenue and Building Deposit Policy was adopted by the Council on 31 May 2024.

2.4.8 Tariff Policy

A revised Tariffs Policy was adopted by the Council on 31 May 2024.

2.4.9 Preferential Procurement Policy Framework

A revised Preferential Procurement Policy Framework was adopted by the Council on 31 May 2024.

2.5 OVERVIEW OF BUDGET ASSUMPTIONS

The municipal fiscal environment is influenced by a variety of macro-economic control measures. National Treasury provides guidelines on the ceiling of year-on-year increases in the total Operating Budget, whilst the National Electricity Regulator of South Africa (NERSA) regulates bulk electricity tariff increases. The Municipality's employee related costs are also influenced by collective agreements concluded in the South African Local Government Bargaining Council. Various government departments also affect municipal service delivery through the level of grants and subsidies.

The following principles and guidelines directly informed the compilation of the Budget:

- The priorities and targets, relating to the key strategic focus areas, as outlined in the IDP.
- The need to enhance the municipality's revenue base.
- The level of property rates and tariff increases to consider the need to address maintenance and infrastructural backlogs, including the expansion of services.
- The level of property rates and tariff increases to ensure the delivery of services on a financially sustainable basis.
- No loan funding is available to support the Capital Budget at this stage.
- No growth in revenue sources has been provided for in view of current consumption trends in municipal services.
- No growth in property rates income has been provided for, in view of the depressed property market.

The Municipality faced the following significant challenges in preparing the 2025/26 – 2027/28 Budget:

- Maintaining an acceptable employee-related cost ratio.
- Increased costs associated with bulk electricity and water purchases, placing upward pressure on municipal tariff increases.
- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure.
- Maintaining electricity and water losses at acceptable levels.
- Maintaining revenue collection rates at the targeted levels; and
- Maintaining an acceptable cost coverage ratio.

The multi-year budget is therefore underpinned by the following assumptions:

	2025/26	2026/27	2027/28
Income	%	%	%
Tariff Increases for water	6.9	6.9	6.9
Tariff Increases for sanitation	6.9	6.9	6.9
Tariff Increases for refuse	6.5	6.5	6.5
Property rates increase	6	6	6
Electricity tariff increase (on average)	12.74	5.36	6.19
Environmental Management Fee increase	6.5	6.5	6.5
Revenue collection rates (Property Rates and Service Charges)	95	95	95
Expenditure increases allowed	4.4	4.5	2.5
Salary increases	9.5	5.3	5.0
Increase in bulk purchase of electricity costs (NERSA approval)	11.32	5.36	6.19
Increase in bulk purchase of water costs	23.3	7	7

2.6 OVERVIEW OF BUDGET FUNDING

2.6.1 Medium-term outlook: operating revenue

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

Table 18 (Breakdown of the operating revenue over the medium-term)

The following graph is a breakdown of the operational revenue per main category for the 2025/26 financial year.

Description	Current Year 2024/25		2025/26 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2025/26	%	Budget Year 2026/27	%	Budget Year 2027/28	%
Revenue								
Property rates	298 309	21,90%	304 484	20,73%	322 753	20,82%	342 118	20,83%
Service charges	701 777	51,52%	761 356	51,84%	806 342	52,01%	858 180	52,25%
Transfer and subsidies - Operational	210 720	15,47%	214 766	14,62%	223 052	14,39%	233 048	14,19%
Other revebue	151 280	11,11%	188 081	12,81%	198 290	12,79%	209 216	12,74%
Total Revenue (excluding capital transfers and contributions)	**1 362 086**	**100,00%**	**1 468 686**	**100,00%**	**1 550 436**	**100,00%**	**1 642 562**	**100,00%**

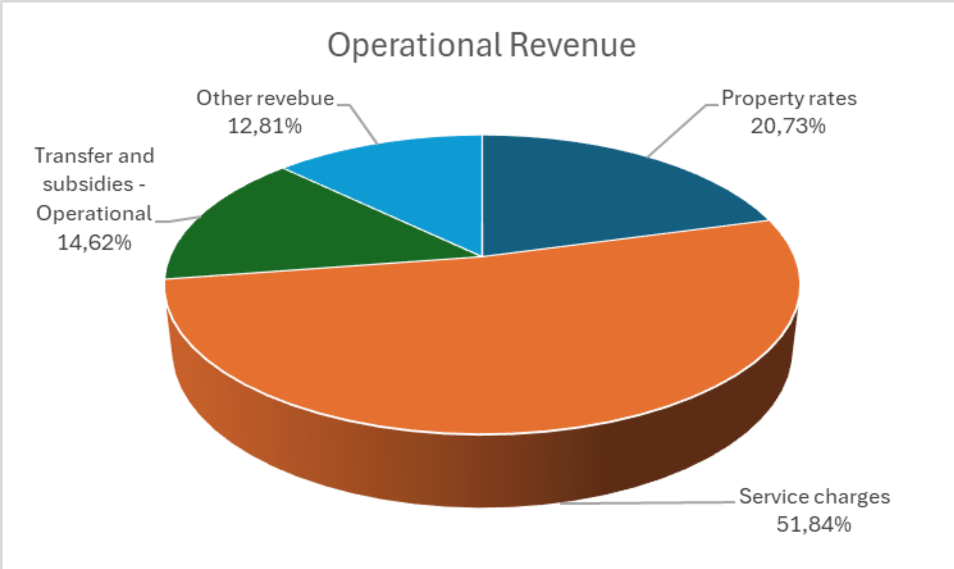

Figure 3 Breakdown of operating revenue over the 2025/26 MTRE

Tariff determination is important in ensuring appropriate levels of revenue, to achieve a credible and funded budget. Operating revenue is mainly derived from service charges, such as water, electricity, sanitation and refuse collection and disposal, property rates and operating grants.

The revenue management strategy includes the following key components:

- National Treasury's guidelines in this regard.
- The Property Rates Policy.
- The level of property rates and tariffs increases must ensure financially sustainable service delivery.
- The level of property rates and tariff increases to consider maintenance and replacement of infrastructure, including the expansion of services.
- Determining fully cost reflective tariffs for trading services.
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA).
- Water bulk tariff increases as approved by the Nelson Mandela Bay Metropolitan Municipality.
- Efficient revenue management, targeting a 95% annual collection rate for property rates and service charges.
- Growth in the revenue base.

The principles guided the annual increases in property rates and tariffs charged to the consumer.

Property rates amount to R 304,484 million in the 2025/26 financial year and increase to R 342,118 million in 2027/28, representing 20.73% of the total operating revenue for the 2025/26 budget.

Services charges relating to electricity, water, sanitation and refuse collection constitute the largest component of the revenue base, amounting to R 761,356 million in the 2025/26 financial year and increasing to R 858,180 million in 2027/28. For the 2025/26 financial year, services charges amount to 51.84% of the total revenue base.

Operational grants and subsidies amount to R 214,766 million, R 223,052 million and R 233,048 million for each of the respective financial years of the MTREF, or 14.62% of total operating revenue for 2025/26.

The table below provides investment particulars by type.

Table 19 (SA15 – Detail Investment Information)

Investment type	Current Year 2024/25	2024/25 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
R thousand				
Parent municipality				
Securities - National Government				
Listed Corporate Bonds				
Deposits - Bank	194 402	143 991	161 359	206 124
Deposits - Public Investment Commissioners				
Deposits - Corporation for Public Deposits				
Bankers' Acceptance Certificates				
Negotiable Certificates of Deposit - Banks				
Guaranteed Endowment Policies (sinking)				
Repurchase Agreements - Banks				
Municipal Bonds				
Municipality sub-total	**194 402**	**143 991**	**161 359**	**206 124**
Entities				
Securities - National Government				
Listed Corporate Bonds				
Deposits - Bank				
Deposits - Public Investment Commissioners				
Deposits - Corporation for Public Deposits				
Bankers' Acceptance Certificates				
Negotiable Certificates of Deposit - Banks				
Guaranteed Endowment Policies (sinking)				
Repurchase Agreements - Banks				
Entities sub-total	–	–	–	–
Consolidated total:	**194 402**	**143 991**	**161 359**	**206 124**

Investments are anticipated to increase from R 194 402 million in 2025/26 to R 206 124 million in 2027/28.

2.6.2 Medium-term outlook: capital revenue

The following table provides a breakdown of the funding components of the 2025/26 medium-term capital programme:

Table 20 (Sources of capital revenue over the MTREF)

Vote Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
Funded by:				
National Government	70 927	44 639	52 116	50 535
Provincial Government	85 073	26 087	17 391	–
District Municipality	1 391	1 391	1 391	1 391
Transfers recognised - capital	**157 391**	**72 117**	**70 899**	**51 926**
Public contributions & donations				
Borrowing	72 745	152 174	–	–
Internally generated funds	29 618	41 172	15 780	13 556
Total Capital Funding	**259 754**	**265 462**	**86 679**	**65 482**

The above table is graphically represented as follows for the 2025/26 financial year.

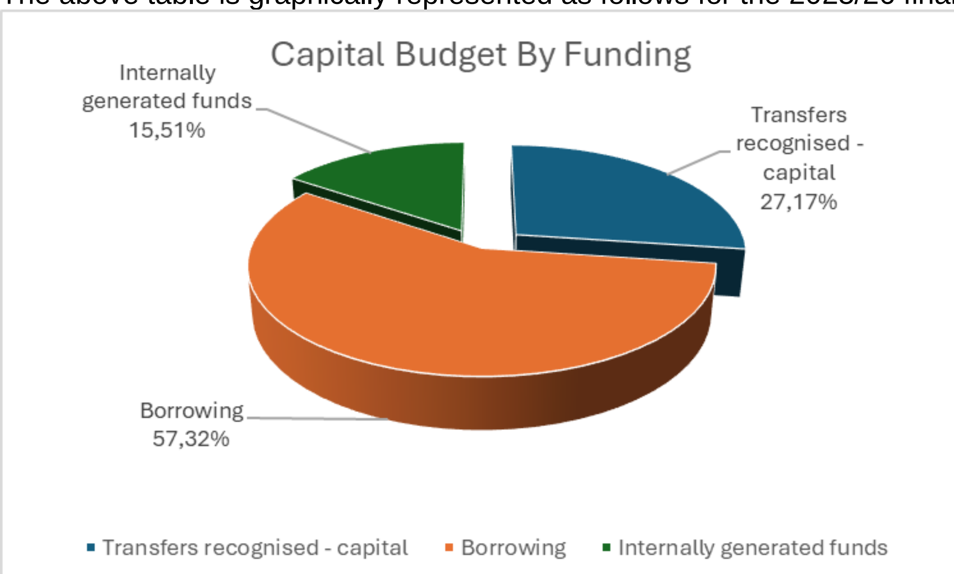

Figure 4 Sources of Capital Revenue for the 2025/26 financial year

Capital Grants constitute 27.17% of the total funding sources, amounting to R 72,117 million, borrowings constitute 57.32% of the funding sources, amounting to R 152,174 million and the internally generated funds constitute 15.51%, amounting to R 41,172 million for the 2025/26 financial year.

The following table indicates capital transfers and grant receipts:
Table 21 (Table SA 18 - Transfers and grant receipts)

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
RECEIPTS:				
-				
Operating Transfers and Grants				
National Government:	**197 704**	**209 308**	**217 481**	**227 477**
Operational Revenue: General Revenue: Equitable Share	192 664	203 533	213 418	223 037
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	1 495	2 081	–	–
Local Government Financial Management Grant [Schedule 5B]	1 723	1 785	2 001	2 289
Municipal Infrastructure Grant [Schedule 5B]	1 822	1 909	2 062	2 151
Provincial Government:	**9 952**	**2 955**	**2 955**	**2 955**
Sports and Recreation	2 955	2 955	2 955	2 955
Housing	6 997	–	–	–
District Municipality:	**2 393**	**2 503**	**2 616**	**2 616**
Environmental Health Subsidy	2 393	2 503	2 616	2 616
Other Grant Providers:	**50**	**–**	**–**	**–**
Departmental Agencies and Accounts	50	–	–	–
Total Operating Transfers and Grants	**210 099**	**214 766**	**223 052**	**233 048**
Capital Transfers and Grants				
National Government:	**63 331**	**51 334**	**59 934**	**58 115**
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	2 586	5 440	7 558	7 900
Municipal Infrastructure Grant [Schedule 5B]	34 624	36 265	39 180	40 871
Municipal Disaster Recovery Grant [Schedule 4B]	12 180	–	–	–
Water Services Infrastructure Grant [Schedule 5B]	13 941	9 629	13 196	9 344
Provincial Government:	**74 194**	**30 000**	**20 000**	**–**
Infrastructure	74 194	30 000	20 000	–
District Municipality:	**1 600**	**1 600**	**1 600**	**1 600**
Fire Services	1 600	1 600	1 600	1 600
Total Capital Transfers and Grants	**139 125**	**82 934**	**81 534**	**59 715**
TOTAL RECEIPTS OF TRANSFERS & GRANTS	**349 224**	**297 700**	**304 586**	**292 763**

2.6.3 Cash Flow Management

Cash flow management and forecasting are critical steps in determining whether the budget is funded over the medium term. The table includes some specific features:

- Clear separation of receipts and payments within each cash flow category.
- Clear separation of capital and operating receipts from government; and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long-term borrowing (debt).

Table 22 (Table A7 - Budgeted cash flow statement)

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	**Adjusted Budget**	**Budget Year 2025/26**	**Budget Year 2026/27**	**Budget Year 2027/28**
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	288 628	294 809	312 497	331 247
Service charges	823 774	908 343	962 412	1 024 456
Other revenue	116 169	127 258	106 083	103 166
Transfers and Subsidies - Operational	210 720	214 766	223 052	233 048
Transfers and Subsidies - Capital	139 125	82 934	81 534	59 715
Interest	15 498	16 273	17 086	17 941
Dividends	–	–	–	–
Payments				
Suppliers and employees	(1 407 663)	(1 485 124)	(1 540 030)	(1 605 051)
Interest	(11 097)	(19 267)	(25 693)	(21 381)
Transfers and Subsidies	(400)	(950)	(950)	(950)
NET CASH FROM/(USED) OPERATING ACTIVITIES	**174 756**	**139 042**	**135 991**	**142 190**
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	–	–	–	–
Decrease (increase) in non-current receivables	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–
Payments				
Capital assets	(208 748)	(265 462)	(86 679)	(65 482)
NET CASH FROM/(USED) OPERATING ACTIVITIES	**(208 748)**	**(265 462)**	**(86 679)**	**(65 482)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	–	–	–	–
Borrowing long term/refinancing	100 000	100 000	–	–
Increase (decrease) in consumer deposits	–	–	–	–
Payments				
Repayment of borrowing	(15 264)	(23 990)	(31 944)	(31 944)
NET CASH FROM/(USED) FINANCING ACTIVITIES	**84 736**	**76 010**	**(31 944)**	**(31 944)**
NET INCREASE/ (DECREASE) IN CASH HELD	**50 743**	**(50 411)**	**17 368**	**44 764**
Cash/cash equivalents at the year begin:	143 659	**194 402**	**143 991**	**161 359**
Cash/cash equivalents at the year end:	**194 402**	**143 991**	**161 359**	**206 124**

For the 2025/26 MTREF, the cash and cash equivalents over the medium-term is anticipated to increase from R 143,991 million in 2025/26 million to R 206,124 million in 2027/28.

Table 23 (Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation)

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Cash and investments available				
Cash/cash equivalents at the year end	194 402	143 991	161 359	206 124
Other current investments > 90 days	–	–	–	–
Non-current Investments	–	–	–	–
Cash and investments available:	**194 402**	**143 991**	**161 359**	**206 124**
Application of cash and investments				
Trade payables from non-exchange transactions: Unspent conditional Grants	0	–	–	–
Unspent borrowing	75 000	–	–	–
Statutory requirements	1 917	1 917	1 917	1 917
Other working capital requirements	56 672	56 672	56 672	56 672
Other provisions	54 868	64 451	73 936	82 980
Long term investments committed	–	–	–	–
Reserves to be backed by cash/investments	–	14 500	14 500	14 500
Total Application of cash and investments:	**188 457**	**137 541**	**147 025**	**156 069**
Surplus(shortfall)	**5 945**	**6 451**	**14 334**	**50 054**

The purpose of Table A8 is to reflect the predicted cash and investments that are available at the end of a particular budget year and how these funds were used. A surplus would indicate that sufficient cash and investments were available to meet commitments, whilst a shortfall would indicate inadequate cash and investments were available to meet commitments.

The available cash and investments amount to R 143,991 million in the 2025/26 financial year and increases to R 206,124 million in 2027/28. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) – no unspent grant funding is anticipated over the 2025/26 MTREF.

- The main purpose of the other working capital requirements is to ensure that sufficient funds are available to meet commitments as and when they fall due. A key challenge is often the mismatch between the timing of receipts from debtors and payments due to employees and creditors. High levels of non-payment by debtors will result in a greater requirement for working capital, ultimately causing cash flow challenges.

- The current provision relates to the employee-benefits liability for the pensions, long-service awards and leave which have been provided for.

It is concluded that the Municipality’s cash backed, and accumulated surpluses reconciliation reflects surpluses of R 6,451 million, R 14,334 million and R 50,054 million for the 2025/26, 2026/27 and 2027/28 financial years, respectively.

It is to be noted that the 2025/26 MTREF is funded, when considering the funding requirements of section 18 and 19 of the MFMA. The cost coverage ratio is, 1.1 months, 1.2 months, and 1.5 months for the 2025/26, 2026/27 and 2027/28 financial years, respectively.

2.6.5 Funding Compliance Measurement

The National Treasury requires the Municipality to assess its financial sustainability against the different measures outlined below.

Description	MFMA section	Ref	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
			Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
Funding measures	-	-				
Cash/cash equivalents at the year end - R'000	18(1)b	1	194 402	143 991	161 359	206 124
Cash + investments at the yr end less applications - R'000	18(1)b	2	5 945	6 451	14 334	50 054
Cash year end/monthly employee/supplier payments	18(1)b	3	1,7	1,1	1,2	1,5
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	80 236	(29 497)	(37 788)	(27 038)
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	5,5%	0,6%	(0,1%)	0,3%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	95,0%	95,0%	95,0%	95,0%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	(10,8%)	6,1%	6,1%	6,0%
Capital payments % of capital expenditure	18(1)c;19	8	80,4%	100,0%	100,0%	100,0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	97,7%	51,7%	0,0%	0,0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10		100,0%	100,0%	100,0%
Current consumer debtors % change - incr(decr)	18(1)a	11	(18,4%)	0,0%	0,0%	0,0%
Long term receivables % change - incr(decr)	18(1)a	12	0,0%	0,0%	0,0%	0,0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	10,9%	10,0%	10,6%	11,4%
Asset renewal % of capital budget	20(1)(vi)	14	6,1%	0,9%	14,6%	4,2%

Below is a discussion of the different measures.

2.6.5.1 Cash/cash equivalent position.

The forecasted cash and cash equivalents for the 2025/26 MTREF amounts to R 143,991 million, R 161,359 million and R 206,124 million for the respective financial years.

2.6.5.2 Cash plus investments less application of funds.

For the 2025/26, 2026/27 and 2027/28 budgets, the available cash and investments exceed the application of funds by an amount of R 6.451 million, R 14,334 million and R 50,054 million, respectively.

2.6.5.3 Monthly average payments covered by cash or cash equivalents.

As part of the 2025/26 MTREF, the projected cash position causes the ratio to increase from 1.1 months to 1.5 months.

2.6.5.4 Surplus/deficit excluding depreciation offsets.

For the 2025/26 MTREF the indicative outcome is a deficit of R 29,497 million, R 37,788 million and R 27,038 million, respectively. This is made up as follows:

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	**Adjusted Budget**	**Budget Year 2025/26**	**Budget Year 2026/27**	**Budget Year 2027/28**
Revenue				
Surplus/(Deficit)	**(97 680)**	**(112 431)**	**(119 322)**	**(86 753)**
Transfers and subsidies - capital (monetary allocations)	177 916	82 934	81 534	59 715
Surplus/(Deficit) for the year	**80 236**	**(29 497)**	**(37 788)**	**(27 038)**

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective, and therefore the first two measures in the table are critical.

2.6.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

This is calculated by deducting the maximum macro-economic inflation target (which is currently 5.5%), to determine the real increase in revenue. The percentage growth totals 0.6%, -0.1% and 0.3% for the respective financial years of 2025/26 MTREF.

2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue.

The outcome is approximately 95.0% for the 2025/26 and 95.0% for the 2026/27 and 95.0% for the 2027/28 financial years.

2.6.5.7 Debt impairment expense as a percentage of billable revenue

The provision has been set at 5% for property rates and services, for 2025/26 and 5% for 2026/27 and 5% for the 2027/28 financial years, in line with the revenue collection trends.

2.6.5.8 Capital payments percentage of capital expenditure.

The purpose of this measure is to determine whether the timing of payments has been considered in forecasting the cash position.

2.6.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants, and contributions)

A budget provision of R 152,174 million for the rehabilitation of roads within Kouga has been made for the 2025/26 financial year.

2.6.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measure is mainly to ensure that all available transfers from national and provincial government have been budgeted for. All transfers are included in the budget.

2.6.5.11 Repairs and maintenance expenditure level

The expenditure constitutes 10.0%, 10.6% and 11.4% of Property, Plant and Equipment respectively, over the 2024/25 MTREF, whilst National Treasury has suggested an 8% level

2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

GRANTS RECEIVED

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
RECEIPTS:				
-				
Operating Transfers and Grants				
National Government:	**197 704**	**209 308**	**217 481**	**227 477**
Operational Revenue: General Revenue: Equitable Share	192 664	203 533	213 418	223 037
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	1 495	2 081	–	–
Local Government Financial Management Grant [Schedule 5B]	1 723	1 785	2 001	2 289
Municipal Infrastructure Grant [Schedule 5B]	1 822	1 909	2 062	2 151
Provincial Government:	**9 952**	**2 955**	**2 955**	**2 955**
Sports and Recreation	2 955	2 955	2 955	2 955
Housing	6 997	–	–	–
District Municipality:	**2 393**	**2 503**	**2 616**	**2 616**
Environmental Health Subsidy	2 393	2 503	2 616	2 616
Other Grant Providers:	**50**	**–**	**–**	**–**
Departmental Agencies and Accounts	50	–	–	–
Total Operating Transfers and Grants	**210 099**	**214 766**	**223 052**	**233 048**
Capital Transfers and Grants				
National Government:	**63 331**	**51 334**	**59 934**	**58 115**
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	2 586	5 440	7 558	7 900
Municipal Infrastructure Grant [Schedule 5B]	34 624	36 265	39 180	40 871
Municipal Disaster Recovery Grant [Schedule 4B]	12 180	–	–	–
Water Services Infrastructure Grant [Schedule 5B]	13 941	9 629	13 196	9 344
Provincial Government:	**74 194**	**30 000**	**20 000**	**–**
Infrastructure	74 194	30 000	20 000	–
District Municipality:	**1 600**	**1 600**	**1 600**	**1 600**
Fire Services	1 600	1 600	1 600	1 600
Total Capital Transfers and Grants	**139 125**	**82 934**	**81 534**	**59 715**
TOTAL RECEIPTS OF TRANSFERS & GRANTS	**349 224**	**297 700**	**304 586**	**292 763**

GRANTS EXPENDITURE

GRANTS RECONCILIATION

Description	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	**Adjusted Budget**	**Budget Year 2025/26**	**Budget Year 2026/27**	**Budget Year 2027/28**
EXPENDITURE:				
-				
Operating expenditure of Transfers and Grants				
National Government:	**197 704**	**209 308**	**217 481**	**227 477**
Operational Revenue: General Revenue: Equitable Share	192 664	203 533	213 418	223 037
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]	1 495	2 081	–	–
Local Government Financial Management Grant [Schedule 5B]	1 723	1 785	2 001	2 289
Municipal Infrastructure Grant [Schedule 5B]	1 822	1 909	2 062	2 151
Provincial Government:	**9 952**	**2 955**	**2 955**	**2 955**
Sports and Recreation	2 955	2 955	2 955	2 955
Housing	6 997	–	–	–
District Municipality:	**2 393**	**2 503**	**2 616**	**2 616**
Environmental Health Subsidy	2 393	2 503	2 616	2 616
Other Grant Providers:	**50**	**–**	**–**	**–**
Departmental Agencies and Accounts	50	–	–	–
Total Operating expenditure of Transfers and Grants	**210 099**	**214 766**	**223 052**	**233 048**
Capital expenditure of Transfers and Grants				
National Government:	**63 331**	**51 334**	**59 934**	**58 115**
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	2 586	5 440	7 558	7 900
Municipal Infrastructure Grant [Schedule 5B]	34 624	36 265	39 180	40 871
Municipal Disaster Recovery Grant [Schedule 4B]	12 180	–	–	–
Water Services Infrastructure Grant [Schedule 5B]	13 941	9 629	13 196	9 344
Provincial Government:	**74 194**	**30 000**	**20 000**	**–**
Infrastructure	74 194	30 000	20 000	–
District Municipality:	**1 600**	**1 600**	**1 600**	**1 600**
Fire Services	1 600	1 600	1 600	1 600
Total Capital expenditure of Transfers and Grants	**139 125**	**82 934**	**81 534**	**59 715**
TOTAL EXPENDITURE OF TRANSFERS & GRANTS	**349 224**	**297 700**	**304 586**	**292 763**

2.8 ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

The table below reflects the grants and allocations made by the Municipality. It includes grants-in-aid made in accordance with the Municipality's grants-in-aid policy and transfers to entities and other organisations to primarily support their operational expenditure.

ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

Description	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
Cash Transfers to Entities/Other External Mechanisms				
Various Organisations	*400*	*950*	*950*	*950*
Total Cash Transfers to Entities/Ems'	***400***	***950***	***950***	***950***
TOTAL CASH TRANSFERS AND GRANTS	***400***	***950***	***950***	***950***
TOTAL TRANSFERS AND GRANTS	***400***	***950***	***950***	***950***

2.9 COUNCILLORS AND EMPLOYEE BENEFITS

DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

Summary of Employee and Councillor remuneration	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
Councillors (Political Office Bearers plus Other)				
Basic Salaries and Wages	10 414	10 879	11 151	11 429
Motor Vehicle Allowance	3 503	3 626	3 717	3 810
Cellphone Allowance	1 678	1 483	1 520	1 558
Sub Total - Councillors	**15 594**	**15 988**	**16 387**	**16 797**
Senior Managers of the Municipality				
Basic Salaries and Wages	9 681	9 436	9 932	10 453
Pension and UIF Contributions	123	11	11	12
Medical Aid Contributions	56	–	–	–
Performance Bonus	1 798	395	416	438
Motor Vehicle Allowance	2 196	655	690	726
Cellphone Allowance	11	–	–	–
Sub Total - Senior Managers of Municipality	**13 870**	**10 498**	**11 049**	**11 629**
Other Municipal Staff				
Basic Salaries and Wages	302 903	309 705	326 012	343 198
Pension and UIF Contributions	40 624	52 636	55 400	58 310
Medical Aid Contributions	20 842	28 847	30 361	31 955
Overtime	20 500	27 276	28 708	30 215
Performance Bonus	20 209	24 407	25 688	27 037
Motor Vehicle Allowance	12 182	13 359	14 061	14 799
Cellphone Allowance	59	–	–	–
Housing Allowances	1 467	951	1 001	1 053
Other benefits and allowances	19 051	28 803	30 315	31 907
Long service awards	–	1 583	1 666	1 753
Post-retirement benefit obligations	18 361	24 085	25 755	25 853
Acting and post related allowance	9 642	3 111	3 274	3 446
Sub Total - Other Municipal Staff	**465 841**	**514 763**	**542 242**	**569 526**
Total Parent Municipality	**495 305**	**541 249**	**569 678**	**597 952**
TOTAL SALARY, ALLOWANCES & BENEFITS	**495 305**	**541 249**	**569 678**	**597 952**
TOTAL MANAGERS AND STAFF	**479 710**	**525 261**	**553 291**	**581 155**

2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

MONTHLY CASH FLOWS	Budget Year 2025/26												Medium Term Revenue and Expenditure Framework
R thousand	**July**	**August**	**Sept.**	**October**	**November**	**December**	**January**	**February**	**March**	**April**	**May**	**June**	**Budget Year 2025/26**
Cash Receipts By Source													
Property rates	35 171	16 630	18 009	17 810	47 530	47 549	18 108	18 713	18 417	19 524	18 323	19 026	294 809
Service charges - electricity revenue	56 040	37 900	55 686	42 779	45 572	95 343	19 962	39 534	42 300	45 363	45 623	18 205	544 308
Service charges - water revenue	18 205	7 018	15 204	16 300	13 529	14 762	21 591	14 610	18 464	19 842	18 583	6 679	184 788
Service charges - sanitation revenue	9 495	7 963	7 563	7 453	7 744	7 412	8 752	7 717	10 019	8 404	10 453	5 305	98 279
Service charges - refuse revenue	8 509	6 587	6 679	6 592	6 604	6 574	6 591	6 573	6 570	6 586	6 568	6 533	80 968
Rental of facilities and equipment	211	180	180	224	208	744	617	288	380	320	272	198	3 821
Interest earned - external investments	401	480	654	621	871	609	2 753	1 208	1 757	2 587	2 307	2 025	16 273
Fines, penalties and forfeits	16	19	22	18	77	102	71	14	102	59	93	39	633
Licences and permits	4 740	2 705	1 885	2 027	1 857	1 479	3 785	2 272	1 280	836	1 407	1 114	25 386
Agency services	380	380	380	380	380	380	380	380	380	380	380	380	4 554
Transfers and Subsidies - Operational	68 393	5 238	1 103		1 124	68 393		1 124	69 390			0	214 766
Other revenue	4 538	11 949	2 652	6 980	11 829	5 740	5 482	8 305	6 933	3 611	2 186	22 661	92 865
Cash Receipts by Source	**206 098**	**97 049**	**110 015**	**101 184**	**137 324**	**249 088**	**88 091**	**100 737**	**175 991**	**107 511**	**106 196**	**82 165**	**1 561 448**
Other Cash Flows by Source													
Transfers and subsidies - capital (monetary allocations)	13 471	4 397	13 471		11 397	13 471		4 397	22 331			(0)	82 934
Borrowing long term/refinancing									100 000			–	100 000
Total Cash Receipts by Source	**219 569**	**101 445**	**123 486**	**101 184**	**148 721**	**262 559**	**88 091**	**105 134**	**298 322**	**107 511**	**106 196**	**82 165**	**1 744 382**

MONTHLY CASH FLOWS	Budget Year 2025/26												Medium Term Revenue and Expenditure Framework
R thousand	**July**	**August**	**Sept.**	**October**	**November**	**December**	**January**	**February**	**March**	**April**	**May**	**June**	**Budget Year 2025/26**
Cash Payments by Type													
Employee related costs	(37 187)	(37 187)	(37 187)	(37 187)	(65 187)	(37 187)	(37 187)	(37 187)	(37 187)	(37 187)	(37 187)	(65 881)	(502 937)
Remuneration of councillors	(1 332)	(1 332)	(1 332)	(1 332)	(1 332)	(1 332)	(1 332)	(1 332)	(1 332)	(1 332)	(1 332)	(1 332)	(15 988)
Finance charges	(298)	(298)	(3 015)	(298)	(298)	(2 957)	(298)	(298)	(2 843)	(298)	(298)	(8 070)	(19 267)
Bulk purchases - Electricity	(57 472)	(57 322)	(47 681)	(37 858)	(37 174)	(37 137)	(39 240)	(37 188)	(33 778)	(36 625)	(34 541)	(51 147)	(507 161)
Other materials	(3 669)	(13 764)	(3 111)	(22 831)	(5 650)	(5 946)	(3 085)	(11 924)	(9 749)	(8 305)	(8 605)	(6 197)	(102 836)
Contracted services	(2 438)	(6 064)	(9 370)	(14 097)	(14 604)	(13 203)	(8 469)	(10 582)	(11 490)	(17 604)	(20 424)	(30 870)	(159 214)
Transfers and grants - other					(400)			(550)				–	(950)
Other expenditure	(6 757)	(11 450)	(28 942)	(10 503)	(18 436)	(14 326)	(12 900)	(11 679)	(16 478)	(13 675)	(16 690)	(35 151)	(196 988)
Cash Payments by Type	**(109 153)**	**(127 417)**	**(130 638)**	**(124 106)**	**(143 080)**	**(112 089)**	**(102 510)**	**(110 740)**	**(112 858)**	**(115 026)**	**(119 076)**	**(198 649)**	**(1 505 341)**
Other Cash Flows/Payments by Type													
Capital assets	(1 337)	(33 107)	(7 079)	(28 575)	(18 943)	(28 700)	(5 106)	(41 494)	(24 164)	(44 151)	(14 771)	(18 034)	(265 462)
Repayment of borrowing	(1 115)	(1 115)	(3 199)	(1 115)	(1 115)	(3 199)	(1 115)	(1 115)	(3 199)	(1 115)	(1 115)	(5 471)	(23 990)
Total Cash Payments by Type	**(111 605)**	**(161 639)**	**(140 916)**	**(153 797)**	**(163 138)**	**(143 987)**	**(108 731)**	**(153 349)**	**(140 221)**	**(160 292)**	**(134 962)**	**(222 154)**	**(1 794 793)**
NET INCREASE/(DECREASE) IN CASH HELD	**107 963**	**(60 194)**	**(17 430)**	**(52 613)**	**(14 418)**	**118 571**	**(20 640)**	**(48 215)**	**158 100**	**(52 781)**	**(28 766)**	**(139 989)**	**(50 411)**
Cash/cash equivalents at the month/year begin:	194 402	302 365	242 171	224 741	172 129	157 711	276 282	255 642	207 427	365 527	312 746	283 980	194 402
Cash/cash equivalents at the month/year end:	302 365	242 171	224 741	172 129	157 711	276 282	255 642	207 427	365 527	312 746	283 980	143 991	143 991

MONTHLY CASH FLOWS	Medium Term Revenue and Expenditure Framework		
R thousand	**Budget Year 2025/26**	**Budget Year 2026/27**	**Budget Year 2027/28**
Cash Receipts By Source			
Property rates	294 809	312 497	331 247
Service charges - electricity revenue	544 308	573 548	609 068
Service charges - water revenue	184 788	197 538	211 168
Service charges - sanitation revenue	98 279	105 060	112 309
Service charges - refuse revenue	80 968	86 266	91 910
	–	–	–
Rental of facilities and equipment	3 821	3 984	4 156
Interest earned - external investments	16 273	17 086	17 941
Fines, penalties and forfeits	633	667	704
Licences and permits	25 386	26 452	26 770
Agency services	4 554	4 554	4 554
Transfers and Subsidies - Operational	214 766	223 052	233 048
Other revenue	92 865	70 424	66 982
Cash Receipts by Source	**1 561 448**	**1 621 130**	**1 709 858**
Other Cash Flows by Source			
Transfers and subsidies - capital (monetary allocations)	82 934	81 534	59 715
Borrowing long term/refinancing	100 000	–	–
Total Cash Receipts by Source	**1 744 382**	**1 702 664**	**1 769 572**
Cash Payments by Type			
Employee related costs	(502 937)	(529 389)	(557 253)
Remuneration of councillors	(15 988)	(16 387)	(16 797)
Finance charges	(19 267)	(25 693)	(21 381)
Bulk purchases - Electricity	(507 161)	(564 636)	(599 587)
Other materials	(102 836)	(108 778)	(113 361)
Contracted services	(159 214)	(147 271)	(145 336)
Transfers and grants - other	(950)	(950)	(950)
Other expenditure	(196 988)	(173 568)	(172 718)
Cash Payments by Type	**(1 505 341)**	**(1 566 674)**	**(1 627 382)**
Other Cash Flows/Payments by Type			
Capital assets	(265 462)	(86 679)	(65 482)
Repayment of borrowing	(23 990)	(31 944)	(31 944)
Total Cash Payments by Type	**(1 794 793)**	**(1 685 296)**	**(1 724 808)**
NET INCREASE/(DECREASE) IN CASH HELD	**(50 411)**	**17 368**	**44 764**
Cash/cash equivalents at the month/year begin:	194 402	143 991	161 359
Cash/cash equivalents at the month/year end:	143 991	161 359	206 124

2.11 ANNUAL BUDGETS AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS –DIRECTORATES

In terms of section 53 (1)(c)(ii) of the MFMA, the Service Delivery and Budget Implementation Plan (SDBIP) constitutes a detailed plan for implementing the Municipality's delivery of services and its annual budget, which must include the following:

(a) Monthly projections for

- Revenue to be collected, by source; and
- Operational and capital expenditure, by vote.

(b) Service delivery targets and performance indicators for each quarter.

In accordance with Section 53 of the MFMA, the Executive Mayor is required to approve the SDBIP within 28 days after the approval of the budget. Furthermore, the Executive Mayor must ensure that the revenue and expenditure projections for each month and the service delivery targets and performance indicators, as set out in the SDBIP, are made public within 14 days after the approval of the SDBIP.

The SDBIP gives effect to the IDP and Budget of the Municipality. It includes the service delivery targets and performance indicators for each quarter, which forms the basis for the performance agreements of the Directors. It therefore facilitates oversight over the financial and non-financial performance of the Municipality and allows the Municipal Manager to monitor the performance of the Directors, the Executive Mayor/Council to monitor the performance of the Municipal Manager, and the Community to monitor the performance of the Municipality.

The SDBIP relating to the 2025/26 financial year will be approved by the Executive Mayor during July 2025, following the approval of the Budget.

2.12 LEGISLATION COMPLIANCE STATUS

The following reflects the status of implementation of some of the key MFMA areas:

IDP

A revised 2025/26 IDP has been developed, was considered at a Council meeting held on 31 March 2025. The IDP includes specific deliverables that form the basis for the Budget and SDBIP. The final version of the revised 2025/26 IDP will be considered at a Council meeting scheduled for 29 May 2025.

Budget

The annual budget document has been developed taking the MFMA and National Treasury (NT) requirements into account. Budgets are being tabled and approved within the required legislated timeframes.

Annual Report

The Annual Report has been developed taking the MFMA and NT requirements into account. The 2023/24 Annual Report was considered at a Council meeting held on 31 March 2025.

Oversight Report

The Municipal Public Accounts Committee has considered the 2023/24 Annual report. Its Oversight Report was considered at a Council meeting held on 31 March 2025.

In-Year Reporting

The municipality submits the various reports required to the Executive Mayor, Council, and NT on an ongoing basis, in accordance with the MFMA.

Supply Chain Management Policy (SCM)

A Supply Chain Management Policy has been adopted and implemented in accordance with the MFMA and NT requirements.

All the required committee structures are in place. Whilst the municipality is working on making these new processes operate more efficiently and effectively, it is considered that the municipality is currently complying with the MFMA and NT guidelines.

Budget and Treasury

A Budget and Treasury Office has been established in accordance with the MFMA and NT requirements, consisting of a CFO and municipal officials reporting to the CFO.

Audit Committee

An Audit Committee has been established and meets on a quarterly basis.

Internal Audit Function

The Municipality's Internal Audit Function reports to the Municipal Manager and is operating in accordance with an audit plan.

In relation to the 2025/26 financial year and beyond, the municipality plans to focus on the following high priority areas:

- Maintaining its unqualified audit with no findings (Clean Audit Status).

- Further strengthening of the integration and linkages between the IDP, Budget, SDBIP and Annual Report.

Internship Programme

The municipality has a total of four Interns on the Municipal Financial Management Internship programme and is in the process of appointing the fifth intern before the end of June 2025 as required by the National Treasury.

Municipal Standard Chart of Accounts (mSCOA)

In accordance with the Municipal Regulations relating to mSCOA, municipalities were required to be compliant with the mSCOA classification framework by 1 July 2017. It is to be noted that the Municipality has been transacting on the mSCOA compliant financial system since July 2017.

2.13 MUNICIPAL MANAGER'S QUALITY CERTIFICATION

I, Mr. Charl du Plessis, Municipal Manager of Kouga 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 : Charl Du Plessis

Municipal Manager of Kouga Local Municipality (EC108)

Signature……………………………………………….

Date:………20 May 2025……………………………..

"ANNEXURE C"

PROJECT DESCRIPTION	FUNDING SOURCE	Annual Budget 2025/26	Annual Budget 2026/27	Annual Budget 2027/28
CIVIL AND WATER SERVICES				
ROADS INFRASTRUCTURE IN KOUGA	DBSA-loan	152 173 913	-	
Humansdorp: Upgrading of informal settlements in Kwanomzamo (Bungalows, Polar Parks & Shukushukuma)	UISP	2 160 109	226 086	
Jeffreys Bay: Upgrading of Oceanview Informal Settlements	UISP	2 719 357	-	
Patensie: Upgrading of Informal Settlement (Cyril Ramaphosa)	UISP	709 463	-	
Humansdorp: Upgrading of Kruisfontein Settlement (Donkerhoek)	UISP	1 820 012	-	
Thornhill : Upgrading of Informal Settlement	UISP	323 213	-	
Storage Containers	Internal	200 000	100 000	20 000
Fencing and security (all pump stations as assets)	Internal	800 000	1 500 000	1 500 000
Machinery at WTW Facilities	Internal	450 000	180 000	36 000
Construction of Civil Services in Donkerhoek & Hum	Internal	800 000	-	
Humansdorp: Groundwater Supply	Internal	547 000	-	
Jeffreys Bay CBD Precinct Upgrades	Internal	1 000 000		
Hankey: Refurbishment of WWTW	Internal	1 954 000		
Upgrade of Phillipsville Sportsfield	MIG	173 913	9 233 212	
Upgrading of Kouga Gravel Roads	MIG	13 478 101	10 337 344	4 984 926
Jeffreys Bay: Upgrade of Ocean View Sewer Pipe	MIG	69 565	5 000 000	
Kwanomzamo: Upgrading of WWTW	MIG	6 763 811	-	

"ANNEXURE C"

PROJECT DESCRIPTION	FUNDING SOURCE	Annual Budget 2025/26	Annual Budget 2026/27	Annual Budget 2027/28
CIVIL AND WATER SERVICES				
Refurbishment of Queen Street Sewer Pump Station	MIG			2 688 000
La Mer: Construction of New Sewer Rising Main	MIG	86 956	80 000	17 169 420
Arcadia Street: Refurbishment of Sewer Pump Station	MIG	57 391	1 785 793	
INFRASTRUCTURE MANAGEMENT PLAN	MIG	1 662 695	1 754 403	
Specialized Waste Management Vehicles	MIG	3 155 652	1 530 899	3 741 043
Upgrade of Thornhill Sewer Treatment Works - Phase 1	UISP	209 527	-	
Kruisfontein Bulk Sewer -Link Line	UISP	191 464	-	
Kwanomzamo: New Sewer Pump Station & Rising Main - Bulk Sanitation	UISP	454 121		
Kwanomzamo: New Bulk Water Pipeline	UISP	295 478	11 288 177	
Kruisfontein: Upgrade of Gill Marcus Bulk Water Reservoir & Pipeline	UISP	5 353 366	265 953	
Ramaphosa Sewer Pump Station Upgrade	UISP	124 260	1 173 708	
Thornhill: New Reservoir on Pnt 2 of the Farm	UISP	35 304	-	
Beach Sewer Pump Station and New Sewer Bypass	WSIG	200 000	86 956	8 125 217
Loerie: Upgrade of Sewer Pump Station & New Sewer Rising Main	WSIG	6 925 670	2 398 333	
St Francis Bay: Groundwater Supply	WSIG	1 012 590		
St Francis Bay: Sewer Pump Station & Reticulation	WSIG	34 782	86 956	
St Francis Bay: Replacement of Waterpipe	WSIG	100 000	43 478	
St Francis Bay: Replacement of Main Waterline (Sout River Bridge Crossing)	WSIG	100 000	8 859 058	
		206 141 713	**55 930 356**	**38 264 606**

"ANNEXURE C"

PROJECT DESCRIPTION	FUNDING SOURCE	Annual Budget 2025/26	Annual Budget 2026/27	Annual Budget 2027/28
COMMUNITY SERVICES				
Fire Services - Vehicle (DISTRICT)	DISTRICT	1 391 304	1 391 304	1 391 304
Fencing of Humansdorp Landfill Site	Internal	1 500 000	1 500 000	
Security Cameras	Internal	1 000 000	2 500 000	2 000 000
Extension of Incident Command Centre (ICC)	Internal	1 000 000		
		4 891 304	**5 391 304**	**3 391 304**
ELECTRO/MECHANICAL SERVICES				
OCEAN VIEW 1250 ELECTRIFICATION	INEP	4 730 434	6 572 173	6 869 565
Renewable Energy Projects	Internal	-	10 000 000	10 000 000
Shore Road Miniature Substation & Associated Switchgear	Internal	2 000 000		
Battery Storage	Internal	25 000 000		
Design of New High Mast Lights - Construction	MIG	6 086 956	4 347 826	6 956 521
Apiesdraai: Sewer Pump Station	UISP	391 303	4 437 376	
Kwanomzamo Bulk Electrical - Boskloof Secondary Feeder Line & Substation	UISP	8 687 837		
Oceanview Substation Upgrade	UISP	2 612 133		
		49 508 663	**25 357 375**	**23 826 086**

"ANNEXURE C"

PROJECT DESCRIPTION	FUNDING SOURCE	Annual Budget 2025/26	Annual Budget 2026/27	Annual Budget 2027/28
FINANCE AND ECONOMIC DEVELOPMENT				
Revenue: vehicle	Internal	620 600	-	
		620 600	**-**	**-**
OFFICE OF THE DEPUTY MUNICIPAL MANAGER				
Computer Equipment	Internal	1 000 000	-	
Camera Equipment	Internal	50 000	-	
		1 050 000	**-**	**-**
PLANNING AND DEVELOPMENT				
Electronic Equipment	Internal	50 000	-	
Acquisition of Land	Internal	3 200 000	-	
		3 250 000	**-**	**-**
Total		**265 462 280**	**86 679 035**	**65 481 996**