Lekwa-Teemane Local Municipality

NW396

Final MTREF Budget

Financial Year 2026/27 – 2028/29

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PART 3 – BUDGET FUNDING PLAN 2025/2026

Purpose

The purpose of this report is to comply with sections 16(1)(2) and 24 of the Municipal Finance Management Act no.56 of 2003 which requires council to approve the annual budget of the municipality before the start of the budget year.

Legislative Framework

Approval of the annual budget

Section 16 of the Municipal Finance Management Act no.56 of 2003 states that;

(1) The council of the municipality must for each financial year approve an annual budget of the municipality before the start of that budget year.

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

Section 24 of the Municipal Finance Management Act no.56 of 2003 states that;

(1) The municipal council must at least thirty days before the start of the budget year consider approval of the annual budget.
(2) An annual budget –
a. Must be approved before the start of the budget year;
b. Is approved through adoption by way of a council resolution referred to in section 17(3)(a)(i) of the MFMA, and
c. Must be approved together with the adoption of resolutions as may be necessary-
i. Imposing any municipal tax for the budget year;
ii. Setting any municipal tariffs for the budget year;
iii. Approving measurable performance objective for revenue from each source and for each vote in the budget;
iv. Approving any changes to the Integrated Development Plan; and
v. Approving any changes to the municipality's budget-related policies.
(3) The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant Provincial Treasury.

Failure to approve budget before the start of the budget year

Section 25 of the Municipal Finance Management Act no.56 of 2003 states;

(1) If a municipal council fails to approve the annual budget, including revenue-raising measures necessary to give effect to the budget, the council must reconsider the budget and again vote on the budget, or on an amended version thereof, within seven days of the council meeting that failed to approve the budget.
(2) The process provided for in subsection (1) must be repeated until a budget, including revenue-raising measures necessary to give effect to the budget, is approved.
(3) If a municipality has not approved an annual budget, including revenue-raising measures necessary to give effect to the budget, by the first day of the budget year, the mayor must immediately comply with *MFMA Section 55*

Consequences of failure to approve budget before start of the budget year

Section 26 of the Municipal Finance Management Act no.56 of 2003 states;

(1) If by the start of the budget year a municipal council has not approved an annual budget or any revenue-raising measures necessary to give effect to the budget, the provincial executive of the relevant province must intervene in the municipality in terms of section 139(4) of the Constitution by taking any appropriate steps to ensure that the budget or those revenue-raising measures are approved, including dissolving the council and-
(a) Appointing an administrator until a newly elected council has been declared elected; and
(b) Approving a temporary budget or revenue-raising measures to provide for the continued functioning of the municipality.

(2) Sections 34(3) and (4) and 35 of the Municipal Structures Act apply when a provincial executive dissolves a municipal council.

(3) When approving a temporary budget for a municipality in terms of subsection (1)(b), the provincial executive is not bound by any provision relating to the budget process applicable to a municipality in terms of this Act or other legislation. Such a budget must, after the intervention has ended, be replaced by a budget approved by the newly elected council, provided that the provisions of this Chapter relating to annual budgets are substantially complied with in line with any revised time frames approved by the MEC for finance in the province.

(4) Until a budget for the municipality is approved in terms of subsection (1), funds for the requirements of the municipality may, with the approval of the MEC for finance in the province, be withdrawn from the municipality's bank accounts in accordance with subsection (5).

(5) Funds withdrawn from a municipality's bank accounts in terms of subsection (4)-

(a) may be used only to defray current and capital expenditure in connection with votes for which funds were appropriated in the approved budget for the previous financial year; and

(b) may not-

(i) during any month, exceed eight per cent of the total amount appropriated in that approved budget for current expenditure, which percentage must be scaled down proportionately if revenue flows are not at least at the same level as the previous financial year; and

(ii) exceed the amount actually available.

(6) The funds provided for in subsection (4) are not additional to funds appropriated for the budget year, and any funds withdrawn in terms of subsection (5) must be regarded as forming part of the funds appropriated in a subsequently approved annual budget for the budget year.

Mayor's report

As Mayor of Lekwa-Teemane, I am honored to present the budget for the financial year [2026/2027]. This document is more than a financial blueprint; it reflects our municipal priorities, values, and vision for the future.

Our municipality has faced many challenges over the past year, from economic uncertainties to the ongoing impacts of national issues. Despite these challenges, we remain steadfast in our commitment to fostering a thriving, inclusive, and sustainable community.

This budget was crafted with a focus on several key priorities:

1. **Economic Growth and Stability**: We are dedicated to creating a resilient economy that supports local businesses by assisting with basic startups, attract new investments, and provides opportunities for all residents. Strategic investments in infrastructure and innovation.

2. **Sustainable Development**: We recognize the importance of environmental stewardship and are committed to sustainable growth. Investments in green infrastructure, renewable energy, and conservation initiatives are integral parts of our plan. We will strive to ensure that our landfill sites are licensed.

3. **Education and Youth Services**: Our future depends on the success of our youth. This budget includes funding for bursaries for disadvantaged learners to register at colleges/Universities. This will assist us to provide a strong foundation for the next generation.

4. **Community Engagement and Equity**: We believe in a Lekwa-Teemane where everyone has a voice and an opportunity to succeed. This budget reflects our commitment to equity and inclusion, with initiatives to engage all communities and address disparities within the Municipality.

As indicated the municipality has experienced several financial challenges however such challenges must not stop us from being innovative. The table below highlights some of the key infrastructure projects.

I would like to extend my gratitude to the municipality, the staff, and all community members who contributed to the development of this budget. Your input and collaboration have been invaluable in shaping a financial plan that reflects our collective aspirations.

As we move forward, I am confident that this budget will enable us to build a stronger, more vibrant, and inclusive Lekwa-Teemane. Together, we will continue to make Lekwa-Teemane a place where everyone can thrive.

Thank you for your continued support and dedication to our community.

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Cllr S.M Motlhabi
Mayor Lekwa-Teemane

1.2 Resolutions

1. The council of Lekwa-Teemane Local Municipality, acting in line with Section 16 and 24 of the Municipal Finance Management Act no.56 of 2003, hereby tables for approval:

1.1 The annual budget of the municipality for the financial year 2026/27 and the multi-year and single-year capital appropriations as set out in the following tables;

1.1.1 Budget and Financial Performance (revenue and expenditure by standard classification) as contained in Table A2.

1.1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3.

1.1.3 Budgeted Financial Performance (revenue by source and expenditure by municipal vote) as contained in Table A4.

1.1.4 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.

1.2 The financial position, cash flow budget, cash-backed reserves/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables;

1.2.1 Budgeted Financial Position as contained in Table A6,

1.2.2 Budgeted Cash Flows as contained in Table A7,

1.2.3 Cash backed reserves and accumulated surplus reconciliation as contained in Table A8,

1.2.4 Asset Management contained in Table A9, and

1.2.5 Basic service delivery measurement.

The Council of Lekwa-Teemane Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) proposes the following rates for implementation with effect from 1 July 2025:

2.1. the tariffs for property rates – increased by 3.7% from current year, 2.2. the tariffs for electricity – Increased by 9.01% from current year, as per the NERSA tariff setting guideline for next financial year,

2.3. the tariffs for the supply of water – increased by 3.7% from current year,

2.4. the tariffs for sanitation services – increased by 3.7% from current year,

2.5. the tariffs for solid waste services – increased by 3.7% from current year,

2.6 Sundry Tariffs for other Services - increased by 3.7% from current year,

The Council of Lekwa-Teemane Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables for implementation with effect from 1 July 2025 the below mentioned budget related policies, as set out in Annexure to the Budget respectively;

- Travel and Subsistence Policy
- Supply Chain management Policy
- Tariff Policy
- Virement Policy
- Assets Management Policy
- Budget Policy
- Banking and Investment Policy
- Credit Control Policy
- Indigent Policy
- Fraud and Anti-Corruption Policy
- Petty Cash Policy
- Delegation of Authority
- Cost Containment Measures
- Pay Day Policy
- Borrowing Policy
- Property Rates Policy
- Funding Reserve Policy
- Supply Chain Management Policy: Investment Capital Investment and Projects
- Unclaimed Deposit Policy

To give proper effect to the municipality's annual budget, the Council of Lekwa-Teemane Local Municipality approves:

- That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
- Strict cost containment measures be applied to ensure that non priority expenditure is avoided as well as unauthorised expenditure.

1.3 Executive Summary

In December 2025, National Treasury issued Municipal Finance Management Act circular number 132 which must be used in conjunction with other previous MFMA budget circulars to guide the compilation of 2026/2027 – 2028/29 Medium Term Revenue Expenditure Framework Budget.

1.3.1 The Global Economic Outlook and how it affects the South African Economy and the ability of the South African Government to collect tax revenue for the equitable distribution to government entities and municipalities, and the ability to borrow money for infrastructure to respond to ongoing global energy crisis.

According to the aforementioned circular, the economy is expected to grow by 1.2 per cent between 2026 and 2027, which is down by 0.6 percent from the previous National Treasury tabled the Medium-Term Budget Policy Statement. This has resulted in the National Treasury revising the country's economic growth estimates for 2026/27 to 3.7 per cent from the estimated 4.6 per cent at the time of tabling the Medium-Term Budget Policy Statement in Parliament and the economy is forecasted to grow at 3.7 per cent and 3.3 per cent for 2027/28 and 3.2 per cent 2028/29 financial years respectively.

Real purchasing power is expected to be supported by a further moderation in inflation and lower interest rates supporting households. The newly implemented two-pot retirement system, which allows consumers to withdraw a portion of their savings before retirement, may also boost household consumption over the next few years depending on the eventual use of the withdrawn funds.

Even though confidence of the consumers has been uplifted by the improved economy, households are still struggling to pay municipal accounts and that has a negative impact on municipal own revenues.

The continued pressure on our transformers/mini-substations from Eskom due to illegal connections and electricity theft in some areas necessitates load reduction to avoid equipment damage. These further impacts local businesses.

Similar to the rest of government, municipalities face a difficult fiscal environment. The weak economic growth has put pressure on consumers ability to pay for services while transfers from national government are growing at a slower pace than in the past. Some municipalities, more so the medium to bigger ones, have managed these challenges well.

Smaller municipalities like Lekwa-teemane Local Municipality have fallen into financial distress and face serious liquidity problems. The community of Lekwa-teemane as a rural municipality is one such example where we have seen in the recent years the following;

- Declining economic activity (local businesses closing down)
- Old and dilapidated infrastructure (lead to some businesses closing down)
- Loadshedding (some businesses cannot afford alternative energy and are forced to reduce operating capacity and staff – increase in unemployment)
- High unemployment rate which continues to increase due to points 1, 2 and 3 above
- Culture of non-payment for services due to unaffordability
- Theft of electricity and water through by-passing of meters (affects the revenue base of the municipality negatively)

As a result of this, we are unable to meet our payment obligations to ESKOM, water boards and other creditors. While there is a need to pay more attention on collecting revenues owed to us (historic and current), we must also take into consideration the high unemployment rate in our area of jurisdiction, the high and ever growing number of indigents, and the amendments to Section 31 of the DoRA which requires that when an organ of state decides to institute judicial proceedings against another organ of state, it must, within 10 working days of its decision, notify the National Treasury, the relevant Provincial Treasury, the Department of Cooperative Government and Traditional Affairs and the AGSA of details of compliance with Chapter 4 of the

Intergovernmental Relations Framework Act, of 2005, and the explanation of the failure to resolve the dispute.

1.3.2 Local government conditional and unconditional grants allocations

Local government funding is projected to increase from R192.9 billion in 2026/27 to R204.9 billion in 2028/29. In 2026/27, this comprises R110.6 billion for the local government equitable share, R17.6 billion from the general fuel levy sharing with metros, and R64.8 billion for both direct and indirect conditional grants. The increased allocations to local government reflect the government’s commitment to social protection as a cornerstone of its fiscal strategy, ensuring ongoing support for indigent populations and the expansion of critical infrastructure through conditional grants. These figures represent the preliminary fiscal framework outlined in the 2024 Medium Term Budget Policy Statement. The final details will be provided in the 2027 Budget Review.

Government has finalised its review of the conditional grant system and developed a range of reforms based on the results. These reforms are aimed to rationalise conditional grants and enhance their effectiveness and will be implemented from 2026/27.

The local government equitable share formula has been updated to account for the projected household growth, inflation and estimated increase in bulk water and electricity cost over the 2026/27 MTEF period. It also includes allocations for the operational and maintenance costs associated with the provision of free basic services.

In the 2026/27 budget year, Lekwa-Teemane Local Municipality’s equitable share remains the lowest in the entire north west province. The current financial years’ allocation is an amount of R69 755 000, increased by R4,7 million from R 65,1 million.

1.3.2.1 New conditional grant for smart prepaid meters

National treasury has introduced a new conditional grant for the procurement of smart-prepaid meters which seeks to present an important opportunity for municipalities that are approved for the ESKOM debt relief programme.

This indirect conditional grant is a meaningful step towards providing municipalities with the financial support they need to better manage their utilities, by ensuring timely and accurate billing, reducing losses, and enhancing operational sustainability.

This will further assist municipalities in making use of the available tools and smart metering systems, municipalities will be in a better position to prepare cost-reflective tariffs and credible funded budgets, budgets that align with actual revenues and expenditures.

1.3.3 Maximizing the revenue generation of the municipality

Treasury urges municipalities to ensure that they render basic services, maintain their assets and clean environment. Furthermore, there needs to be continuous communication with the community and other stakeholders to strengthen awareness and participation and to improve the municipality's reputation which will in turn attract investment in the local economy and in increased employment (reduction in indigents and increased revenue base).

For municipalities experiencing serious liquidity challenges like Lekwa-Teemane LM, collectively the political leadership and administrative management are advised to;

- Decisively address unfunded budgets by reducing non-priority spending and improving revenue management processes to enable collection, and
- Address service delivery failures by ensuring adequate maintenance, upgrading and renewal of existing assets to enable reliable service delivery.

Municipalities are also urged to ensure that they fund their budgets from realistically anticipated revenues to be collected and cautioned against assuming collection rates that are unrealistic and unattainable as this is a fundamental reason why municipalities are not attaining their desired collection results. The budgeted revenue collection rate per service category for Lekwa-Teemane LM is as follow:

- Property rates 60%
- Conventional electricity 64%
- Prepaid electricity 100% of sales
- Water 50%
- Sewer 50%
- Refuse collection 50%
- Other revenue items 100%

The following macro-economic forecasts have been considered in preparing the 2026/27 MTREF municipal budget as guided by National Treasury MFMA Circular 132 on 2026/27 MTREF budgets.

Percentage change	**Actual**	**Estimate**	**Forecast**		
	2023/24	**2024/25**	**2025/26**	**2026/27**	**2027/28**
Real GDP growth	**1.4**	**1.8**	**1.8**	**1.8**	**1.8**
CPI Inflation %	5.9	4.4	3.3	3.7	3.3
Eskom Bulk Tariff increases (NERSA)					
Budget Year	**2023/24**	**2024/25**	**2026/27**	**2026/27**	**2027/28**
Percentage increase	18.7	12.7	9.01	9.01	9.01

Conditional grant funding targets national government service delivery priorities. The equitable share is designed to fund the provision of free basic services to the poor and other expenditures of the municipalities

In developing the annual budget, the municipality remains mindful of the triple challenges of poverty, inequality and unemployment facing our communities. It is on the latter, that the Municipality has resolved to adopt a more conservative approach in tariff setting and determination. The Municipality has resolved to increase the tariffs for service charges on water, sewer and refuse as well as other revenue items by inflation rate of 3.7 per cent in the 2026/27 budget year and by 3.3 and 3.2 respectively in the outer years over MTREF. Service charges on electricity tariffs will be increased by 9.01% and this indicates that the Municipality will only be recovering the cost of rendering the services without necessarily making any profit.

Lekwa-Teemane was selected for the cost of supply study by SALGA, which will then assist the municipality to determine the cost reflectiveness of the electricity tariffs. The study was conducted for water and sewer, and the study was completed.

The Municipality needs to embark on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

1.3.4 Guidelines

National Treasury's MFMA Circular No. 97, 98 and 99, 107, 108, 112, 115, 122, 123,126,128, 129,130 and 132 were used to guide the compilation of the 2026/27 MTREF budget.

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

- The 2025/26 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2026/27 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazette as required by the annual Division of Revenue Act;

A cost containment on the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritize expenditures:

- Special Projects;
- Consultant Fees;
- Furniture and office equipment;
- Special Events;
- Refreshments and entertainment;
- Ad-hoc travelling; and
- Subsistence, Travelling & Conference fees (national & international).

1.3.5 Compliance to mSCOA

Municipalities are expected to prepare the 2026/27 MTREF budgets using the budget modules of their integrated systems solution, generate their financial and non-financial data string and produce the Schedule A1 directly from the integrated systems solution. Which has been the case with the municipality since the *m*SCOA Regulations were introduced.

The municipality further has an *mSCOA* road map to constantly address issues or challenges experience during chart version conversions.

1.3.6 Challenges Experienced in Compiling the MTREF Budget

The main challenges experienced during the compilation of the 2026/27 MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity due to tariff increases NERSA, which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- The need to fill critical vacancies;
- Revenue recovery, credit control and declining revenue base due to the current economic environment.

1.3.7 The MTREF Budget Framework

The following table is a consolidated overview of the proposed 2026/27 MTREF budget

Description	Current FY 2025/26	MFTREF % Increase/ decrease	MTREF 2026/27	MTREF 2027/2028	MTREF 2028/29
	R		R	R	R
Operating Revenue	438 210 743	5%	458 392 116	478 891 324	503 773 972
Capital revenue	23 192 600	25%	17 436 399	18 044 300	18 491 751
Total revenue	**461 403 343**	**-3%**	**475 828 515**	**496 935 624**	**522 265 723**
Operating expenditure	463 642 532	-4%	484 034 246	507 406 041	525 990 307
Capital expenditure	23 192 600	25%	17 436 399	18 044 300	18 491 751
Total expenditure	**486 835 132**	**-3%**	**501 470 645**	**525 450 341**	**544 482 058**
Surplus/Deficit	(25 431 789)	-1%	(25 642 130)	(28 514 717)	(22 216 335)

Total operating revenue has grown by 5 per cent for the 2026/27 financial year when compared to the 2025/26 Adjustment Budget. For the two outer years, operational revenue will increase by 4.5 per cent and 4.9 per cent respectively, equating to a total revenue growth of 14.4 per cent over the MTREF.

Total operating expenditure for the 2026/27 financial year has been allocated R 484 million, R 507 million for 2027/28 and R 526 million for 2028/29 financial years.

The capital budget is allocated R 17 million for 2026/27 and it is a 25 per cent decrease when compared to the 2025/26 Adjustment Budget. The municipality will only be receiving MIG. The capital program increased to 18 million in the 2027/28 financial year and increased to R 18.4 million in the 2028/29 financial year.

Revenue Framework

In terms of the National Treasury Budget Circulars Municipalities are encouraged to maintain the tariffs levels that reflect an appropriate balance between affordability to the poor households and other customers while ensuring the financial sustainability of the municipality. The municipalities are required to justify any increases on the Tariffs above the range of 3 to 6 percent on the tariffs.

Revenue management is fundamental to the financial sustainability and therefore the municipal revenue strategy must strive to be built around the following key components:

- to seek alternative sources of own revenue to increase funding for capital projects;
- identification and pursuance of government grants;
- tightening credit control measures and increase debt collection targets;
- improve customer relations and promote a culture of payment;
- realistic revenue estimates - going back-to-basics to ensure MTREF is appropriately funded;
- the impact of inflation, the municipal cost index and other cost increases;
- create an environment which enhances growth, development and service delivery;
- ensure that water and sanitation tariffs are fully cost reflective.
- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to improve on annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

For Lekwa-Teemane to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The adjustment budget revenue for 2025/26 financial year was used as the baseline to project revenue for the next three financial years to ensure budget projections are realistic and can be achieved. The Division of Revenue Act was also used for grant related revenue.

According to the table below, Revenue has grown by R20 million or 4% from 2025/26 adjustment budget to 2026/27 annual budget then continues to grow at 4.3% and 4.9% respectively for the two outer years. These revenue figures includes both operational and capital grant transfers from National Treasury.

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

Table 2 Summary of revenue classified by main revenue source (Table A4)

NW396 Lekwa-Teemane - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Revenue											
Exchange Revenue											
Service charges - Electricity	2	86 635	96 274	105 403	136 454	116 681	116 681	77 357	127 194	138 653	151 146
Service charges - Water	2	16 985	21 810	16 779	27 574	18 433	18 433	11 621	19 115	19 745	20 377
Service charges - Waste Water Management	2	16 035	17 451	18 211	17 761	19 107	19 107	12 741	19 814	20 468	21 123
Service charges - Waste Management	2	12 565	14 257	14 898	13 904	15 707	15 707	10 475	16 289	16 826	17 365
Sale of Goods and Rendering of Services	2	414	612	1 473	712	669	669	421	693	716	739
Agency services	2	2 524	2 432	2 542	4 499	6 500	6 500	(97)	6 741	6 963	7 186
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables	2	54 187	61 322	67 198	56 705	56 705	56 705	50 989	58 803	60 744	62 687
Interest earned from Current and Non Current Assets	2	340	784	13	-	-	-	21	-	-	-
Dividends	2	-	-	-	-	-	-	-	-	-	-
Rent on Land	2	-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets	2	23	297	278	18	28	28	15	29	30	31
Licence and permits	2	-	-	-	-	-	-	-	-	-	-
Special rating levies	2	-	-	-	-	-	-	-	-	-	-
Construction Contract Revenue	2	-	-	-	-	-	-	-	-	-	-
Development Charges	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	920	1 385	421	107	668	668	15	693	716	739
Non-Exchange Revenue											
Property rates	2	36 506	40 163	35 320	54 064	43 315	43 315	25 893	44 918	46 400	47 885
Surcharges and Taxes	2	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	2	1 368	1 307	79 445	5 737	6 229	6 229	4 425	6 460	6 673	6 886
Licences or permits	2	-	-	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational	2	65 473	84 874	77 006	75 577	75 577	75 577	51 706	76 146	76 768	80 727
Interest	2	35 155	24 296	25 493	22 173	22 173	22 173	17 738	22 993	23 752	24 512
Fuel Levy	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	-	-	-	-	-	-	-	-	-	-
Gains on disposal of Fixed and Intangible Assets	2	-	1 218	-	-	-	-	-	-	-	-
Other Gains	2	19 345	33 507	33 600	56 419	56 419	56 419	-	58 506	60 437	62 371
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		**348 475**	**401 990**	**478 081**	**471 702**	**438 211**	**438 211**	**263 321**	**458 392**	**478 891**	**503 774**

Municipality adopts a tariff setting methodology that achieves an appropriate balance between the interest of poor households and other customers while ensuring financial sustainability of the municipality.

When setting tariffs, the following was considered:

- The guidelines from National Treasury
- cost of bulk purchases and the fluctuation of seasonal consumption;
- cost of providing services; and
- sound baseline information.
- The affordability of the services to all the classes of the consumers

Services charges rates were increased as indicated below in line with MFMA budget circular no.132.

Property rates 3.7%

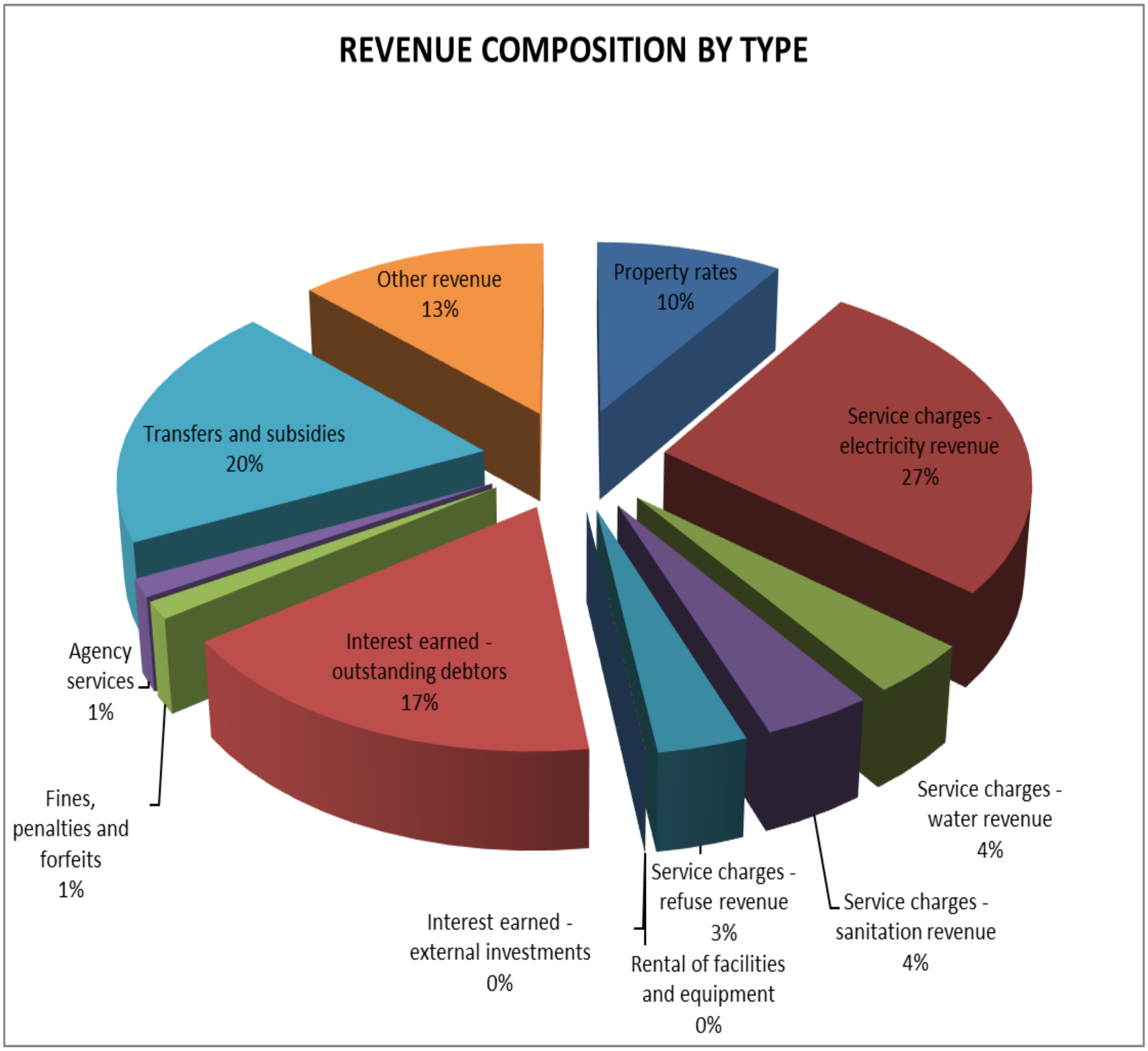
- Property rates will increase by 3.7 per cent increase as per the MFMA budget circular number 132.

  The tariff increase is in line with the NERSA benchmark. The municipality will still embark on the cost of supply study to determine the tariff increase as required by NERSA.
- The budgeted billing on electricity includes both prepaid and conventional electricity.

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix.

The chart below depicts revenue contribution per revenue source



The main sources of revenue are electricity at 27%, operational transfers and grants at 20%, property rates at 10%, water at 4%, sewer at 4 per cent respectively, and interest earned from receivables at 17% of the total revenue.

The services charges increased by R 12 million from 2025/26 to R 182,4 million in 2026/27 and to R 195,6 million and R 210 million in the respective two outer years.

Transfers for the operational Grants increased from R 75,5 million in 2025/26 to R 76,1 million in 2026/27, increase slightly to R 76,8 million in 2027/28 and increased to R 80,7 million for the last outer year of the MTREF period. These grants are purely gazetted by the National and Provincial Departments.

The growth in service charges can be mainly attributed to the higher percentage increase share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

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

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases for Eskom and Water bulk tariffs are far beyond the mentioned inflation target. Given that this tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

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

Property Rates

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

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

The following stipulations in the Property Rates Policy are highlighted:

- The first R110 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 100 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount of 3500.

In this regard the following stipulations are relevant:

- ✓ The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependents without income;
- ✓ The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
- ✓ The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
- ✓ The property must be categorized as residential.
- ✓ The Municipality may award a 100 per cent grant-in-aid on the assessment rates of ratable properties of certain classes such as registered welfare organizations,

institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of ratable properties for purposes of levying rates and the proposed rates for the 2026/27 financial year based on a 3.7 per cent increase from 1 July 2026 is contained.

Property Rates	Current FY 2025/26	MTREF Budget 2026/27- 2028/29 Financial Years		
		3.7% Increase 2026/27	3.3% Increase 2027/28	3.2% Increase 2028/29
CODE	R	R	R	R
VAAGRI	0.00324	0.00335	0.00347	0.00358
VAAGRR	0.01373	0.01424	0.01471	0.01518
VABUSI	0.02701	0.02801	0.02893	0.02986
VACHUR	-	-	-	-
VAINDU	0.03060	0.03173	0.03278	0.03383
VAMUNI	-	-	-	-
VARES1	0.01373	0.01424	0.01471	0.01518
VASTAT	0.02701	0.02801	0.02893	0.02986
VAVACA	0.05041	0.05227	0.05400	0.05573
VAZERO	-	-	-	-

Sale of Water and Impact of Tariff Increases

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

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

In addition, National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective.

Better maintenance of infrastructure, reservoir construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. The municipality is not a water services authority and mostly its function will happen at the district level.

District is responsible for critical assessment of its capital infrastructure requirements. The assessment indicates that current infrastructure is unlikely to sustain its long-term ability to supply water and they had no other choice but to source capital funding to upgrade the existing infrastructure.

A tariff increase of 3.7 per cent from 1 July 2026 for water is proposed. In addition, 6 kℓ water per 30-day period will again be granted free of charge to all residents.

A summary of the proposed tariffs for households (residential) and non-residential are as follows;

Water		MTREF Budget 2026/27 - 2028/29 Financial Years		
	Current FY 2025/26	3.7% Increase 2026/27	3.3% Increase 2027/28	3.2% Increase 2028/29
CODE	R	R	R	R
BW001	61.89	64.18	66.30	68.42
BW002	61.89	64.18	66.30	68.42
BW003	99.50	103.18	106.59	110.00
BWI001	-	-	-	-
BWI002	-	-	-	-
BWB001	91.30	94.68	97.80	100.93
BWPEN1	-	-	-	-
BWPEN2	19.61	20.34	21.01	21.68
BWPEN3	28.01	29.05	30.00	30.97
BWIRR	-	-	-	-
BWI001	-	-	-	-
BWI002	-	-	-	-

	Water		MTREF Budget 2027/26 - 2028/29 Financial Years		
		Current FY 2025/26	3.7% Increase 2026/27	3.3% Increase 2027/28	3.2% Increase 2028/29
TARIFF	WA_TARF_CODE_DESCR	R	R	R	R
WA001	WATER CONSUMPTION DOMESTIC	18.0014	18.6675	19.2835	19.9005
WA003	WATER CONSUMPTION SCHOOLS	18.0017	18.6678	19.2838	19.9009
WA007	WATER CONSUMPTION - DAIRYBELLE	15.5913	16.1682	16.7017	17.2362
WA012	WATER CONSUMPTION BUSNISS AND EMPTY STANDS	18.0014	18.6675	19.2835	19.9005
WAINDG	WATER INDIGENT (FREE 6 KL)	-	-	-	-

Sale of Electricity and Impact of Tariff Increases

NERSA has announced the announced an 9.01 per cent increase in bulk electricity pricing structure for the 2026/27 MTREF period which must be applicable on electricity tariff to municipalities with effect from 1 July 2026. The increase for the two outer years will be 9 percent. Furthermore, it should be noted that the magnitude of the tariff increase is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

ELECTRICITY TARIFFS FOR PERIOD 1 July 2026-30 June 2029				
		MTREF Budget 2026/27 - 2028/29 Financial Years		
TARIFF BLOCKS	Current FY 2025/26	9.01% Increase 2026/27	9.01% Increase 2027/28	9.01% Increase 2028/29
	R	R	R	R
Domestic Prepaid 20A				
Block 1 (0-50 kWh)	157.24	171.41	186.85	203.69
Block 2 (51-350 kWh)	202.42	220.66	240.54	262.21
Block 3 (351-600 kWh)	284.61	310.25	338.21	368.68
Block 4 (<600kWh)	335.05	365.24	398.15	434.02
Basic Charge	276.10	300.98	328.09	357.66
		-	-	-
Domestic Conventional Single Phase 60A		-	-	-
Block 1 (0-50 kWh)	157.24	171.41	186.85	203.69
Block 2 (51-350 kWh)	202.42	220.66	240.54	262.21
Block 3 (351-600 kWh)	284.61	310.25	338.21	368.68
Block 4 (<600kWh)	335.05	365.24	398.15	434.02
Basic Charge	303.76	331.13	360.96	393.49
		-	-	-
Domestic Conventional Three Phase 80A		-	-	-
Block 1 (0-50kwh)	165.66	180.59	196.86	214.59
Block 2 (51-350 kwh)	209.65	228.54	249.13	271.58
Block 3 (351-600 kwh)	284.54	310.18	338.12	368.59
Block 4 (>600 kwh)	338.80	369.33	402.60	438.88
Basic charge	309.49	337.38	367.77	400.91
		-	-	-
Commercial (Conventional)<50kVA		-	-	-
Basic Charge	412.58	449.75	490.28	534.45
Networwok Access Charge	456.05	497.14	541.93	590.76
Energy Charge	288.47	314.46	342.79	373.68
		-	-	-
Commercial (Conventional)>50kVA<100kVA		-	-	-
Basic Charge	461.16	502.71	548.00	597.38
Networwok Access Charge	376.20	410.10	447.05	487.32
Energy Charge	285.52	311.25	339.29	369.86
		-	-	-
Industrial Tariffs		-	-	-
Large Power>100kVA<500kVA		-	-	-
Basic Charge	1 220.75	1 330.74	1 450.64	1 581.34
Networwok Access Charge	694.57	757.15	825.37	899.74
Energy Charge	178.29	194.35	211.87	230.95
Demand Charge	317.37	345.97	377.14	411.12
		-	-	-
Large Power User-Bulkc1>500kVA		-	-	-
Basic Charge	1 870.71	2 039.26	2 223.00	2 423.29
Networwok Access Charge	935.44	1 019.72	1 111.60	1 211.76
Energy Charge	173.91	189.58	206.66	225.28
Demand Charge	295.31	321.92	350.92	382.54
		-	-	-
Large Power User-Bulk 2>500kVA		-	-	-
Basic Charge	1 870.71	2 039.26	2 223.00	2 423.29
Networwok Access Charge	985.33	1 074.11	1 170.89	1 276.38
Energy Charge	173.91	189.58	206.66	225.28
Demand Charge	317.37	345.97	377.14	411.12
		-	-	-
Resflex residential (based on Eskom home power tariff)		-	-	-
Resflex residential , pre-payment & conventional	-	-	-	-
Residential IBT 0-50	171.25	186.68	203.50	221.83
Residential IBT 51-350	202.42	220.66	240.54	262.21
Residential IBT 351-600	284.61	310.25	338.21	368.68
Residential IBT >600	335.05	365.24	398.15	434.02
Residential service charge (conventional meter only)	276.10	300.98	328.09	357.66
Environmental levy (to be added to energy tariff)	-	-	-	-
Electrification and rural network subsidy charge	0.01	0.01	0.01	0.01
	-	-	-	-
Complex / small business based on Eskom business rate (non local authority)	-	-	-	-
Complex small business smaller than 125A tariff per kwh, prepaid and Conventional	3.84	4.19	4.56	4.97
Small business conventional service charge (per khw, minimun per month 500kwh)	0.80	0.87	0.95	1.04
Environmental levy added to energy tariff	-	-	-	-
Electrification and rural subsidy	-	-	-	-
	-	-	-	-
Key customers (above 125A) based on Eskom megaflex charges	-	-	-	-
Service charge key customers (fixed per month)	2 365.50	2 578.63	2 810.97	3 064.23
Network access charge per KVA (fixed based on determined NAC)	65.67	71.59	78.04	85.07
Demand charge per KVA per month	265.67	289.61	315.70	344.15
Energy charge per KWH	1.65	1.80	1.96	2.14
Transmission network charge per KVA per month	17.58	19.16	20.89	22.77

Sanitation and Impact of Tariff Increases

A tariff increase of 3.7 % per cent for sanitation from 1 July 2026 is proposed. This is based on the input cost assumptions related to water. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation will be applicable to registered indigents;

The following table compares the current and proposed tariffs

Basic Sewer Tariffs		Current FY 2025/26	MTREF Budget 2026/27 - 2028/29 Financial Years		
			3.7% Increase 2026/27	3.3% Increase 2027/28	3.2% Increase 2028/29
	BS_TARF_CODE_DESCR	R	R	R	R
BS001	BASIC SEWERAGE DOMESTIC	195.28	202.51	209.19	215.88
BS002	BASIC SEWERAGE BUSINESS	175.93	182.44	188.46	194.49
BS003	BASIC SEWERAGE OLD AGE HOME	3 904.66	4 049.13	4 182.75	4 316.60
BS005	BASIC SEWERAGE SCHOOLS	2 538.14	2 632.05	2 718.91	2 805.91
BS008	BASIC SEWERAGE SPOORNET	1 757.25	1 822.27	1 882.40	1 942.64
BS009	BASIC SEWERAGE SPOORNET	5 076.12	5 263.94	5 437.65	5 611.65
BS010	BASIC SEWERAGE HOSPITAL	3 319.04	3 441.84	3 555.43	3 669.20
BS012	BASIC SEWERAGE COMMANDO	195.26	202.48	209.17	215.86
BS016	BASIC SEWERAGE HOTEL	5 191.50	5 383.59	5 561.24	5 739.20
BS025	BASIC SEWER HOTELS AND PUBS	585.80	607.47	627.52	647.60
BS103	SEWERAGE S.W.T.L.K.	9 761.70	10 122.88	10 456.94	10 791.56
BS106	SEWERAGE CORRECTIONAL SERVICESCES	19 523.37	20 245.73	20 913.84	21 583.09
BS108	WESHOF HOSTEL	2 342.86	2 429.55	2 509.72	2 590.03
BS109	BUCKETS	73.37	76.08	78.60	81.11
BS120	SEWERAGE PENSIOENNARISTE/WELSYN/ONGEKIK	147.98	153.46	158.52	163.59
BSB001	BASIC SEWER EMPTY STANDS	84.27	87.39	90.27	93.16
BSB002	BASIC SEWER RESID/CHURCHES	195.28	202.51	209.19	215.88
BSB109	BASIC SEWER-HOEK VZYL SALES 44 X	8 073.57	8 372.29	8 648.58	8 925.33
BSB134	BASIC SEWER GUEST BOARDING	390.53	404.98	418.34	431.73
BSB171	BASIC SEWER DAIRYBELLE	44 497.59	46 144.00	47 666.75	49 192.09
BSB172	BASIC SEWER BOITUMELONG EXT 4 FLAT	-	-	-	-
BSPEN1	BASIC SEWER PENSIONERS R0 - R3000 PM	-	-	-	-
BSPEN2	BASIC SEWER PENSIONERS R3001 - R5000 PM	68.34	70.87	73.21	75.55
BSPEN3	BASIC SEWER PENSIONERS R5001 - R7500 PM	97.61	101.22	104.56	107.91

Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration.

A 3.7 % per cent increase in the waste removal tariff is proposed from 1 July 2026. Any increase higher than 3.7 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt. The following table compares current and proposed amounts payable from 1 July 2026:

Comparison between current waste removal fees and increase

Refuse Tariffs	Current FY 2025/26	MTREF Budget 2026/27 - 2028/29 Financial Years		
		3.7% Increase 2026/27	3.3% Increase 2027/28	3.2% Increase 2028/29
BR_TARF_CODE_DESCR	R	R	R	R
REFUSE & BIN RESIDENTIAL	166.67	172.84	178.54	184.25
REFUSE & BIN BUSINESS 1X PW	166.67	172.84	178.54	184.25
REFUSE & BIN BUSNISS 2 X PW	235.56	244.28	252.34	260.41
REFUSE & BIN-HOEK MUNICIPAL SALE	166.67	172.84	178.54	184.25
REFUSE & BIN-HOEK VSYL SALES 44 X R33.54	-	-	-	-
BASIC REFUSE PESIONERS R0 - R3000 PM	-	-	-	-
BASIC REFUSE PENSIONERS R3001 - R5000 PM	58.27	60.43	62.42	64.42
BASIC REFUSE PENSIONERS R5001 - R7500 PM	83.26	86.34	89.19	92.04
REFUSE REMOVAL RESIDENTIAL	166.67	172.84	178.54	184.25
REFUSE REMOVAL BUSINESS	166.67	172.84	178.54	184.25
REFUSE REMOVAL S.W.T.L.K	166.67	172.84	178.54	184.25
REFUSE REMOVAL SCHOOLS	166.67	172.84	178.54	184.25
REFUSE REMOVAL GOVERNMENT DEPARTMENTS	166.67	172.84	178.54	184.25
REFUSE PER BIN	-	-	-	-

Other tariffs 3.7%

A 3.7% increase for all other tariffs will apply from July 2026 financial year and for the two outer years of the MTREF an increase of 3.3% and 3.2% will apply as per MFMA budget circular 132. Other tariffs include but are not limited to the following;

- Rental of town-halls
- Graveyards
- Rental of Machines and Equipment
- All other tariffs

Rental of Town-Halls

	HALLS			
	R0.0640			
	DEPOSIT			
	Financial Years			
	Current FY	MTREF 2026-27 Financial Years		
	2025/26	2026/27	2027/28	2028/29
		3.7% Increase	3.3% Increase	3.2% Increase
	R	R	R	R
WEDDINGS/BIRTHDAYS ETC	1 415.2500	1 467.6143	1 516.0455	1 564.5590
	-	-	-	-
PREPARATIONS PER HOUR	-	-	-	-
	-	-	-	-
MEETING BY ANY INSTITUTION INCL SPORTSCLUB AND EVENINGS	710.9196	737.2236	761.5520	785.9217
	-	-	-	-
CHURCH SERVICES PER HOUR	710.8988	737.2021	761.5297	785.8987
	-	-	-	-
FUNERAL SERVICES	710.9196	737.2236	761.5520	785.9217
	-	-	-	-
CHURCH CONFERENCES PER DAY	1 419.7684	1 472.2998	1 520.8857	1 569.5541
	-	-	-	-
CHURCH FETE	1 419.7684	1 472.2998	1 520.8857	1 569.5541
	-	-	-	-
POLITICAL MEETINGS	1 220.4522	1 265.6089	1 307.3740	1 349.2100
	-	-	-	-
DISCO'S/BEAUTY CONTEST	1 419.7684	1 472.2998	1 520.8857	1 569.5541
	-	-	-	-
KITCHEN	426.5517	442.3341	456.9311	471.5529
	-	-	-	-
COOLER	426.5517	442.3341	456.9311	471.5529
	-	-	-	-
GOVERNMENT ORGANISATIONS	710.9196	737.2236	761.5520	785.9217
	-	-	-	-
	-	-	-	-
		-	-	-
STADIUMS	1 266.1600	1 313.0079	1 356.3372	1 399.7400

	15131402862RAZZZZZWM			
	MAINHALL/HOOFSAAL			R0.0640
				RENT
	Financial Years			
	Current FY	MTREF 2026-27 Financial Years		
	2025/26	2026/27	2027/28	2028/29
		3.7% Increase	3.3% Increase	3.2% Increase
	R	R	R	R
WEDDINGS/BIRTHDAYS ETC	1 418.2492	1 470.7244	1 519.2583	1 567.8746
	-	-	-	-
PREPARATIONS PER HOUR	56.9531	59.0604	61.0094	62.9617
	-	-	-	-
MEETING BY ANY INSTITUTION INCL SPORTSCLUB AND EVENINGS	141.6462	146.8871	151.7344	156.5899
	-	-	-	-
CHURCH SERVICES PER HOUR	107.9094	111.9021	115.5948	119.2939
	-	-	-	-
FUNERAL SERVICES	453.3776	470.1526	485.6676	501.2090
	-	-	-	-
CHURCH CONFERENCES PER DAY	707.5439	733.7230	757.9359	782.1898
	-	-	-	-
CHURCH FETE	708.0934	734.2929	758.5245	782.7973
	-	-	-	-
POLITICAL MEETINGS	141.6462	146.8871	151.7344	156.5899
	-	-	-	-
DISCO'S/BEAUTY CONTEST	1 413.0542	1 465.3372	1 513.6933	1 562.1315
	-	-	-	-
KITCHEN	424.8398	440.5589	455.0973	469.6604
	-	-	-	-
COOLER	-	-	-	-
	-	-	-	-
GOVERNMENT ORGANISATIONS	141.6462	146.8871	151.7344	156.5899
	-	-	-	-
	-	-	-	-
		-		

	15131402862RAZZZZZWM			
	Side Hall/SYSAAL			R0.0640
				RENT 2
	Financial Year			
	Current FY	MTREF 2026-27 Financial Years		
	2025/26	2026/27	2027/28	2028/29
		3.7% Increase	3.3% Increase	3.2% Increase
	R	R	R	R
WEDDINGS/BIRTHDAYS ETC	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
PREPARATIONS PER HOUR	57.4440	59.5694	61.5352	63.5043
	-	-	-	-
MEETING BY ANY INSTITUTION INCL SPORTSCLUB AND EVENINGS	142.8667	148.1528	153.0418	157.9391
	-	-	-	-
CHURCH SERVICES PER HOUR	113.6282	117.8324	121.7209	125.6160
	-	-	-	-
FUNERAL SERVICES	457.2843	474.2038	489.8525	505.5278
	-	-	-	-
CHURCH CONFERENCES PER DAY	713.6408	740.0455	764.4670	788.9300
	-	-	-	-
CHURCH FETE	714.1950	740.6202	765.0607	789.5426
	-	-	-	-
POLITICAL MEETINGS	142.8667	148.1528	153.0418	157.9391
	-	-	-	-
DISCO'S/BEAUTY CONTEST	1 425.2304	1 477.9639	1 526.7367	1 575.5923
	-	-	-	-
KITCHEN	428.5007	444.3552	459.0189	473.7076
	-	-	-	-
COOLER	-	-	-	-
	-	-	-	-
GOVERNMENT ORGANISATIONS	142.8667	148.1528	153.0418	157.9391
	-	-	-	-
	-	-	-	-

	15131402862RAZZZZZWM			
	ROOM/KOELKAMER			R0.0640
				RENT 3
				R0.96
	Current FY	MTREF 2026-27 Financial Years		
	2025/26	2026/27	2027/28	2028/29
		3.7% Increase	3.3% Increase	3.2% Increase
	R	R	R	R
WEDDINGS/BIRTHDAYS ETC	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
PREPARATIONS PER HOUR	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
MEETING BY ANY INSTITUTION INCL SPORTSCLUB AND EVENINGS	541.0855	561.1057	579.6222	598.1701
	-	-	-	-
CHURCH SERVICES PER HOUR	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
FUNERAL SERVICES	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
CHURCH CONFERENCES PER DAY	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
CHURCH FETE	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
POLITICAL MEETINGS	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
DISCO'S/BEAUTY CONTEST	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
KITCHEN	426.8667	442.6608	457.2686	471.9012
	-	-	-	-
COOLER	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
GOVERNMENT ORGANISATIONS	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
	-	-	-	-

	15131402862RAZZZZZWM			
	KITCHEN/KOMBUIS			R0.0640
				RENT 4
	Current FY	MTREF 2026-27 Financial Years		
	2025/26	2026/27	2027/28	2028/29
		3.7% Increase	3.3% Increase	3.2% Increase
	R	R	R	R
WEDDINGS/BIRTHDAYS ETC	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
PREPARATIONS PER HOUR	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
MEETING BY ANY INSTITUTION INCL SPORTSCLUB AND EVENINGS	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
CHURCH SERVICES PER HOUR	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
FUNERAL SERVICES	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
CHURCH CONFERENCES PER DAY	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
CHURCH FETE	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
POLITICAL MEETINGS	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
DISCO'S/BEAUTY CONTEST	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
KITCHEN	426.8667	442.6608	457.2686	471.9012
	-	-	-	-
COOLER	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
GOVERNMENT ORGANISATIONS	567.6091	588.6106	608.0348	627.4919
	-	-	-	-
	-	-	-	-

Grave yard tariffs

20111420610PRZZZZZWM GRAVESIDE TARRIFFS LEKWA TEEMANE LOCAL MUNICIPALITY	Current FY 2025/26	MTREF Budget 2026/27 - 2028/29 Financial Years 3.7% Increase 2026/27	3.3% Increase 2027/28	3.2% Increase 2028/29
	R	R	R	R
RESIDENTS OF CHRISTIANA/BLOEMHOF				
SALE OF GRAVES				
ADULTS	1 964.15	2 036.82	2 104.04	2 171.37
CHILDREN	1 528.97	1 585.54	1 637.86	1 690.28
CREMATION	2 773.98	2 876.62	2 971.55	3 066.64
9 FT DEEP	2 490.47	2 582.62	2 667.84	2 753.21
		-	-	-
RESERVATIONS/BOOKING OF GRAVES		-	-	-
		-	-	-
ADULTS	2 618.81	2 715.71	2 805.32	2 895.09
CHILDREN	1 881.47	1 951.08	2 015.47	2 079.97
9 FT DEEP	3 275.40	3 396.59	3 508.68	3 620.95
		-	-	-
OPENING OF GRAVES		-	-	-
		-	-	-
GRAVES	1 003.14	1 040.26	1 074.58	1 108.97
CREMATION	566.98	587.96	607.36	626.80
		-	-	-
UTLWANANG/BOITUMELONG		-	-	-
		-	-	-
SELF OPENING 6FT	262.85	272.58	281.57	290.58
MACHINE OPENING 6FT	1 003.14	1 040.26	1 074.58	1 108.97
SELF OPENING 9FT	391.98	406.48	419.90	433.33
MACHINE OPENING 9FT	1 002.86	1 039.97	1 074.28	1 108.66
		-	-	-
GELUKSOORD/COVERDALE		-	-	-
		-	-	-
SELF OPENING 6FT	262.91	272.64	281.63	290.65
MACHINE OPENING 6FT	1 003.17	1 040.29	1 074.62	1 109.00
SELF OPENING 9FT	392.16	406.67	420.09	433.53
MACHINE OPENING 9FT	1 003.17	1 040.29	1 074.62	1 109.00
		-	-	-
		-	-	-
NON RESIDENTS OF CHRISTIANA/BLOEMHOF		-	-	-
SALE OF GRAVES		-	-	-
		-	-	-
ADULTS	2 633.51	2 730.95	2 821.07	2 911.35
CHILDREN	1 746.37	1 810.99	1 870.75	1 930.61
CREMATION	5 546.09	5 751.30	5 941.09	6 131.20
9 FT DEEP	4 366.66	4 528.23	4 677.66	4 827.34
		-	-	-
RESERVATIONS/BOOKING OF GRAVES		-	-	-
		-	-	-
ADULTS	3 056.51	3 169.60	3 274.20	3 378.97
CHILDREN	2 184.07	2 264.88	2 339.62	2 414.49
9 FT DEEP	6 550.73	6 793.11	7 017.28	7 241.83
		-	-	-
OPENING OF GRAVES		-	-	-
		-	-	-
GRAVES	1 003.17	1 040.29	1 074.62	1 109.00
CREMATION	566.95	587.93	607.33	626.76
	-	-	-	-

Hire of Machines and Equipment

HIRE OF MACHINERY AND EQUIPMENT		Current FY 2025/26		MTREF Budget 2026/27 - 2028/29 Financial Years			
				3.7% Increase	3.3% Increase	3.2% Increase	
				2026/27	2027/28	2028/29	
MACHINERY AND EQUIPMENT		2025/26		2026/27	2027/28	2028/29	
A. Grader per 1/2 hour or portion thereof	R	872.10	R	904.37	R934.2118	R964.1066	
B. Front end loader per 1/2 hour or portion	R	872.10	R	904.37	R934.2118	R964.1066	
C. Roadroller per 1/2 hour or portion	R	872.10	R	904.37	R934.2118	R964.1066	
D. Small vibrator per 1/2 hour or portion	R	219.35	R	227.47	R234.9723	R242.4914	
E. Tipper truck 1/2 hour or portion thereof	R	872.10	R	904.37	R934.2118	R964.1066	
F. Tractor per 1/2 hour or portion thereof	R	440.40	R	456.69	R471.7657	R486.8622	
G. Trailer per 1/2 hour or portion thereof	R	219.35	R	227.47	R234.9723	R242.4914	
H. Chip spreader per 1/2 hour or portion thereof	-		-		-	-	
I. Excavator per 1/2 hour or portion thereof	R	872.10	R	904.37	R934.2118	R964.1066	
J. Bush cutter and tracter per hour thereof	R	440.40	R	456.69	R471.7657	R486.8622	
K. Bell excavator per hour/Minimum of 6 hours	R	1 805.45	R	1 872.25	R1 934.0360	R1 995.9251	
M. Vehicle mounted crane per 1/2 hour or thereof	R	872.10	R	904.37	R934.2118	R964.1066	
N. Loose ladders per day or portion thereof	R	280.10	R	290.46	R300.0490	R309.6506	
O. Vehicle mounted ladders per hour or portion thereof	R	440.40	R	456.69	R471.7657	R486.8622	
P. Waterpump per 1/2 hour or portion thereof	R	280.10	R	290.46	R300.0490	R309.6506	
Q. Roll sieve per 1/2 hour or portion	R	440.40	R	456.69	R471.7657	R486.8622	
R. Cherry picker per 1/2 hour or portion	R	440.40	R	456.69	R471.7657	R486.8622	

All Other Tariffs

	Current FY 2025/26	MTREF Budget 2026/27- 2028/29 Financial Years		
		3.7% Increase 2026/27	3.3% Increase 2027/28	3.2% Increase 2028/29
Description	**R**	**R**	**R**	**R**
VALUATION CERTIFICATE	122.26	126.78	130.97	135.16
CLEARANCE CERTIFICATE	146.53	151.95	156.97	161.99
REMOVAL OF GARDEN REFUSE **PER LOAD**	479.07	496.80	513.19	529.61
CUT OF GRASS AT ERVEN	678.83	703.95	727.18	750.45
CUTTING AND REMOVAL OF TREES	2 031.61	2 106.78	2 176.30	2 245.95
REMOVAL OF GARDEN REFUSE AND BUILDING **PER LOAD**	1 693.83	1 756.50	1 814.47	1 872.53
PHOTOSTAT A3 EACH	19.49	20.21	20.88	21.55
DUPLICATE OF ACCOUNT/A4 EACH	13.80	14.31	14.78	15.26
DISPLAY OF POSTERS (NON REFUNDABLE) **PER POSTER**	19.49	20.21	20.88	21.55
BILLBOARDS	516.43	535.54	553.21	570.91
BUILDING PLANS	316.68	328.40	339.23	350.09
ELECTRICITY /WATER DISCONNECTION/RECONNECTION FEES	345.91	358.71	370.55	382.40
ELEC: CONNEC NEW FEES NON-GOVERN HOUSI		-	-	-
		-	-	-
DEBTORS DEPOSITOS				
REDENTIONAL-HOME	1 692.03	1 754.64	1 812.54	1 870.54
BUSINESS	1 724.02	1 787.81	1 846.81	1 905.90
Tender Documents				
Less than R 200 000	344.81	357.57	369.37	381.19
R 200 001 - R 500 000	412.85	428.13	442.25	456.41
R 500 001 - R 1 000 000	688.46	713.93	737.49	761.09
R 1 000 001 - R 2 000 000	1 378.07	1 429.06	1 476.22	1 523.46
R 2 000 001 - R 10 000 000	2 066.53	2 142.99	2 213.71	2 284.55
More than R 10 000 000	4 133.07	4 285.99	4 427.43	4 569.11

Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept at 3.7 per cent.

OTHER SUNDRY INCOME

All other tariffs not listed above will also be increased at 3.7 per cent in 2026/27 financial year and 3 per cent in the respective outer years.

OPERATING EXPENDITURE FRAMEWORK

National Treasury advises that municipalities must consider cost containment measures and eliminate non-priority spending.

A cost containment policy has been developed by Council and the policy will address the following areas:

- Use of consultants.
- Vehicles used for political office-bearers.
- Travel and subsistence according to maximum limits set by National Treasury.
- No sponsorships or municipal funds may be used for social functions, team building, year-end functions such as staff year-end functions, staff wellness and attendance of sporting events by municipal officials.
- Catering to be provided only when meetings exceed five (5) hours.
- Communication to be done in an electronic format, such as internal newsletters etc.
- Conference, meetings and study tours

The expenditure framework for the 2026/2027 MTREF is informed by:

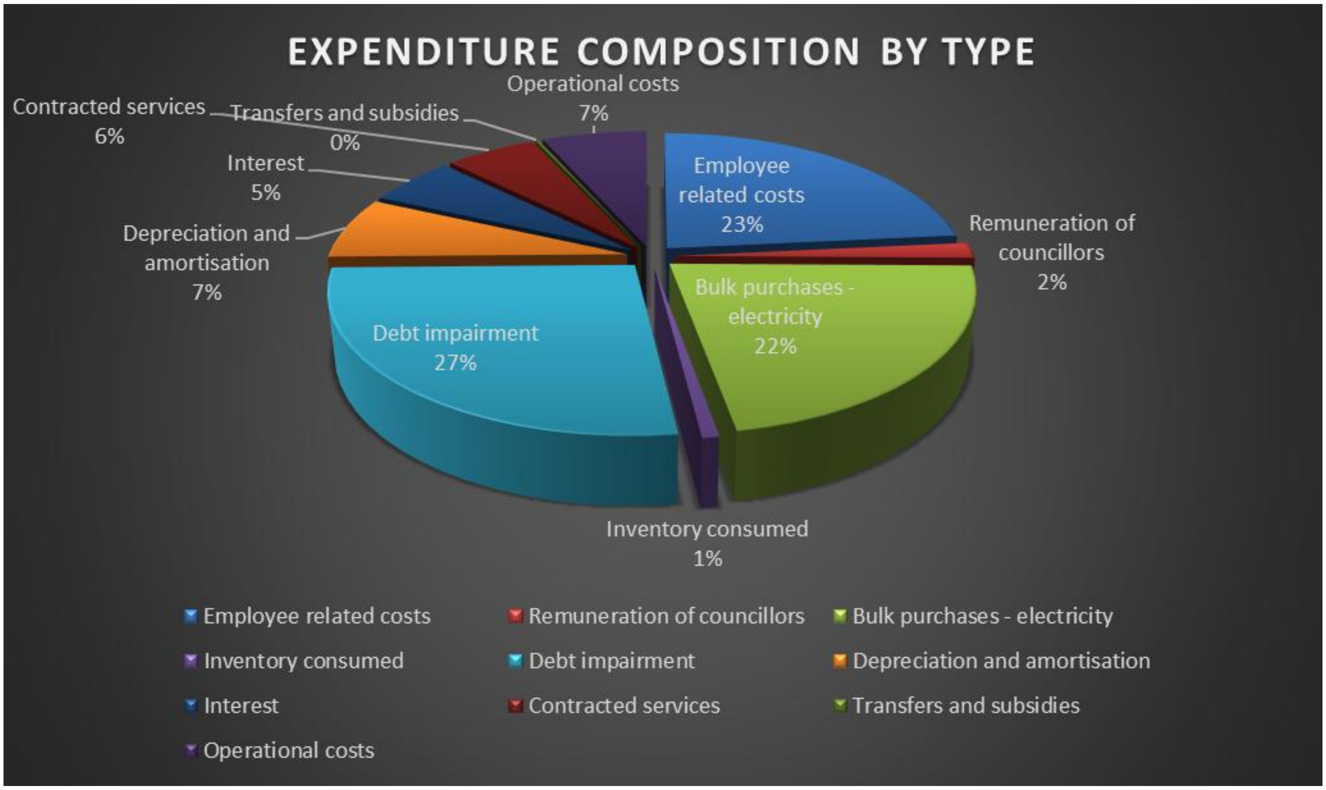
- balanced budget constraints where operating expenditure should not exceed operating revenue;
- funding of the budget over the medium term as informed by section 18 and 19 of the MFMA;

- the capital program;
- repairs and maintenance;
- direct available financial resources towards meeting the projects as identified in the IDP;
- bulk purchases costs for electricity and water;
- eliminating spending on non-priority items.

The Table and the Graph below indicate planned expenditure by the Municipality over MTREF

NW396 Lekwa-Teemane - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Expenditure											
Employee related costs	2	75 585	85 445	95 302	107 815	108 365	108 365	66 598	113 512	122 161	128 519
Remuneration of councillors	2	6 982	7 072	7 046	8 182	8 182	8 182	4 794	8 485	8 765	9 045
Bulk purchases - electricity	2	55 056	76 665	90 408	74 356	97 671	97 671	52 576	106 471	109 985	113 504
Inventory consumed	2,8	22 053	3 391	2 744	1 063	560	560	1 421	3 703	3 754	3 841
Debt impairment	2,3	-	-	-	124 878	124 878	124 878	-	129 499	133 772	138 053
Depreciation, amortisation and impairment	2	25 047	24 314	26 204	33 024	33 024	33 024	12 807	34 147	35 497	36 633
Interest, Dividends and Rent on Land	2	48 387	6 838	19 367	2 300	23 924	23 924	15 298	27 195	28 092	28 991
Contracted services	2	29 918	37 079	34 776	34 930	29 257	29 257	18 320	27 875	31 680	32 694
Transfers and subsidies	2	1 040	1 651	2 957	1 000	1 617	1 617	613	937	968	999
Irrecoverable debts written off	2	101 762	148 078	166 569	-	150	150	3 040	-	-	-
Operational costs	2	23 252	22 877	33 856	15 637	36 014	36 014	23 343	32 210	32 733	33 711
Disposal of Fixed and Intangible Assets	2	116	249	-	-	-	-	-	-	-	-
Other Losses	2	-	-	-	-	-	-	-	-	-	-
Total Expenditure		**389 199**	**413 660**	**479 228**	**403 186**	**463 643**	**463 643**	**198 810**	**484 034**	**507 406**	**525 990**



The operating budget is allocated an amount of R 484 million for the 2026/27 financial year and it increases to R 507 million and R 526 million for the respective outer years of the MTREF.

Employee-related costs increased from R 108 million to R 114 million and constitute 23% of operating expenditure. The cost associated with the **Remuneration of councilors** is determined in accordance with the Remuneration of Public Office Bearers Act. Remuneration of councilors has increased from R 8.1 million to R 8.4 million and constitutes 2% of the Operating Expenditure. The salary budget was done by costing actual warm bodies and increased by 5.15% as per the bargaining council agreement. Councilors' remuneration is based on the upper limits as determined by the Minister.

Provision for depreciation has been informed by the asset register. The budget appropriation in this regard is a total of R 34 million for 2026/27 financial year. The depreciation is based on the assets register value plus the probable depreciation for the assets that would have been completed in 2025/26 financial year.

Debt Impairment relates to the amounts that the municipality considers might not be recovered from the consumers due to non-payments of the services. The amount increased to R 129 million in 2026/27 financial year due to low collection rate during the current financial year from 125 million in 2025/26 financial year. The Municipality will run campaigns on debt awareness and the registration of indigents.

Finance charges consist primarily of bank charges and the interest paid to the creditors such as Eskom, Telkom and Auditor General. Legislatively all those interest expenditures are supposed to be classified as Fruitless and Wasteful Expenditures. The expenditure equates to 0% of the Operating Expenditure budget. The expenditure is due to the municipality experiencing cash flow problem due to low debtors' collections.

Bulk purchases increased from R 98 million in 2025/26 to R 106 million in 2026/27 financial year and constitutes 22% of total operating expenditure. The percentage increase used bulk purchase that was provided was purely for Eskom account using the current account plus the 9.01% as per NERSA benchmark.

Other Materials expenditure (inventory materials) is allocated a budget of R 4 million in 2026/27 financial year. Other materials comprise of amongst others the purchase of stationary, cleaning materials and chemicals.

Contracted Services expenditure is allocated an amount of R 28 million in 2026/27 financial year and constitutes 5.8 % of operating expenditure. The contracted services relate to the services that were acquired through contracts and they have a specific start period and end period. Further details relating to contracted services can be seen in Table MBRR SA1. This account also refers to the Maintenance that will be done on various assets of the municipality including the movable and immovable assets. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritized to ensure sustainability of the Municipality's infrastructure. It should be noted that to increase development and the municipal revenue base, a balance needs to be struck between renewal, expansion and construction of new assets.

Unfortunately, at the present moment the municipality is not able to put aside sufficient own funding to do maintenance on capital assets.

Other expenditure – is allocated a budget of R 32 million and constitutes 6% of operating expenditure budget. This is mainly the operational expenditure that will be incurred by the municipality and the cost contain measures will be put in place to ensure that the expenditure incurred is still within the framework of realistically anticipated revenue.

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table MBRR A10 (Basic Service Delivery Measurement).

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

CAPITAL EXPENDITURE FRAMEWORK

Investment in municipal infrastructure is critical to sustain growth, rehabilitation of ageing infrastructure and eradicating service delivery backlogs. Therefore, the capital financing strategies taken into consideration are;

- ensuring capital program is based on priorities, programs and projects of the IDP;
- ensure capital replacement reserve is cash backed;
- expedite spending on capital budget especially projects that are funded from conditional grants;
- explore new ways to find capital expenditure from own revenue contribution;
- analyze feasibility and impact on operating budget before capital projects are approved
- maximizing of infrastructural development through the utilization of all available resources.

The proposed infrastructure budget for 2026/27 financial year amounts to R 16 million, R 18 million for the 2027/28 financial year and to R 18 million for the 2028/29 financial year. The Municipality has planned to implement the following projects in the 2026/27 financial year using the capital allocation. This constitutes a total capital program of R 53 million over the next three (3) years of which it will be funded from government grants.

The following are infrastructure projects that are planned for implementation in the 2026/27 financial year;

Projects	Source of funding	2025/26	2026/27	2027/28
Construction of Boitumelong multipurpose hall	MIG	2 936 463	3 599 565	0
Construction of paved roads and stormwater in Geluksoord Ext 3 Christiana	MIG	3 629 940	7 025 290	7 478 537
Construction of paved roads and stormwater in Ext 5 & 10 (Bloemhof)	MIG	7 580 340	6 011 544	1 936 136
Construction of Utlwanang sport facility	MIG	2 335 857	-	8 629 627
Upgrading of Boitumelong Taxi rank	MIG	-	-	
Upgrading of Utlwanang Taxi Rank	MIG	-	-	
Households' connection in Geluksoord Ext 4	INEP	4 000 000	-	-
Road Furniture	Own Revenue	100 000		
LV Networks3: Electrical line	Own Revenue	1 000 000		
Machinery and Equipment	Own Revenue	1 000 000		
Machinery and Equipment cleansing materials	Own Revenue	100 000		
Refurbishment	Library	-	800 000	-
Transport Assets	Library	510 000		
Totals		**23 192 600**	**17 436 399**	**18 044 300**

The source of funding for infrastructure assets is conditional grants. Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR A9 (Asset Management). In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital program relating to new asset construction, capital asset renewal. The table below shows budgeted capital expenditure by vote;

1.4 Annual Budget Tables

The annual budget of the municipality for the financial year 2026/27 and the multi-year and single-year capital appropriations as set out in the following tables:

1.4.1 Table A1 – Annual Budget Summary

NW396 Lekwa-Teemane - Table A1 Budget Summary

Description	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Financial Performance										
Property rates	36 506	40 163	35 320	54 064	43 315	43 315	25 893	44 918	46 400	47 885
Service charges	132 220	149 792	155 291	195 692	169 928	169 928	112 194	182 411	195 692	210 011
Investment revenue	340	784	13	–	–	–	21	–	–	–
Transfer and subsidies - Operational	65 473	84 874	77 006	75 577	75 577	75 577	51 706	76 146	76 768	80 727
Other own revenue	113 936	126 377	210 452	146 368	149 391	149 391	73 506	154 918	160 030	165 151
Total Revenue (excluding capital transfers and contributions)	348 475	401 990	478 081	471 702	438 211	438 211	263 321	458 392	478 891	503 774
Employee costs	75 585	85 445	95 302	107 815	108 365	108 365	66 598	113 512	122 161	128 519
Remuneration of councillors	6 982	7 072	7 046	8 182	8 182	8 182	4 794	8 485	8 765	9 045
Depreciation, amortisation and impairment	25 047	24 314	26 204	33 024	33 024	33 024	12 807	34 147	35 497	36 633
Interest, Dividends and Rent on Land	48 387	6 838	19 367	2 300	23 924	23 924	15 298	27 195	28 092	28 991
Inventory consumed and bulk purchases	77 110	80 056	93 151	75 420	98 231	98 231	53 997	110 174	113 739	117 345
Transfers and subsidies	1 040	1 651	2 957	1 000	1 617	1 617	613	937	968	999
Other expenditure	155 048	208 284	235 201	175 445	190 299	190 299	44 704	189 584	198 185	204 458
Total Expenditure	389 199	413 660	479 228	403 186	463 643	463 643	198 810	484 034	507 406	525 990
Surplus/(Deficit)	(40 724)	(11 670)	(1 146)	68 516	(25 432)	(25 432)	64 511	(25 642)	(28 515)	(22 216)
Transfers and subsidies - capital (monetary allocations)	39 601	36 295	32 475	20 993	20 993	20 993	15 815	16 716	22 044	18 492
Transfers and subsidies - capital (in-kind)	–	128	376	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(1 123)	24 753	31 705	89 509	(4 439)	(4 439)	80 326	(8 926)	(6 470)	(3 725)
Share of Surplus/Deficit attributable to Associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(1 123)	24 753	31 705	89 509	(4 439)	(4 439)	80 326	(8 926)	(6 470)	(3 725)
Capital expenditure & funds sources										
Capital expenditure	32 780	47 740	32 043	21 093	23 193	23 193	17 487	16 716	18 044	18 492
Transfers recognised - capital	28 547	44 794	4 857	20 993	20 993	20 993	16 301	16 716	18 044	18 492
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	4 233	2 946	26 753	100	2 200	2 200	1 185	–	–	–
Total sources of capital funds	32 780	47 740	31 610	21 093	23 193	23 193	17 487	16 716	18 044	18 492
Financial position										
Total current assets	327 239	395 964	518 138	289 268	314 593	314 593	665 839	386 494	389 724	393 902
Total non current assets	807 875	840 609	881 540	828 296	830 396	830 396	886 249	863 440	863 418	862 730
Total current liabilities	953 593	584 466	716 119	840 618	387 894	387 894	788 203	496 129	496 882	497 626
Total non current liabilities	21 111	20 634	20 382	(73 792)	(73 792)	(73 792)	20 382	15 308	15 308	15 308
Community wealth/Equity	(2 760 476)	(2 323 147)	(2 125 127)	261 229	835 327	835 327	663 177	747 422	747 422	747 422
Cash flows										
Net cash from (used) operating	(59 571)	(41 185)	(87 173)	(6 112)	(9 490)	(9 490)	(107 662)	9 902	4 266	(1 955)
Net cash from (used) investing	3 659	3 659	3 666	(21 108)	(26 671)	(26 671)	–	(19 224)	(20 751)	(21 266)
Net cash from (used) financing	–	–	–	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	(55 912)	(37 526)	(83 507)	(18 250)	(27 191)	(27 191)	(83 614)	261	(16 224)	(39 444)
Cash backing/surplus reconciliation										
Cash and investments available	(55 866)	(37 462)	(83 437)	(18 250)	(27 191)	(27 191)	(83 544)	261	(16 224)	(39 444)
Application of cash and investments	791 426	391 033	503 915	727 469	278 010	278 010	556 040	202 284	202 087	202 491
Balance - surplus (shortfall)	(847 292)	(428 495)	(587 352)	(745 719)	(305 201)	(305 201)	(639 584)	(202 023)	(218 310)	(241 935)
Asset management										
Asset register summary (WDV)	787 210	842 726	883 651	723 105	725 205	725 205		863 420	863 398	867 760
Depreciation	24 834	24 231	26 133	33 024	33 024	33 024		34 147	35 497	36 633
Renewal and Upgrading of Existing Assets	21 836	22 815	48 963	4 000	4 000	4 000		–	–	–
Repairs and Maintenance	9 918	8 790	14 588	16 878	12 985	12 985		12 885	13 949	14 396
Free services										
Cost of Free Basic Services provided	–	–	–	–	–	–		–	–	–
Revenue cost of free services provided	–	–	–	–	–	–		–	–	–
Households below minimum service level										
Water:	–	–	–	–	–	–		–	–	–
Sanitation/sewerage:	–	–	–	–	–	–		–	–	–
Energy:	–	–	–	–	–	–		–	–	–
Refuse:	–	–	–	–	–	–		–	–	–

Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

The table provides an overview of the amounts to be considered by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard;

- ✓ The operating surplus/deficit (after Total Expenditure) is negative in the 2026/27 budget year at R 8.9 million and throughout the MTREF at R 6.4 million and R 3.7 million respectively for 2027/28 and 2028/29 respectively.
- ✓ Capital expenditure is balanced by capital funding sources, of which;
  - Transfers recognized is reflected on the Financial Performance Budget;
  - Internally generated funds are financed from a combination of service charges and other revenue.

The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. These places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently, Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted appointment of a service provider to deal with the revenue improvement in the municipality

Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of free services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that the municipality needs to raise more own funding if the vision of addressing the backlogs needs to be addressed.

1.4.2 Table A2 – Budget Financial Performance (Standard Classification)

NW396 Lekwa-Teemane - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Revenue - Functional										
Governance and administration		**159 730**	**201 730**	**266 736**	**157 078**	**155 327**	**155 327**	**158 290**	**161 629**	**168 359**
Executive and council		–	–	–	–	–	–	–	–	–
Finance and administration		159 730	201 730	266 736	157 078	155 327	155 327	158 290	161 629	168 359
Internal audit		–	–	–	–	–	–	–	–	–
Community and public safety		**2 217**	**1 029**	**1 975**	**2 412**	**2 503**	**2 503**	**2 721**	**2 678**	**2 715**
Community and social services		947	79	775	1 057	1 148	1 148	1 199	1 156	1 193
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		1 270	950	1 200	1 355	1 355	1 355	1 522	1 522	1 522
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		**12 291**	**739**	**3 070**	**20 975**	**23 846**	**23 846**	**24 253**	**25 957**	**26 651**
Planning and development		–	7	–	863	863	863	876	950	973
Road transport		12 291	732	3 070	20 112	22 983	22 983	23 377	25 007	25 678
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		**216 305**	**234 915**	**239 152**	**312 230**	**277 528**	**277 528**	**289 844**	**310 671**	**324 541**
Energy sources		103 259	115 956	141 702	215 369	191 127	191 127	200 247	218 117	229 025
Water management		33 260	39 524	34 907	44 711	31 102	31 102	32 252	33 317	34 383
Waste water management		57 050	54 254	36 580	29 308	30 655	30 655	31 789	32 838	33 889
Waste management		22 735	25 182	25 962	22 841	24 644	24 644	25 556	26 400	27 244
Other	4	**(2 466)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Revenue - Functional	2	**388 077**	**438 413**	**510 933**	**492 695**	**459 203**	**459 203**	**475 109**	**500 936**	**522 266**
Expenditure - Functional										
Governance and administration		**255 284**	**260 319**	**304 767**	**233 913**	**273 848**	**273 848**	**277 742**	**289 827**	**300 319**
Executive and council		36 299	33 391	24 321	33 998	45 239	45 239	48 834	52 719	54 864
Finance and administration		218 986	226 928	280 446	199 914	228 610	228 610	228 908	237 107	245 455
Internal audit		–	–	–	–	–	–	–	–	–
Community and public safety		**2 895**	**4 427**	**5 830**	**6 809**	**5 343**	**5 343**	**8 474**	**11 054**	**11 426**
Community and social services		2 496	2 870	4 369	2 789	2 550	2 550	2 620	2 674	2 810
Sport and recreation		131	1 416	1 436	3 507	2 307	2 307	4 441	4 587	4 734
Public safety		–	80	15	100	64	64	1 000	1 000	1 000
Housing		268	62	10	413	423	423	413	2 792	2 882
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		**20 852**	**31 058**	**33 700**	**35 880**	**34 826**	**34 826**	**37 595**	**39 289**	**41 047**
Planning and development		942	885	1 112	500	742	742	529	546	563
Road transport		19 910	30 173	32 588	35 380	34 084	34 084	37 067	38 743	40 483
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		**110 168**	**117 856**	**134 930**	**126 585**	**149 626**	**149 626**	**160 224**	**167 237**	**173 198**
Energy sources		68 736	91 924	107 905	99 993	122 870	122 870	132 739	137 788	142 345
Water management		24 083	7 940	8 535	10 744	10 605	10 605	11 011	11 626	12 162
Waste water management		9 393	7 159	4 677	1 750	1 950	1 950	1 750	2 343	2 418
Waste management		7 955	10 833	13 813	14 098	14 200	14 200	14 724	15 480	16 273
Other	4	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Expenditure - Functional	3	**389 199**	**413 660**	**479 228**	**403 186**	**463 643**	**463 643**	**484 034**	**507 406**	**525 990**
Surplus/(Deficit) for the year		**(1 123)**	**24 753**	**31 705**	**89 509**	**(4 439)**	**(4 439)**	**(8 926)**	**(6 470)**	**(3 725)**

Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile "consolidated government" reports.

Important notes;

- ✓ Total Revenue on this table includes capital revenues and so does not balance to the operating revenue shown on Table A4. As a general principle, the revenues for the Trading Services should exceed their expenditures
- ✓ The analysis is purely for the operating revenue against the operating expenditure excluding capital budgets.

- ✓ Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.
- ✓ The tables seek to determine the operating surplus when comparing the operating revenue and the operating expenditure results of which are surpluses of R 8.9 million for 2026/27, R 6.4 million for 2027/28 and R 3.7 million for 2028/29.

1.4.3 Table A3 – Annual Budget Financial Performance (Revenue & Expenditure by Municipal Vote)

NW396 Lekwa-Teemane - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Revenue by Vote	1									
Vote 1 - Municipal Manager and council		–	7	–	–	–	–	–	–	–
Vote 2 - Corporate Services		6 001	2 555	(1 109)	–	–	–	–	–	–
Vote 3 - Budget and Treasury Office / Finance		153 728	199 175	267 845	157 078	155 327	155 327	158 290	161 629	168 359
Vote 4 - Community Services		25 610	26 942	31 007	28 882	33 647	33 647	35 018	36 041	37 145
Vote 5 - Technical Services		202 737	209 733	213 190	306 734	270 230	270 230	281 800	303 266	316 762
Vote 6 - [NAME OF VOTE 6]		–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–
Total Revenue by Vote	2	**388 077**	**438 413**	**510 933**	**492 695**	**459 203**	**459 203**	**475 109**	**500 936**	**522 266**
Expenditure by Vote ***to be appropriated***	1									
Vote 1 - Municipal Manager and council		36 299	33 391	24 326	34 498	45 939	45 939	49 352	53 255	55 417
Vote 2 - Corporate Services		34 193	34 045	46 660	34 599	36 133	36 133	23 479	24 579	25 725
Vote 3 - Budget and Treasury Office / Finance		184 793	192 953	233 787	165 315	192 476	192 476	199 632	206 541	213 551
Vote 4 - Community Services		20 487	25 055	31 007	34 088	32 626	32 626	36 909	40 963	42 884
Vote 5 - Technical Services		112 138	128 217	143 448	134 685	156 468	156 468	168 866	176 081	182 234
Vote 6 - [NAME OF VOTE 6]		–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–
Total Expenditure by Vote	2	**387 910**	**413 660**	**479 228**	**403 186**	**463 643**	**463 643**	**478 238**	**501 418**	**519 811**
Surplus/(Deficit) for the year	2	**167**	**24 753**	**31 705**	**89 509**	**(4 439)**	**(4 439)**	**(3 129)**	**(483)**	**2 455**

Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

The table seeks to determine the operating surplus when comparing the total revenue and the operating expenditure. The table is showing a surplus of R 3.1 million, R 0.4 million and R 2.5 million for the financial years 2026/27, 2027/28 and 2028/29 respectively.

The picture will only be sustained if the cost containment is properly implemented to avoid unauthorised expenditure and also the debt relief conditions are met in other to get a write-off and recognise other gains under revenue.

1.4.4 Table A4 – Budget Financial Performance (Revenue by source & Expenditure by type)

NW396 Lekwa-Teemane - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Revenue											
Exchange Revenue											
Service charges - Electricity	2	86 635	96 274	105 403	136 454	116 681	116 681	77 357	127 194	138 653	151 146
Service charges - Water	2	16 985	21 810	16 779	27 574	18 433	18 433	11 621	19 115	19 745	20 377
Service charges - Waste Water Management	2	16 035	17 451	18 211	17 761	19 107	19 107	12 741	19 814	20 468	21 123
Service charges - Waste Management	2	12 565	14 257	14 898	13 904	15 707	15 707	10 475	16 289	16 826	17 365
Sale of Goods and Rendering of Services	2	414	612	1 473	712	669	669	421	693	716	739
Agency services	2	2 524	2 432	2 542	4 499	6 500	6 500	(97)	6 741	6 963	7 186
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables	2	54 187	61 322	67 198	56 705	56 705	56 705	50 989	58 803	60 744	62 687
Interest earned from Current and Non Current Assets	2	340	784	13	-	-	-	21	-	-	-
Dividends	2	-	-	-	-	-	-	-	-	-	-
Rent on Land	2	-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets	2	23	297	278	18	28	28	15	29	30	31
Licence and permits	2	-	-	-	-	-	-	-	-	-	-
Special rating levies	2	-	-	-	-	-	-	-	-	-	-
Construction Contract Revenue	2	-	-	-	-	-	-	-	-	-	-
Development Charges	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	920	1 385	421	107	668	668	15	693	716	739
Non-Exchange Revenue											
Property rates	2	36 506	40 163	35 320	54 064	43 315	43 315	25 893	44 918	46 400	47 885
Surcharges and Taxes	2	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	2	1 368	1 307	79 445	5 737	6 229	6 229	4 425	6 460	6 673	6 886
Licences or permits	2	-	-	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational	2	65 473	84 874	77 006	75 577	75 577	75 577	51 706	76 146	76 768	80 727
Interest	2	35 155	24 296	25 493	22 173	22 173	22 173	17 738	22 993	23 752	24 512
Fuel Levy	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	-	-	-	-	-	-	-	-	-	-
Gains on disposal of Fixed and Intangible Assets	2	-	1 218	-	-	-	-	-	-	-	-
Other Gains	2	19 345	33 507	33 600	56 419	56 419	56 419	-	58 506	60 437	62 371
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		**348 475**	**401 990**	**478 081**	**471 702**	**438 211**	**438 211**	**263 321**	**458 392**	**478 891**	**503 774**
Expenditure											
Employee related costs	2	75 585	85 445	95 302	107 815	108 365	108 365	66 598	113 512	122 161	128 519
Remuneration of councillors	2	6 982	7 072	7 046	8 182	8 182	8 182	4 794	8 485	8 765	9 045
Bulk purchases - electricity	2	55 056	76 665	90 408	74 356	97 671	97 671	52 576	106 471	109 985	113 504
Inventory consumed	2,8	22 053	3 391	2 744	1 063	560	560	1 421	3 703	3 754	3 841
Debt impairment	2,3	-	-	-	124 878	124 878	124 878	-	129 499	133 772	138 053
Depreciation, amortisation and impairment	2	25 047	24 314	26 204	33 024	33 024	33 024	12 807	34 147	35 497	36 633
Interest, Dividends and Rent on Land	2	48 387	6 838	19 367	2 300	23 924	23 924	15 298	27 195	28 092	28 991
Contracted services	2	29 918	37 079	34 776	34 930	29 257	29 257	18 320	27 875	31 680	32 694
Transfers and subsidies	2	1 040	1 651	2 957	1 000	1 617	1 617	613	937	968	999
Irrecoverable debts written off	2	101 762	148 078	166 569	-	150	150	3 040	-	-	-
Operational costs	2	23 252	22 877	33 856	15 637	36 014	36 014	23 343	32 210	32 733	33 711
Disposal of Fixed and Intangible Assets	2	116	249	-	-	-	-	-	-	-	-
Other Losses	2	-	-	-	-	-	-	-	-	-	-
Total Expenditure		**389 199**	**413 660**	**479 228**	**403 186**	**463 643**	**463 643**	**198 810**	**484 034**	**507 406**	**525 990**
Surplus/(Deficit)		**(40 724)**	**(11 670)**	**(1 146)**	**68 516**	**(25 432)**	**(25 432)**	**64 511**	**(25 642)**	**(28 515)**	**(22 216)**
Transfers and subsidies - capital (monetary allocations)	6	39 601	36 295	32 475	20 993	20 993	20 993	15 815	16 716	22 044	18 492
Transfers and subsidies - capital (in-kind)	6	-	128	376	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		**(1 123)**	**24 753**	**31 705**	**89 509**	**(4 439)**	**(4 439)**	**80 326**	**(8 926)**	**(6 470)**	**(3 725)**
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		**(1 123)**	**24 753**	**31 705**	**89 509**	**(4 439)**	**(4 439)**	**80 326**	**(8 926)**	**(6 470)**	**(3 725)**
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		**(1 123)**	**24 753**	**31 705**	**89 509**	**(4 439)**	**(4 439)**	**80 326**	**(8 926)**	**(6 470)**	**(3 725)**
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	**(1 123)**	**24 753**	**31 705**	**89 509**	**(4 439)**	**(4 439)**	**80 326**	**(8 926)**	**(6 470)**	**(3 725)**

REVENUE ANALYSIS

Total operating revenue has increased by an amount of R 20 million when compared to the 2025/26 adjustment budget. The increase is attributable to the CPI linked growth as per the National Treasury MFMA budget circular 132 and 130, also the increase is due to other gains that will be recognized from debt waived by Eskom as a result of meeting the debt relief conditions and an increase on interest charged to consumers on outstanding accounts.

In terms of the National Treasury Budget Circulars Municipalities are encouraged to maintain the tariffs levels that reflect an appropriate balance between affordability to the poor households and other customers while ensuring the financial sustainability of the municipality. Legislatively the municipalities are not allowed to increase the tariffs during the financial year and revenue projections will only be increased based on the performance of the revenue components.

Revenue management is fundamental to the financial sustainability and therefore the municipal revenue strategy must strive to be built around the following key components:

- to seek alternative sources of own revenue to increase funding for capital projects;
- identification and pursuance of government grants;
- tightening credit control measures and increase debt collection targets;
- improve customer relations and promote a culture of payment;
- realistic revenue estimates - going back-to-basics to ensure MTREF is appropriately funded;
- the impact of inflation, the municipal cost index and other cost increases;
- create an environment which enhances growth, development and service delivery;
- ensure that water and sanitation tariffs are fully cost reflective.

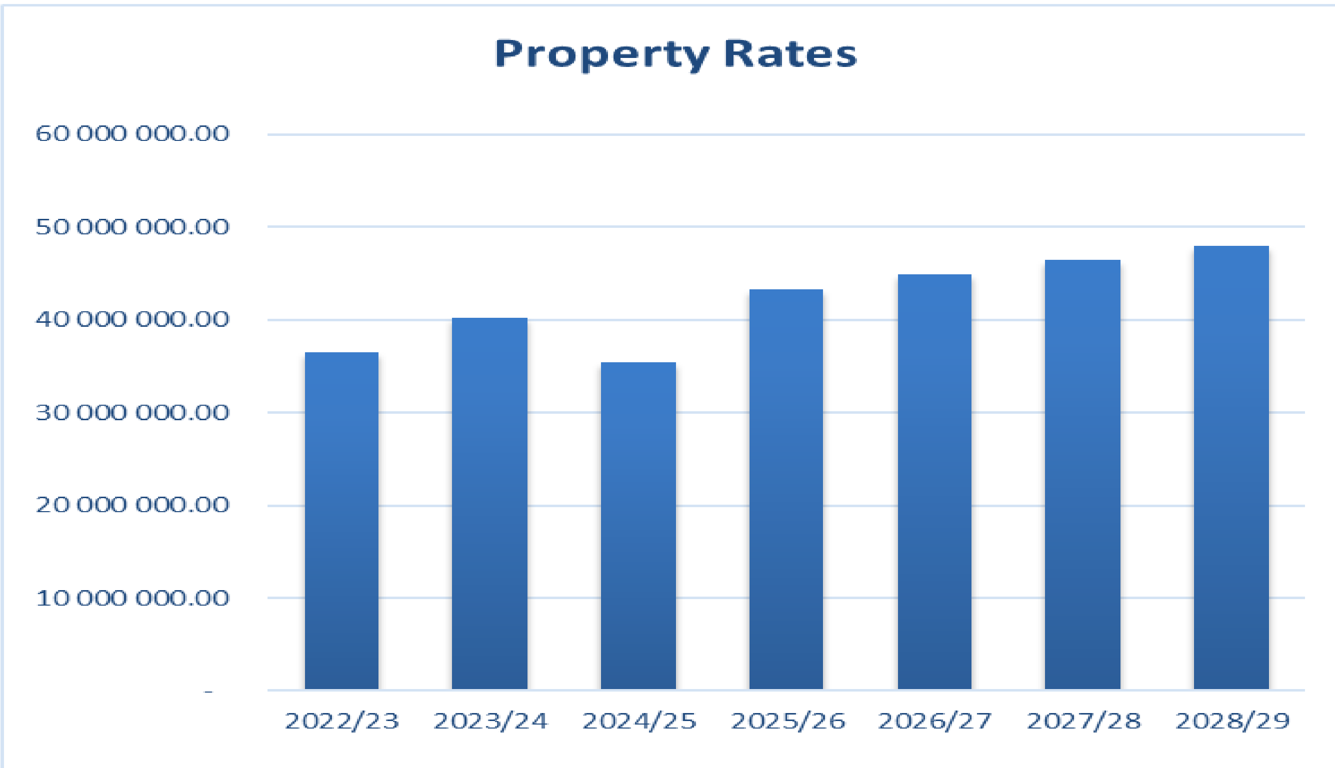
For Lekwa-Teemane to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.
The municipality's is currently implementing the credit control strategies that are aimed at the following;

- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 90% per cent annual collection rate for property rates and other key service charges, however, due to the lack of economic activity in the area and high unemployment we are unable to achieve this;
- Replacing the conventional meters in all the municipal supplied areas
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Reduction of the distribution losses and proper billing of the large power users;
- Increase ability to extend new services and recover costs; and
- The municipality's Indigent Policy and rendering of free basic services.

The services charges rates were increased as indicated below:

PROPERTY RATES

The chart below shows a 7 years trend analysis on property rates billing.



The property rates for 2026/27 financial year have been increased by 3.7% in line with MFMA budget circular 132. The amount has increased to R 45 million for the 2026/27 budget year, and increases by 3.3% and 3.2% respectively for the two outer years to R 46 million and R 48 million.

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

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0.25:1.

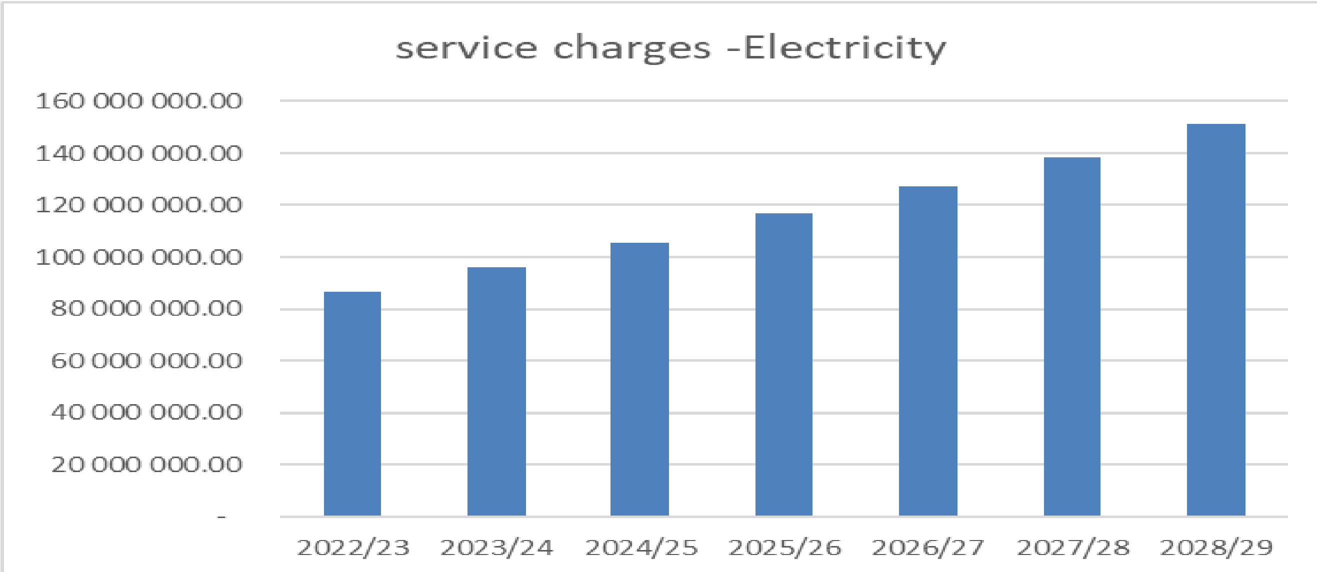
The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R110 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 100 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount of 3500.
- In this regard the following stipulations are relevant:
- The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependents without income;
- The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
- The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
- The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of ratable properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sports. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

ELECTRICITY SERVICE CHARGES

The chart below shows a 7 years trend analysis on both prepaid and conventional electricity billing.



Electricity services charges for 2026/27 have been increased by 9.01 per cent as per the NERSA tariff guideline. The amount has been increased from R 117 million to R 127 million for the 2026/27 budget year. For the two outer years electricity charges are increased by 9.01%. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

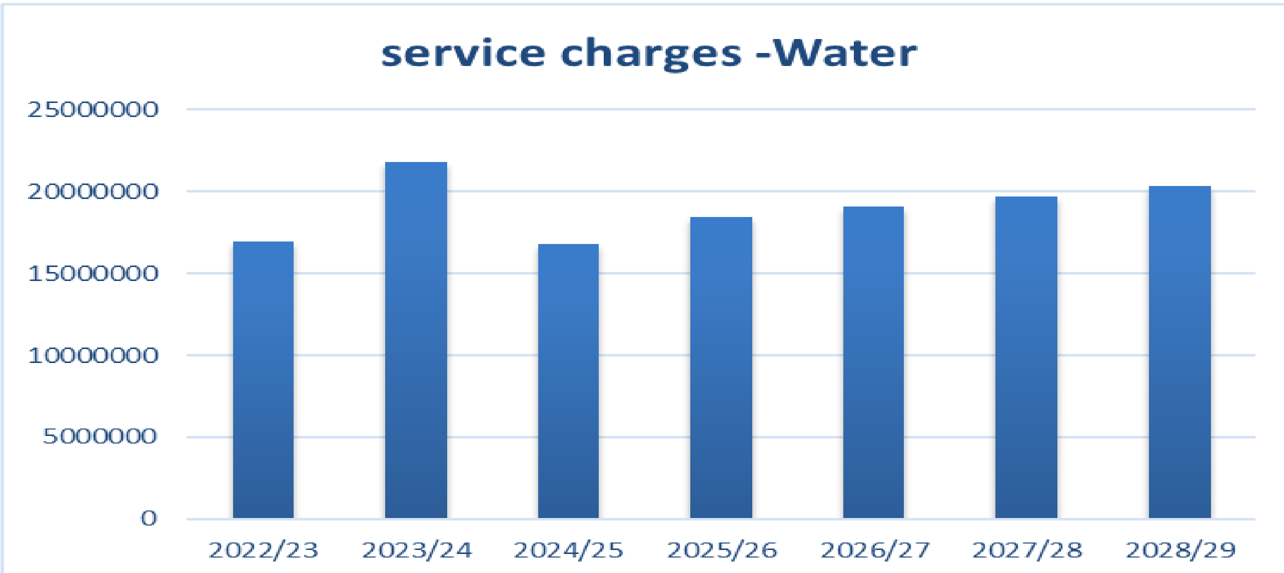
The municipality is yet to complete the cost of supply study which will determine the percentage increase for electricity tariffs, this is now a regulated requirement by NERSA.

The 2025/26 adjustment billing (conventional) and receipts (prepaid) were used as baseline for 2026/27 revenue billing for electricity. The calculation is as follows;

- The estimated year-end revenue for both conventional and prepaid in the 2026/27 financial year is **R 127.1 million**, which is calculated as;
  - R 116 680 628 million adjustment budget amount,
  - multiplied by 9.01% NERSA benchmark tariff. Municipality to apply own tariff once cost of supply study is completed before budget finalization.
  - The breakdown of the R 127.1 million is as follows;
    - Conventional electricity is R - increased by 9.01%.
    - Prepaid electricity is R 16 015 429.35- increased by 9.01%.

WATER SERVICE CHARGES

The chart below shows a 7 years trend analysis on water billing.



Water services charge have increased by 3.7% from R 19 million in the 2026/27 adjustment budget to R 20 million in 2027/28 and increases by 3.3% and 3.2% for the two outer years. The increases are based on the projected CPI increase as outlined in the National Treasury MFMA Budget Circular and 129.

The 2024/25 adjusted budget amount was used as a baseline to forecast the budget for 2026/27 financial year. The municipality was assisted by COGTA to complete the cost of supply study, which will be reviewed and included for the final budget if the tariffs are affordable to the consumers.

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

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

In addition, National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2020.

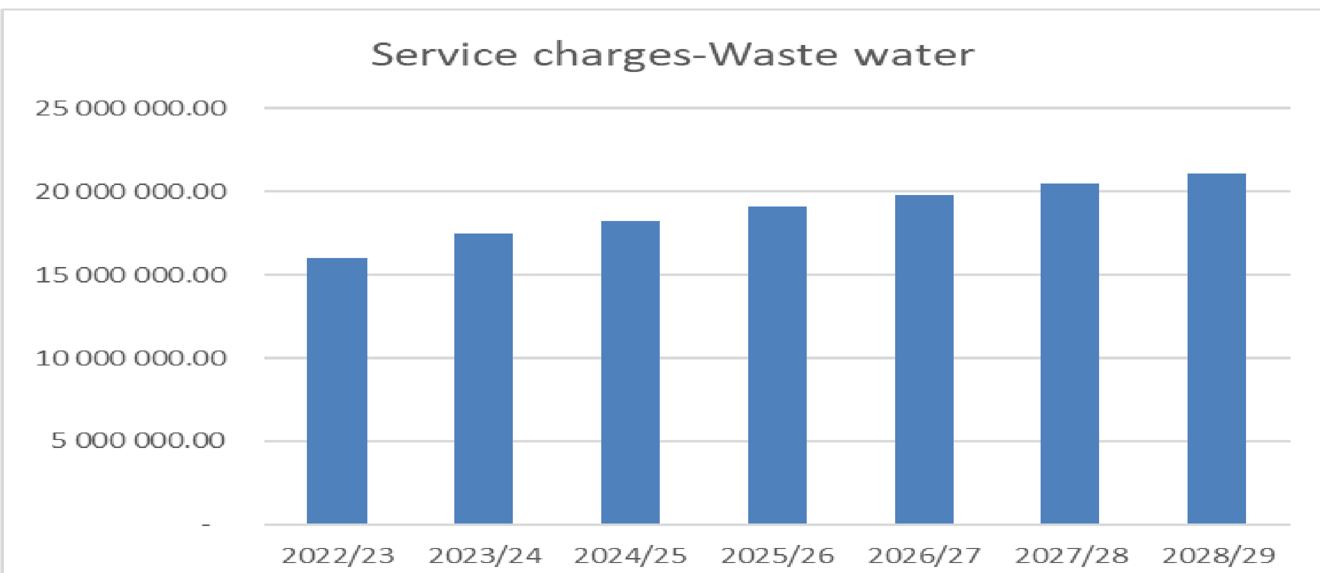
Better maintenance of infrastructure, reservoir construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. The municipality is not a water services authority and this function will happen at the district level.

DR Ruth Segomotsi Mompati District Municipality is responsible for critical assessment of its capital infrastructure requirements on water. The assessment indicates that current infrastructure is unlikely to sustain its long-term ability to supply water and they had no other choice but to upgrade the existing infrastructure.

A tariff increases of 3.7 per cent from 1 July 2025 for water as proposed will be implemented. In addition, 6 kℓ water per 30-day period will again be granted free of charge to all residents.

SANITATION SERVICE CHARGES

The chart below shows a 7 years trend analysis on sanitation billing.

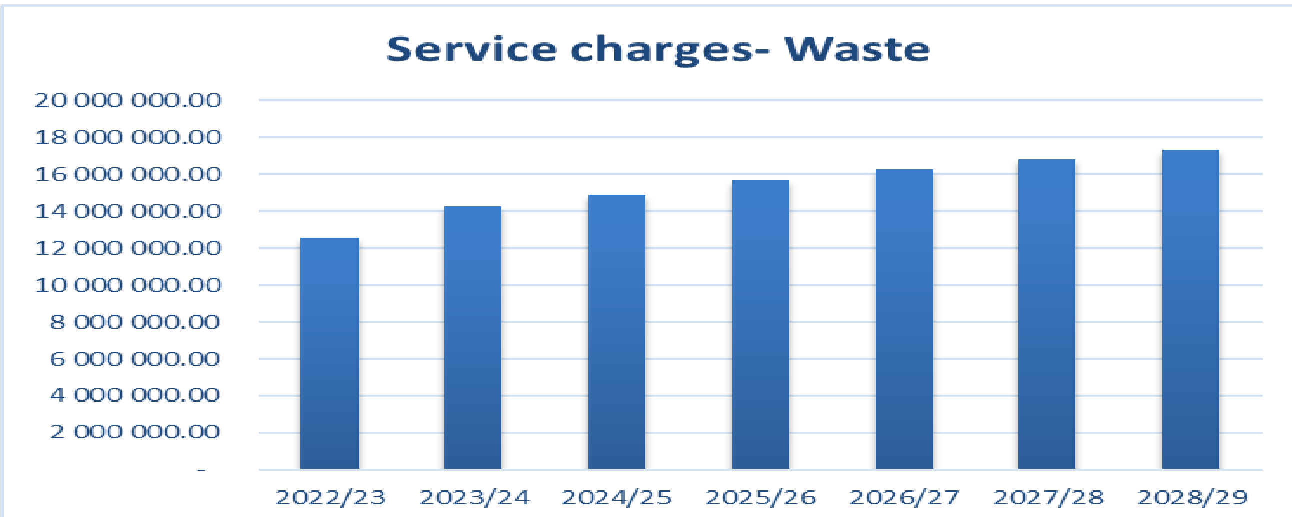


Sanitation services charges have been increased by 3.7% from R 19 million in the adjustment budget to R 20 million in 2024/25 and increases by 3.3% and 3.2% respectively for both of the two outer years. These increases are based on the projected CPI increase as outlined in the National Treasury Budget Circular 132.

A tariff increases of 3.7 % per cent for sanitation will be implemented from 01 July 2025. This is based on the input cost assumptions related to water. It should be noted that electricity also contributes to the waste water treatment input costs.

REFUSE SERVICES CHARGES

The chart below shows a 7 years trend analysis on refuse billing.



Refuse services charges have been increased by 3.7% from R 15 million to R 16 million for 2026/27 and 3.3% and 3.2% respectively for each of the two outer years of the MTREF period. These increases are based on the projected CPI increase as outlined in National Treasury MFMA Budget Circular 132.

A 3.7% per cent increase in the waste removal tariff will come into effect from 1 July 2025. Higher increases will not be viable in 2026/27 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 3.7 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

IMPACT ON TARRIF SETTING FOR THE PROPERTY RATES AND SERVICES CHARGES

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs, growth in the number of households within the municipal area, growth or decline in the number of indigents and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

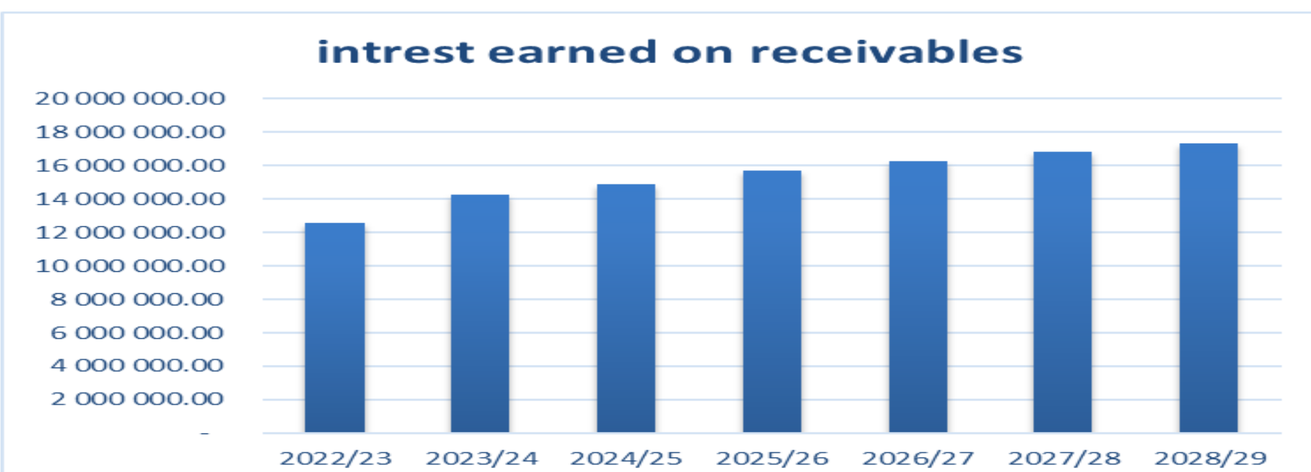
National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of both Eskom and Water bulk tariffs are beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

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

Interest on outstanding debtors

The chart below shows a 7 years trend analysis on interest billing.



Interest on outstanding debtors has been allocated a budget of R 59 million from R 57 million in the 2025/26 adjustment. This is interest levied on outstanding debt for services the municipality is providing. The interest is calculated at 11 per cent of the outstanding debt book.

Transfers and Subsidies (OPEX and CAPEX)

Transfers and subsidies are grants that are allocated to the municipality as part of the Division of Revenue Act which is issued annually after the National Budget Speech by the Minister of Finance. Lekwa Teemane Local Municipality has been allocated a total of R 98 million broken down as follows;

- Equitable share R 69 million,
- Finance Management Grant R 3 million,
- EPWP Incentive R 1,5 million,
- Sports and Recreation (Libraries) R 1 million,
- Municipal Infrastructure Grant R 17 million,

Sundry Revenue Items

Other revenue items make up a total of R 13.9 million for 2025/26 and increase to R 14.3 million and R 14.8 for 2027/28 and 2028/29 respectively. This includes items like rental of facilities and equipment, fines penalties and forfeits, agency services and other income.

Other Gains

Other gains it is the debt that is expected to be waived by Eskom when the municipality meets the debt relief conditions and its allocated R59 million for 2026/27 and R60 and R62 the two outer years respectively.

OPERATING EXPENDITURE ANALYSIS

Total operating expenditure for the 2026/27 financial year has increased to R 484 million when compared to the 2025/26 adjustment budget. This amount then grows to R 507 million and R 526 million respectively for the two outer years. The main cost drivers of expenditure are as follows;

- **Employee related cost** which has been allocated a budget of R 114 million for 2026/27, R 122 million for 2027/28 and R 128 million for 2028/29 financial years.

- **Bulk Purchases of electricity** has been allocated a budget of R 106 million for 2026/27, R 110 million for 2027/28 and R 114 million for 2028/29 financial years. Due to the fact that the municipality is not a water service authority, there was no provision that will be made going forward for the water services transaction.

- **Contracted services** is allocated R 28 million for 2026/27, R 32 million for 2027/28 and R 33 million for 2028/29 financial years. Contracted services relate to the services that were acquired through contracts and they have a specific start period and end period. Part of the provision made for contracted services relate to repairs and maintenance of infrastructure that required to be mapped under this expenditure category by mSCOA version 7.1. This account also refers to the Maintenance that will be done on various assets of the municipality including the movable and immovable assets. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritized to ensure sustainability of the Municipality's infrastructure.

- **Other expenditure** item is allocated R 32 million for 2026/27, R 33 million for 2027/28 and R 34 million for 2028/29 financial years.

- **Other materials** allocated R 3.7 million for 2026/27, R 3.7 million for 2027/28 and R 3.8 million for 2028/29 financial years.

- **Remuneration of councilors** is allocated R 8.4 million for 2026/27, R 8.7 million for 2027/28 and R 9.0 million in 2028/29 financial years. The cost associated with the Remuneration of councilors is determined in accordance with the Remuneration of Public Office Bearers Act.

- **Finance charges** will be allocated R27 million in 2026/27, R 28 million in 2027/28 and R 29 in 2028/29 financial years. Finance charges consist primarily of the Interest paid to the Creditors such as Eskom, Telkom and Auditor General. Legislatively all those interest expenditures are supposed to be classified as Fruitless and Wasteful Expenditures and its due to the municipality experiencing cash flow problem due to low debtors' collections.

Other non-cash expenditure items have been allocated budgets as follows;

- **Debt impairment** is allocated R 129 million for 2026/27 financial year which is provision made on debts that the municipality will be unable to recover. The current revenue collection rate is of 60% for property rates, 64% for electricity and 50% for all other services.

- **Depreciation and asset impairment** is allocated R 34 million for 2026/27 financial year, R 35 million for 2027/28 and R 37 million for 2028/29. Provision for depreciation has been informed by the asset register.

National Treasury advises that municipalities must consider cost containment measures and eliminate non-priority spending. A cost containment policy has been developed by Council and the policy will address the following areas;

- Use of consultants.
- Vehicles used for political office-bearers.
- Travel and subsistence according to maximum limits set by National Treasury.
- No sponsorships or municipal funds may be used for social functions, team building, year-end functions such as staff year-end functions, staff wellness and attendance of sporting events by municipal officials.
- Catering to be provided only when meetings exceed five (5) hours.
- Communication to be done in an electronic format, such as internal newsletters et cetera.
- Conference, meetings and study tours

The expenditure framework for the 2026/27 MTREF is informed by:

- balanced budget constraints where operating expenditure should not exceed operating revenue; funding of the budget over the medium term as informed by section 18 and 19 of the MFMA;
- The elimination of non-priority expenditure items

1.4.5 Table A5 Consolidated Annual Capital Expenditure Budget by Vote and Funding

Vote Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Capital expenditure - Vote											
Multi-year expenditure *to be appropriated*	2										
Vote 1 - Municipal Manager and council		–	–	–	–	–	–	–	–	–	–
Vote 2 - Corporate Services		–	–	–	–	–	–	–	–	–	–
Vote 3 - Budget and Treasury Office / Finance		–	–	–	–	–	–	–	–	–	–
Vote 4 - Community Services		–	–	–	–	–	–	–	–	–	–
Vote 5 - Technical Services		–	–	–	–	–	–	–	–	–	–
Vote 6 - [NAME OF VOTE 6]		–	–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	–	–	–	–	–	–	–	–	–	–
Single-year expenditure *to be appropriated*	2										
Vote 1 - Municipal Manager and council		–	–	28	–	–	–	–	–	–	–
Vote 2 - Corporate Services		5 759	531	2 465	100	100	100	163	–	–	–
Vote 3 - Budget and Treasury Office / Finance		(1 525)	1 605	23 515	–	–	–	191	–	–	–
Vote 4 - Community Services		5 301	2 449	4 722	5 782	5 882	5 882	3 171	4 400	8 630	3 660
Vote 5 - Technical Services		23 246	43 155	1 312	15 210	17 210	17 210	13 962	13 037	9 415	14 832
Vote 6 - [NAME OF VOTE 6]		–	–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		**32 780**	**47 740**	**32 043**	**21 093**	**23 193**	**23 193**	**17 487**	**17 436**	**18 044**	**18 492**
Total Capital Expenditure - Vote		**32 780**	**47 740**	**32 043**	**21 093**	**23 193**	**23 193**	**17 487**	**17 436**	**18 044**	**18 492**
Capital Expenditure - Functional											
Governance and administration		**4 233**	**2 136**	**25 916**	**–**	**–**	**–**	**354**	**–**	**–**	**–**
Executive and council		–	–	28	–	–	–	–	–	–	–
Finance and administration		4 233	2 136	25 888	–	–	–	354	–	–	–
Internal audit		–	–	–	–	–	–	–	–	–	–
Community and public safety		**5 301**	**2 449**	**4 815**	**5 882**	**5 982**	**5 982**	**3 171**	**4 400**	**8 630**	**3 660**
Community and social services		5 301	2 449	26	3 446	3 446	3 446	9	4 400	–	–
Sport and recreation		–	–	4 697	2 336	2 336	2 336	3 162	–	8 630	3 660
Public safety		–	–	93	100	200	200	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–	–
Economic and environmental services		**3 456**	**25 259**	**(10 937)**	**11 210**	**11 210**	**11 210**	**8 902**	**13 037**	**9 415**	**14 832**
Planning and development		–	–	–	–	–	–	–	–	–	–
Road transport		3 456	25 259	(10 937)	11 210	11 210	11 210	8 902	13 037	9 415	14 832
Environmental protection		–	–	–	–	–	–	–	–	–	–
Trading services		**19 790**	**17 897**	**12 249**	**4 000**	**6 000**	**6 000**	**5 061**	**–**	**–**	**–**
Energy sources		(4 530)	–	11 530	4 000	6 000	6 000	5 061	–	–	–
Water management		0	–	–	–	–	–	–	–	–	–
Waste water management		24 321	17 897	718	–	–	–	–	–	–	–
Waste management		–	–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–	–
Total Capital Expenditure - Functional	3	**32 780**	**47 740**	**32 043**	**21 093**	**23 193**	**23 193**	**17 487**	**17 436**	**18 044**	**18 492**
Funded by:											
National Government		4 226	26 898	4 857	20 483	20 483	20 483	16 301	16 636	18 044	18 492
Provincial Government		24 321	17 897	–	510	510	510	–	800	–	–
District Municipality		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions)		–	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	4	**28 547**	**44 794**	**4 857**	**20 993**	**20 993**	**20 993**	**16 301**	**17 436**	**18 044**	**18 492**
Borrowing	6	–	–	–	–	–	–	–	–	–	–
Internally generated funds		4 233	2 946	26 753	100	2 200	2 200	1 185	–	–	–
Total Capital Funding	7	**32 780**	**47 740**	**31 610**	**21 093**	**23 193**	**23 193**	**17 487**	**17 436**	**18 044**	**18 492**

Table A5 is a breakdown of the capital programs 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.

The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. Capital expenditure has been allocated an amount of R 16 million for 2026/27 financial year which is in relation to the municipal infrastructure grant projects and library grant. A further amount of R 18 million and R 18 million were allocated for the two outer years respectively.

Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the Building of Internal Roads, Installation of High mast lights, buying of plant and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. Our capital budget is funded from national grants and own revenue.

Investment in municipal infrastructure is critical to sustaining growth, rehabilitating ageing infrastructure and eradicating service delivery backlogs. Therefore, the capital financing strategies taken into consideration are:

- ensure capital program is based on priorities, programs and projects of the IDP;
- ensure capital replacement reserve is cash backed;
- expedite spending on capital budget especially projects that are funded from conditional grants;
- explore new ways to find capital expenditure from own revenue contribution;
- analyze feasibility and impact on operating budget before capital projects are approved
- maximizing of infrastructural development through the utilization of all available resources.

1.4.6 Table A6 Annual Budget Financial Position

NW396 Lekwa-Teemane - Table A6 Budgeted Financial Position

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
ASSETS											
Current assets											
Cash and cash equivalents	1	33 581	19 755	24 048	2 857	(505)	(505)	22 710	14 744	13 073	15 364
Short term Investments	2	–	–	–	–	–	–	–	–	–	–
Trade and other receivables from exchange transactions	3	118 544	177 629	267 048	166 267	206 607	206 607	376 224	287 837	291 688	295 502
Receivables from non-exchange transactions	3	62 262	56 486	67 935	109 875	99 239	99 239	95 666	94 972	96 107	97 243
Current portion of non-current receivables	4	–	–	–	–	–	–	–	–	–	–
Inventory	5	1 147	835	613	(159)	(1 464)	(1 464)	613	613	613	613
VAT Receivable	6	99 672	117 257	141 125	10 429	10 715	10 715	154 598	7 672	8 080	8 313
Other current assets	7	12 034	24 001	17 369	–	–	–	16 027	70	70	70
Total current assets		**327 239**	**395 964**	**518 138**	**289 268**	**314 593**	**314 593**	**665 839**	**405 909**	**409 630**	**417 105**
Non current assets											
Investments	8	46	64	70	–	–	–	71	–	–	–
Investment property	9	462 745	493 824	528 910	493 824	493 824	493 824	528 910	528 910	528 910	528 910
Property, plant and equipment	10	321 130	345 642	351 679	333 329	335 429	335 429	356 420	334 248	334 226	333 538
Biological assets	11	–	–	–	–	–	–	–	–	–	–
Living resources	12	–	–	–	–	–	–	–	–	–	–
Heritage assets	13	170	170	170	170	170	170	170	170	170	170
Intangible assets	14	365	290	92	290	290	290	60	92	92	92
Trade and other receivables from exchange transactions	15	17 867	599	599	599	599	599	599	–	–	–
Non-current receivables from non-exchange transactions	15	5 532	–	–	–	–	–	–	–	–	–
Other non-current assets	16	20	20	20	84	84	84	20	20	20	20
Total non current assets		**807 875**	**840 609**	**881 540**	**828 296**	**830 396**	**830 396**	**886 249**	**863 440**	**863 418**	**862 730**
TOTAL ASSETS		**1 135 115**	**1 236 573**	**1 399 678**	**1 117 564**	**1 144 989**	**1 144 989**	**1 552 088**	**1 269 349**	**1 273 048**	**1 279 835**
LIABILITIES											
Current liabilities											
Bank overdraft	17	–	–	–	–	–	–	–	–	–	–
Financial liabilities	18	3 356	3 490	2 649	(2 348)	(2 348)	(2 348)	2 649	2 348	2 348	2 348
Consumer deposits	19	1 737	1 815	1 851	(1 807)	(1 807)	(1 807)	1 858	1 833	1 833	1 833
Trade and other payables from exchange transactions	20	755 084	358 261	461 208	854 209	387 712	387 712	508 865	343 366	469 433	471 326
Trade and other payables from non-exchange transactions	21	25 865	(9 624)	(3 025)	–	9 009	9 009	7 740	25 604	26 430	27 406
Provision	22	–	–	–	(2 124)	(2 124)	(2 124)	–	2 124	2 124	2 124
VAT Payable	23	147 989	210 428	229 874	(6 170)	(1 408)	(1 408)	243 528	14 676	15 762	16 933
Other current liabilities	24	19 562	20 097	23 562	(1 142)	(1 142)	(1 142)	23 562	(1 142)	(1 142)	(1 142)
Total current liabilities		**953 593**	**584 466**	**716 119**	**840 618**	**387 894**	**387 894**	**788 203**	**388 809**	**516 788**	**520 829**
Non current liabilities											
Financial liabilities	25	2 986	639	–	(33 699)	(33 699)	(33 699)	–	22 646	22 646	22 646
Provision	26	18 125	19 995	20 382	(16 377)	(16 377)	(16 377)	20 382	16 377	16 377	16 377
Long term portion of trade payables	27	–	–	–	–	–	–	–	–	–	–
Other non-current liabilities	28	–	–	–	(23 715)	(23 715)	(23 715)	–	(23 715)	(23 715)	(23 715)
Total non current liabilities		**21 111**	**20 634**	**20 382**	**(73 792)**	**(73 792)**	**(73 792)**	**20 382**	**15 308**	**15 308**	**15 308**
TOTAL LIABILITIES		**974 704**	**605 100**	**736 501**	**766 827**	**314 102**	**314 102**	**808 584**	**404 117**	**532 097**	**536 138**
NET ASSETS		**160 411**	**631 473**	**663 177**	**350 738**	**830 887**	**830 887**	**743 503**	**865 232**	**740 951**	**743 697**
COMMUNITY WEALTH/EQUITY											
Accumulated surplus/(deficit)	29	(2 761 599)	(2 298 395)	(2 093 422)	350 738	830 887	830 887	743 503	865 232	740 951	743 697
Reserves and funds	30	–	–	–	–	–	–	–	–	–	–
Other	31	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	32	**(2 761 599)**	**(2 298 395)**	**(2 093 422)**	**350 738**	**830 887**	**830 887**	**743 503**	**865 232**	**740 951**	**743 697**

Table A6 is consistent with international standards of good financial management practice and improves understanding for councillors and management of the impact of the budget on the statement of financial position (balance sheet). This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" for Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

1.4.7 Table A7 Annual Cash Flows

NW396 Lekwa-Teemane - Table A7 Budgeted Cash Flows

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		–	–	–	32 439	32 325	32 325	–	33 537	34 643	35 752
Service charges		–	–	570	137 743	86 457	86 457	–	132 592	142 725	153 680
Other revenue		5 022	5 126	3 654	11 202	14 079	14 079	5 804	14 600	15 082	15 564
Transfers and Subsidies - Operational	1	–	–	–	75 577	75 577	75 577	–	76 226	76 768	80 727
Transfers and Subsidies - Capital	1	–	–	–	20 993	20 993	20 993	–	17 436	22 044	18 492
Interest		–	–	–	–	–	–	–	–	–	–
Dividends		–	–	–	–	–	–	–	–	–	–
Payments											
Suppliers and employees		(63 618)	(46 311)	(91 398)	(280 766)	(239 548)	(239 548)	(113 466)	(223 679)	(236 687)	(249 970)
Finance charges		–	–	–	(2 300)	2 245	2 245	–	(27 195)	(28 092)	(28 991)
Transfers and Subsidies	1	(975)	–	–	(1 000)	(1 617)	(1 617)	–	(937)	(968)	(999)
NET CASH FROM/(USED) OPERATING ACTIVITIES		**(59 571)**	**(41 185)**	**(87 173)**	**(6 112)**	**(9 490)**	**(9 490)**	**(107 662)**	**22 581**	**25 517**	**24 255**
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current receivables		–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		–	–	–	–	–	–	–	–	–	–
Insurance Refund - Capital		–	–	–	–	–	–	–	–	–	–
Interest on Short Term Investment (Greater then 90 days) and Long Term Investments		–	–	–	–	–	–	–	–	–	–
Payments											
Capital assets		3 659	3 659	3 666	(21 108)	(26 671)	(26 671)	–	(17 436)	(22 044)	(18 492)
Retention (Capital)		–	–	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) INVESTING ACTIVITIES		**3 659**	**3 659**	**3 666**	**(21 108)**	**(26 671)**	**(26 671)**	**–**	**(17 436)**	**(22 044)**	**(18 492)**
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing		–	–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits		–	–	–	–	–	–	–	–	–	–
Payments											
Repayment of borrowing		–	–	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
NET INCREASE/ (DECREASE) IN CASH HELD		**(55 912)**	**(37 526)**	**(83 507)**	**(27 220)**	**(36 161)**	**(36 161)**	**(107 662)**	**5 144**	**3 473**	**5 763**
Cash/cash equivalents at the year begin:	2	**0**	**0**	**0**	**8 970**	**8 970**	**8 970**	**24 048**	**9 584**	**14 728**	**18 201**
Cash/cash equivalents at the year end:	2	**(55 912)**	**(37 526)**	**(83 507)**	**(18 250)**	**(27 191)**	**(27 191)**	**(83 614)**	**14 728**	**18 201**	**23 964**

Table A7 illustrate the ability of the municipality to cover its operational expenditure over the MTREF period. Failure by the Municipality to cover the operational cost indicates that the municipality simply can't afford their operations. The budgeted cash flow statement is the first measurement in determining if the budget is funded. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

The forecasted opening balance is an amount of R 9 million, and the budgeted cash inflows are calculated as follows for 2026/27 financial year;

- Property rates amount (excluding rebates) of R 55 894 590.76 (A4) at 60% collection rate = R **33 536 754.46** (A7),
- Electricity R **100 842 241** calculated as below;

- Prepaid @ 100% of R 17 458 419.53 (A4) * 115/100 = R **20 077 182.46** plus conventional of R 70 246 832.23 *115*100 @ 64% collection rate = R **51 701 668.51**
- Disconnection charges of R 2 084 107.45 * 115/100 @64% of collection rate = R **1 533 903.08**
- Industrial charges of R 37 404 193.82 *115/100 @64% of collection rate = R **27 529 486.64**

- Water – R 19 114 554 (A4) * 115/100 at 50% collection rate =**R 10 990 869** (A7),
- Sanitation – R 19 813 949 (A4) * VAT at 50% collection rate = **R 11 393 020.675** (A7),
- Refuse – R 16 288 566exl VAT (A4) *115/100 at 50% collection rate = **R 9 365 925.45** (A7),
- Rental of facilities and equipment at 100% of the **R 18 000** on A4,
- Fines, penalties and forfeits at 100% of R 6 672 740 (A4) = **R 6 672 740** (A7),
- Agency Services at 100% at **R 6 740 500 (A7)**,
- Transfers and grants (OPEX and CAPEX) at 100% of **R 93 582 000.00** on A4,
- Other revenue at 100% at **R 1 386 388** (A7),

The municipality will implement the principle of not spending as long as there is no physical cash on hand in line with the Cost Containment Measures. The municipality will currently be able to pay its obligation over the MTREF provided the cost are contained and revenue is enhanced.

The **budgeted cash payments** for 2026/27 financial year totals **<u>R 269 247 000</u>** and broken down as follows;

- R 223 679 000 for suppliers and employees as per table A4,
- R 937 000 for transfers and subsidies as per table A4
- R 17 436 000 for capital assets,
- R27 195 000 finance charges

1.4.8 Table A8 Cash Backed Reserves/Accumulated Surplus

NW396 Lekwa-Teemane - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Cash and investments available											
Cash/cash equivalents at the year end	1	(55 912)	(37 526)	(83 507)	2 857	15 294	15 294	15 294	14 008	26 481	40 244
Other current investments > 90 days		–	–	–	–	–	–	–	–	–	–
Non current Investments	1	46	64	70	–	–	–	–	–	–	–
Cash and investments available:		**(55 866)**	**(37 462)**	**(83 437)**	**2 857**	**15 294**	**15 294**	**15 294**	**14 008**	**26 481**	**40 244**
Application of cash and investments											
Unspent conditional transfers		36 464	0	4 225	–	–	–	–	12 918	12 838	12 838
Unspent borrowing											
Statutory requirements	2	2 665	35 706	40 149	(35 036)	(22 467)	(22 467)	(22 467)	(21 320)	(22 158)	(22 358)
Other working capital requirements	3	752 297	355 327	459 541	672 431	208 269	208 269	208 269	170 562	163 943	150 295
Other provisions		–	–	–	(3 266)	(3 266)	(3 266)	(3 266)	2 124	2 124	2 124
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	–	–	–	–	–	–	–	–	–	–
Total Application of cash and investments:		**791 426**	**391 033**	**503 915**	**634 129**	**182 535**	**182 535**	**182 535**	**164 284**	**156 747**	**142 899**
Surplus(shortfall) - Excluding Non-Current Creditors Trf to Debt Relief Benefits		**(847 292)**	**(428 495)**	**(587 352)**	**(631 271)**	**(167 242)**	**(167 242)**	**(167 242)**	**(150 276)**	**(130 267)**	**(102 655)**
Creditors transferred to Debt Relief - Non-Current portion		–	–	–	–	–	–	–	–	–	–
Surplus(shortfall) - Including Non-Current Creditors Trf to Debt Relief Benefits		**(847 292)**	**(428 495)**	**(587 352)**	**(631 271)**	**(167 242)**	**(167 242)**	**(167 242)**	**(150 276)**	**(130 267)**	**(102 655)**

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

The table evaluates 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.

The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the commitments exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

Non-compliance with section 18 of the MFMA is assumed because a deficit of R 150 million indicates that the annual budget is **NOT FUNDED**. Considering the requirements of section 18 of the MFMA, it can be concluded that the budget is not funded due to prior years' commitments especially on bulk purchases for electricity and water. The remedy to the situation would be to draft a financial recovery plan which details plans for revenue enhancement, collection of arrear debt and payment of arrear creditors.

1.4.9 Table A9 Annual Budget Asset Management

NW396 Lekwa-Teemane - Table A9 Asset Management

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
CAPITAL EXPENDITURE										
Total New Assets	1	74 215	120 976	126 871	17 093	19 193	19 193	16 716	18 044	18 492
Roads Infrastructure		2 591	27 849	16 912	11 310	11 310	11 310	13 037	9 415	14 832
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		7 956	7 956	16 828	–	1 000	1 000	–	–	–
Water Supply Infrastructure		1 790	1 790	1 790	–	–	–	–	–	–
Sanitation Infrastructure		49 441	67 338	67 338	–	–	–	–	–	–
Solid Waste Infrastructure		–	–	–	–	–	–	–	–	–
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		575	575	1 986	–	–	–	–	–	–
Infrastructure		62 352	105 508	104 854	11 310	12 310	12 310	13 037	9 415	14 832
Community Facilities		1 137	2 340	2 340	2 936	2 936	2 936	3 600	–	–
Sport and Recreation Facilities		619	619	5 316	2 336	2 336	2 336	–	8 630	3 660
Community Assets		1 756	2 960	7 656	5 272	5 272	5 272	3 600	8 630	3 660
Heritage Assets		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		–	276	890	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Other Assets		–	276	890	–	–	–	–	–	–
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		–	–	–	–	–	–	–	–	–
Intangible Assets		–	–	–	–	–	–	–	–	–
Computer Equipment		1 042	1 733	2 134	–	–	–	–	–	–
Furniture and Office Equipment		5 698	5 901	5 926	–	–	–	80	–	–
Machinery and Equipment		17	17	110	–	1 100	1 100	–	–	–
Transport Assets		3 349	4 582	5 301	510	510	510	–	–	–
Land		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
Mature		–	–	–	–	–	–	–	–	–
Immature		-	-	-	-	-	-	-	-	-
Living Resources		-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets	2	21 589	22 567	48 715	4 000	4 000	4 000	–	–	–
Roads Infrastructure		7 310	7 310	31 396	–	–	–	–	–	–
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		–	–	2 658	4 000	4 000	4 000	–	–	–
Water Supply Infrastructure		–	–	–	–	–	–	–	–	–
Sanitation Infrastructure		–	–	–	–	–	–	–	–	–
Solid Waste Infrastructure		12 605	13 605	13 009	–	–	–	–	–	–
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Infrastructure		19 916	20 915	47 063	4 000	4 000	4 000	–	–	–
Community Facilities		33	33	33	–	–	–	–	–	–
Sport and Recreation Facilities		–	–	–	–	–	–	–	–	–
Community Assets		33	33	33	–	–	–	–	–	–
Heritage Assets		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Other Assets		–	–	–	–	–	–	–	–	–
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		1 248	1 404	1 404	–	–	–	–	–	–
Intangible Assets		1 248	1 404	1 404	–	–	–	–	–	–
Computer Equipment		392	418	418	–	–	–	–	–	–
Furniture and Office Equipment		–	(203)	(203)	–	–	–	–	–	–
Machinery and Equipment		–	–	–	–	–	–	–	–	–
Transport Assets		–	–	–	–	–	–	–	–	–
Land		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
Mature		–	–	–	–	–	–	–	–	–
Immature		-	-	-	-	-	-	-	-	-
Living Resources		-	-	-	-	-	-	-	-	-
Total Upgrading of Existing Assets	6	247	247	247	–	–	–	–	–	–
Roads Infrastructure		–	–	–	–	–	–	–	–	–
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		–	–	–	–	–	–	–	–	–
Water Supply Infrastructure		–	–	–	–	–	–	–	–	–
Sanitation Infrastructure		–	–	–	–	–	–	–	–	–
Solid Waste Infrastructure		–	–	–	–	–	–	–	–	–
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Infrastructure		–	–	–	–	–	–	–	–	–
Community Facilities		(385)	(385)	(385)	–	–	–	–	–	–
Sport and Recreation Facilities		–	–	–	–	–	–	–	–	–
Community Assets		(385)	(385)	(385)	–	–	–	–	–	–
Heritage Assets		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Other Assets		–	–	–	–	–	–	–	–	–
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		632	632	632	–	–	–	–	–	–
Intangible Assets		632	632	632	–	–	–	–	–	–
Computer Equipment		–	–	–	–	–	–	–	–	–
Furniture and Office Equipment		–	–	–	–	–	–	–	–	–
Machinery and Equipment		–	–	–	–	–	–	–	–	–
Transport Assets		–	–	–	–	–	–	–	–	–
Land		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
Mature		–	–	–	–	–	–	–	–	–
Immature		-	-	-	-	-	-	-	-	-
Living Resources		-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	96 050	143 791	175 834	21 093	23 193	23 193	16 716	18 044	18 492
Roads Infrastructure		9 901	35 160	48 308	11 310	11 310	11 310	13 037	9 415	14 832
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		7 956	7 956	19 486	4 000	5 000	5 000	–	–	–
Water Supply Infrastructure		1 790	1 790	1 790	–	–	–	–	–	–
Sanitation Infrastructure		49 441	67 338	67 338	–	–	–	–	–	–
Solid Waste Infrastructure		12 605	13 605	13 009	–	–	–	–	–	–
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		575	575	1 986	–	–	–	–	–	–
Infrastructure		82 268	126 423	151 918	15 310	16 310	16 310	13 037	9 415	14 832
Community Facilities		786	1 989	1 989	2 936	2 936	2 936	3 600	–	–
Sport and Recreation Facilities		619	619	5 316	2 336	2 336	2 336	–	8 630	3 660
Community Assets		1 405	2 609	7 305	5 272	5 272	5 272	3 600	8 630	3 660
Heritage Assets		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		–	276	890	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Other Assets		–	276	890	–	–	–	–	–	–
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		1 879	2 035	2 035	–	–	–	–	–	–
Intangible Assets		1 879	2 035	2 035	–	–	–	–	–	–
Computer Equipment		1 434	2 151	2 552	–	–	–	–	–	–
Furniture and Office Equipment		5 698	5 698	5 723	–	–	–	80	–	–
Machinery and Equipment		17	17	110	–	1 100	1 100	–	–	–
Transport Assets		3 349	4 582	5 301	510	510	510	–	–	–
Land		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
Mature		–	–	–	–	–	–	–	–	–
Immature		-	-	-	-	-	-	-	-	-
Living Resources		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class		96 050	143 791	175 834	21 093	23 193	23 193	16 716	18 044	18 492
ASSET REGISTER SUMMARY - PPE (WDV)	5	787 210	842 726	883 651	723 105	725 205	725 205	863 420	863 398	867 760
Roads Infrastructure		116 696	130 995	132 910	103 818	103 818	103 818	195 582	191 568	196 592
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		90 194	82 652	86 163	67 228	68 228	68 228	66 110	65 529	64 946
Water Supply Infrastructure		6 663	6 613	6 563	37	37	37	(72)	(126)	(181)
Sanitation Infrastructure		49 441	67 338	67 338	–	–	–	–	–	–
Solid Waste Infrastructure		4 723	5 091	3 666	(756)	(756)	(756)	(756)	(781)	(806)
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		575	575	1 986	1 288	1 288	1 288	–	–	–
Infrastructure		268 291	293 264	298 626	171 615	172 615	172 615	260 864	256 189	260 551
Community Assets		23 825	23 946	27 543	25 314	25 314	25 314	19 597	24 578	24 578
Heritage Assets		170	170	170	170	170	170	170	170	170
Investment properties		462 745	493 824	528 910	493 824	493 824	493 824	528 910	528 910	528 910
Other Assets		2 601	2 623	2 981	–	–	–	–	(120)	(120)
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Intangible Assets		365	290	92	290	290	290	92	92	92
Computer Equipment		976	1 301	1 157	(708)	(708)	(708)	2 329	2 305	2 305
Furniture and Office Equipment		4 959	3 246	864	3 259	3 259	3 259	465	281	281
Machinery and Equipment		715	1 195	802	873	1 973	1 973	21 518	21 518	21 518
Transport Assets		3 768	4 072	3 711	4 582	4 582	4 582	3 711	3 711	3 711
Land		18 795	18 795	18 795	23 885	23 885	23 885	25 764	25 764	25 764
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
Living Resources		–	–	–	–	–	–	–	–	–
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	787 210	842 726	883 651	723 105	725 205	725 205	863 420	863 398	867 760
EXPENDITURE OTHER ITEMS		34 752	33 021	40 721	49 903	46 009	46 009	47 032	49 446	51 028
Depreciation	7	24 834	24 231	26 133	33 024	33 024	33 024	34 147	35 497	36 633
Repairs and Maintenance by Asset Class	3	9 918	8 790	14 588	16 878	12 985	12 985	12 885	13 949	14 396
Roads Infrastructure		2 324	1 200	803	1 500	289	289	1 500	1 550	1 599
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		984	1 409	1 746	2 000	583	583	800	826	853
Water Supply Infrastructure		–	–	–	–	–	–	–	–	–
Sanitation Infrastructure		5 547	5 278	3 114	3 571	3 282	3 282	3 300	4 048	4 177
Solid Waste Infrastructure		–	–	–	–	–	–	–	–	–
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Infrastructure		8 856	7 886	5 751	7 071	4 154	4 154	5 600	6 424	6 629
Community Facilities		340	340	453	300	400	400	400	413	426
Sport and Recreation Facilities		–	192	–	50	–	–	–	–	–
Community Assets		340	532	453	350	400	400	400	413	426
Heritage Assets		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Other Assets		–	–	–	–	–	–	–	–	–
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		–	–	–	–	–	–	–	–	–
Intangible Assets		–	–	–	–	–	–	–	–	–
Computer Equipment		–	–	–	–	–	–	–	–	–
Furniture and Office Equipment		–	70	–	–	–	–	–	–	–
Machinery and Equipment		–	–	–	–	–	–	–	–	–
Transport Assets		722	301	8 383	9 457	8 430	8 430	6 885	7 112	7 340
Land		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
Mature		–	–	–	–	–	–	–	–	–
Immature		-	-	-	-	-	-	-	-	-
Living Resources		-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS		34 752	33 021	40 721	49 903	46 009	46 009	47 032	49 446	51 028

Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality is not able to meet the requirements due to its limited revenue base. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the municipality's strategy to address the maintenance backlog.

1.4.10 Table A10 Consolidated Basic Service Delivery Measurement

NW396 Lekwa-Teemane - Table A10 Basic service delivery measurement

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Household service targets	1									
Water:										
Piped water inside dwelling		–	–	–	–	–	–	–	–	–
Piped water inside yard (but not in dwelling)		–	–	–	–	–	–	–	–	–
Using public tap (at least min.service level)	2	–	–	–	–	–	–	–	–	–
Other water supply (at least min.service level)	4	–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total		–	–	–	–	–	–	–	–	–
Using public tap (< min.service level)	3	–	–	–	–	–	–	–	–	–
Other water supply (< min.service level)	4	–	–	–	–	–	–	–	–	–
No water supply		–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	–	–	–	–	–	–	–	–	–
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	5	–	–	–	–	–	–	–	–	–
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	5	–	–	–	–	–	–	–	–	–
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	5	–	–	–	–	–	–	–	–	–
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		–	–	–	–	–	–	–	–	–
Sanitation (free minimum level service)		–	–	–	–	–	–	–	–	–
Electricity/other energy (50kwh per household per month)		–	–	–	–	–	–	–	–	–
Refuse (removed at least once a week)		–	–	–	–	–	–	–	–	–
Informal Settlements		–	–	–	–	–	–	–	–	–
Cost of Free Basic Services provided - Formal Settlements (R'000)										
Water (6 kilolitres per **indigent** household per month)		–	–	–	–	–	–	–	–	–
Sanitation (free sanitation service to **indigent households**)		–	–	–	–	–	–	–	–	–
Electricity/other energy (50kwh per **indigent** household per month)		–	–	–	–	–	–	–	–	–
Refuse (removed once a week **for indigent households**)		–	–	–	–	–	–	–	–	–
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		–	–	–	–	–	–	–	–	–
Total cost of FBS provided	8	–	–	–	–	–	–	–	–	–
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)	9									
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)**		(8 280)	(7 676)	(9 660)	(10 139)	(10 139)	(10 139)	(10 585)	(11 062)	(11 338)
Water **(in excess of 6 kilolitres per indigent household per month)**		(9 223)	(9 265)	(11 424)	(10 026)	(11 530)	(11 530)	(10 467)	(10 938)	(11 211)
Sanitation **(in excess of free sanitation service to indigent households)**		(14 029)	(14 349)	(17 226)	(17 822)	(20 496)	(20 496)	(18 607)	(19 444)	(19 930)
Electricity/other energy **(in excess of 50 kwh per indigent household per month)**		(2 159)	(1 882)	(3 010)	(3 168)	(3 643)	(3 643)	(3 570)	(4 131)	(4 903)
Refuse **(in excess of one removal a week for indigent households)**		(11 712)	(12 019)	(14 553)	(14 882)	(17 115)	(17 115)	(15 537)	(16 236)	(16 642)
Municipal Housing - rental rebates		–	–	–	–	–	–	–	–	–
Housing - top structure subsidies	6	–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–
Total revenue cost of subsidised services provided		**(45 403)**	**(45 191)**	**(55 873)**	**(56 038)**	**(62 922)**	**(62 922)**	**(58 766)**	**(61 811)**	**(64 025)**

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

PART 2 SUPPORTING DOCUMENTS

2.1 Overview of the budget process

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

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

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

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

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

The Mayor tabled in Council the required IDP and budget time schedule. Key dates applicable to the budget and IDP process plan are contained in the plan attached as ***annexure B Process Plan***

IDP and Service Delivery and Budget Implementation Plan

The review of the IDP started in September 2025 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2026/27 MTREF in August 2024.

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

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

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

With the compilation of the 2026/27 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2024/25 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

Financial Modelling and Key Planning Drivers

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

- Municipal growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e., inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2024/25 adjustments budget and performance against the SDBIP
- Debtor payment levels
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 97,98, 99, 107, 108 115,122, 123, 128, 129 and 130, and also the NERSA guidelines were taken into consideration in the planning and prioritisation process.

Community Consultation

The draft 2026/27 MTREF will be tabled in March 2025 and will be subjected to stakeholder consultation soon after in line within the timeframes contained in the schedule of key deadlines. The budget was made advertised in the local newspapers for a period of 21 days and invited public to make comments before adoption by council which is by end of May 2025. The public participation too place on the 14th and 15th of May 2025. Budget documents in the appropriate format will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

The integrated development plan is the principle strategic planning instrument which guides and informs all planning budgeting, management and decision-making process in the municipality. The IDP;

- Links, integrates and co-ordinates plans taking into account proposals for development of the municipality;
- Aligns the resources and capacity of the municipality with the implementation of the plan;
- Forms the policy framework and general basis on which annual budgets must be based;

- Complies with the provisions of the legislation; and
- Is compatible with national and provincial development plans and planning requirements binding on the municipality.

The process plans applicable to the final revision cycle indicated the following key IDP process and deliverables:

- ✓ ▪ Preparation process
- ✓ ▪ Analysis process
- ✓ ▪ Strategic phase
- ✓ ▪ Project phase
- ✓ ▪ Integration phase
- ✓ ▪ Budgeting
- ✓ ▪ Approval

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

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

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

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

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

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

- Green Paper on National Strategic Planning of 2009;
- Government Program of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Development Plan 2030;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2024/25 MTREF and further planning refinements that have directly informed the compilation of the budget:

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities.

The key performance areas can be summarised as follows against the five strategic objectives:

<u>Provision of quality basic services and infrastructure which includes, amongst others</u>:

- Provide electricity;
- Provide water;
- Provide sanitation;
- Provide waste removal;
- Provide housing;
- Provide roads and storm water;
- Provide municipal planning services; and
- Maintaining the infrastructure of the municipality.

<u>Economic growth and development that leads to sustainable job creation by</u>

- Ensuring there is a clear structural plan for the municipality;
- Ensuring planning processes function in accordance with set timeframes;
- Facilitating the use of labor-intensive approaches in the delivery of services and the building of infrastructure.

<u>Fight poverty and build clean, healthy, safe and sustainable communities:</u>

- Effective implementation of the Indigent Policy;
- Working with the provincial department of health to provide primary health care services;
- Extending waste removal services and ensuring effective municipal cleansing;
- Ensuring all waste water treatment works are operating optimally;

- Working with strategic partners such as SAPS to address crime;
- Ensuring save working environments by effective enforcement of building and health regulations;
- Promote viable, sustainable communities through proper zoning; and
- Promote environmental sustainability by protecting wetlands and key open spaces.

Integrated Social Services for empowered and sustainable communities

- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly coordinated with the informal settlements upgrade program.

Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- Optimizing effective community participation in the ward committee system; and
- Implementing Batho Pele in the revenue management strategy.

Promote sound governance through:

- Publishing the outcomes of all tender processes on the municipal website.

Ensure financial sustainability through:

- Reviewing the use of contracted services.
- Implementing revenue improvement measures.

Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

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

In addition to the five-year IDP, the municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the municipality's IDP, associated sector plans and strategies, and the allocation of resources of the municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the revised IDP, including:

• Strengthening the analysis and strategic planning processes of the Municipality;

• Initiating zone planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area-based interventions, within the overall holistic framework;

• Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and

• Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2026/27 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure

The following tables deal with reconciliation of IDP strategic objectives and budget

NW396 Lekwa-Teemane - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	MTDP Service Outcome	IUDF	Ref	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
NW_396_KPA01_SO01	An efficient, effective and development-oriented public service	12	–	–	1 218	–	–	–	–	–	–	–
NW_396_KPA01_SO01	Responsive, accountable, effective and efficient local government	9	–	2 267	1 307	4 185	(9 129)	(6 500)	(6 500)	(6 741)	(6 963)	(7 186)
NW_396_KPA05_SO04	A comprehensive, responsive and sustainable social protection system	13	–	(45 191)	(55 873)	(59 708)	58 766	(21 867)	(21 867)	(23 486)	(25 210)	(27 070)
NW_396_KPA05_SO04	An efficient, effective and development-oriented public service	12	–	378 051	424 241	498 513	(521 339)	(409 844)	(409 844)	(428 166)	(446 718)	(469 518)
NW396_KPA_04_SO01	Responsive, accountable, effective and efficient local government	9	–	13 348	31 097	35 091	–	–	–	–	–	–
Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contributions)			1	**348 475**	**401 990**	**478 081**	**(471 702)**	**(438 211)**	**(438 211)**	**(458 392)**	**(478 891)**	**(503 774)**

NW396 Lekwa-Teemane - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	MTDP Service Outcome	IUDF	Ref	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
NW_396_KPA01_SO01	A comprehensive, responsive and sustainable social protection system	13	_	111	199	294	1 000	1 000	1 000	1 000	1 000	1 000
NW_396_KPA01_SO01	A long and healthy life for all South Africans	2	_	–	192	–	50	–	–	–	–	–
NW_396_KPA01_SO01	A skilled and capable workforce to support an inclusive growth path	5	_	111	132	–	–	–	–	–	–	–
NW_396_KPA01_SO01	An efficient, competitive and responsive economic infrastructure network	6	_	8 856	7 886	5 751	7 071	4 154	4 154	5 600	6 424	6 629
NW_396_KPA01_SO01	An efficient, effective and development-oriented public service	12	_	1 658	496	86	600	767	767	1 519	1 536	1 553
NW_396_KPA01_SO01	Protect and enhance our environmental assets and natural resources	10	_	173	291	–	2 000	800	800	2 074	2 142	2 211
NW_396_KPA01_SO01	Responsive, accountable, effective and efficient local government	9	_	218	13	50	124 878	124 302	124 302	129 499	133 772	138 053
NW_396_KPA01_SO01	Sustainable human settlements and improved quality of household life	8	_	177 932	145 981	183 098	168 679	224 391	224 391	233 348	244 665	253 841
NW_396_KPA03_SO04	An efficient, competitive and responsive economic infrastructure network	6	_	–	25	–	–	–	–	–	–	–
NW_396_KPA03_SO04	An efficient, effective and development-oriented public service	12	_	–	–	332	–	30	30	–	–	–
NW_396_KPA05_SO04	A skilled and capable workforce to support an inclusive growth path	5	_	4	4	1 694	900	1 605	1 605	1 500	1 550	1 599
NW_396_KPA05_SO04	An efficient, effective and development-oriented public service	12	_	4 793	4 697	14 363	13 113	13 077	13 077	11 737	12 193	12 659
NW_396_KPA05_SO04	Responsive, accountable, effective and efficient local government	9	_	10 163	7 117	2 720	4 061	3 017	3 017	5 554	5 748	5 945
NW_396_KPA05_SO04	Sustainable human settlements and improved quality of household life	8	_	141 748	202 351	225 419	55 427	53 028	53 028	51 685	54 064	56 539
NW396_KPA_04_SO01	Sustainable human settlements and improved quality of household life	8	_	21 126	23 950	25 885	13 727	13 727	13 727	14 401	14 876	15 352
NW396_KPA_04_SO02	An efficient, effective and development-oriented public service	12	_	595	260	–	–	–	–	–	–	–
NW396_KPA_04_SO02	Responsive, accountable, effective and efficient local government	9	_	3	4	34	–	–	–	–	103	107
NW396_KPA_04_SO02	Sustainable human settlements and improved quality of household life	8	_	21 708	20 062	19 500	11 680	23 743	23 743	26 118	29 332	30 503
Allocations to other priorities												
Total Expenditure			1	389 199	413 660	479 228	403 186	463 643	463 643	484 034	507 406	525 990

NW396 Lekwa-Teemane - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	MTDP Service Outcome	IUDF	Ref	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
NW_396_KPA01_SO01	An efficient, competitive and responsive economic infrastructure network	6	–	20 310	21 309	47 457	4 100	5 100	5 100	–	–	–
NW_396_KPA01_SO01	An efficient, effective and development-oriented public service	12	–	(3 745)	(2 301)	(2 128)	510	1 610	1 610	800	–	–
NW_396_KPA03_SO04	A comprehensive, responsive and sustainable social protection system	13	–	385	385	385	–	–	–	–	–	–
NW_396_KPA03_SO04	A long and healthy life for all South Africans	2	–	619	619	5 316	2 336	2 336	2 336	–	8 630	3 660
NW_396_KPA03_SO04	An efficient, competitive and responsive economic infrastructure network	6	–	61 384	104 539	102 474	11 210	11 210	11 210	13 037	9 415	14 832
NW_396_KPA03_SO04	An efficient, effective and development-oriented public service	12	–	9 907	11 499	(5 797)	2 936	2 936	2 936	3 600	–	–
NW_396_KPA05_SO04	An efficient, competitive and responsive economic infrastructure network	6	–	575	575	1 986	–	–	–	–	–	–
NW_396_KPA05_SO04	An efficient, effective and development-oriented public service	12	–	5 985	6 923	7 563	–	–	–	–	–	–
NW396_KPA_04_SO01	An efficient, effective and development-oriented public service	12	–	632	632	632	–	–	–	–	–	–
Allocations to other priorities			3									
Total Capital Expenditure			1	96 050	144 180	157 888	21 093	23 193	23 193	17 436	18 044	18 492

2.3 MEASURABLE PERFOMANCE OBJECTIVES AND INDICATORS

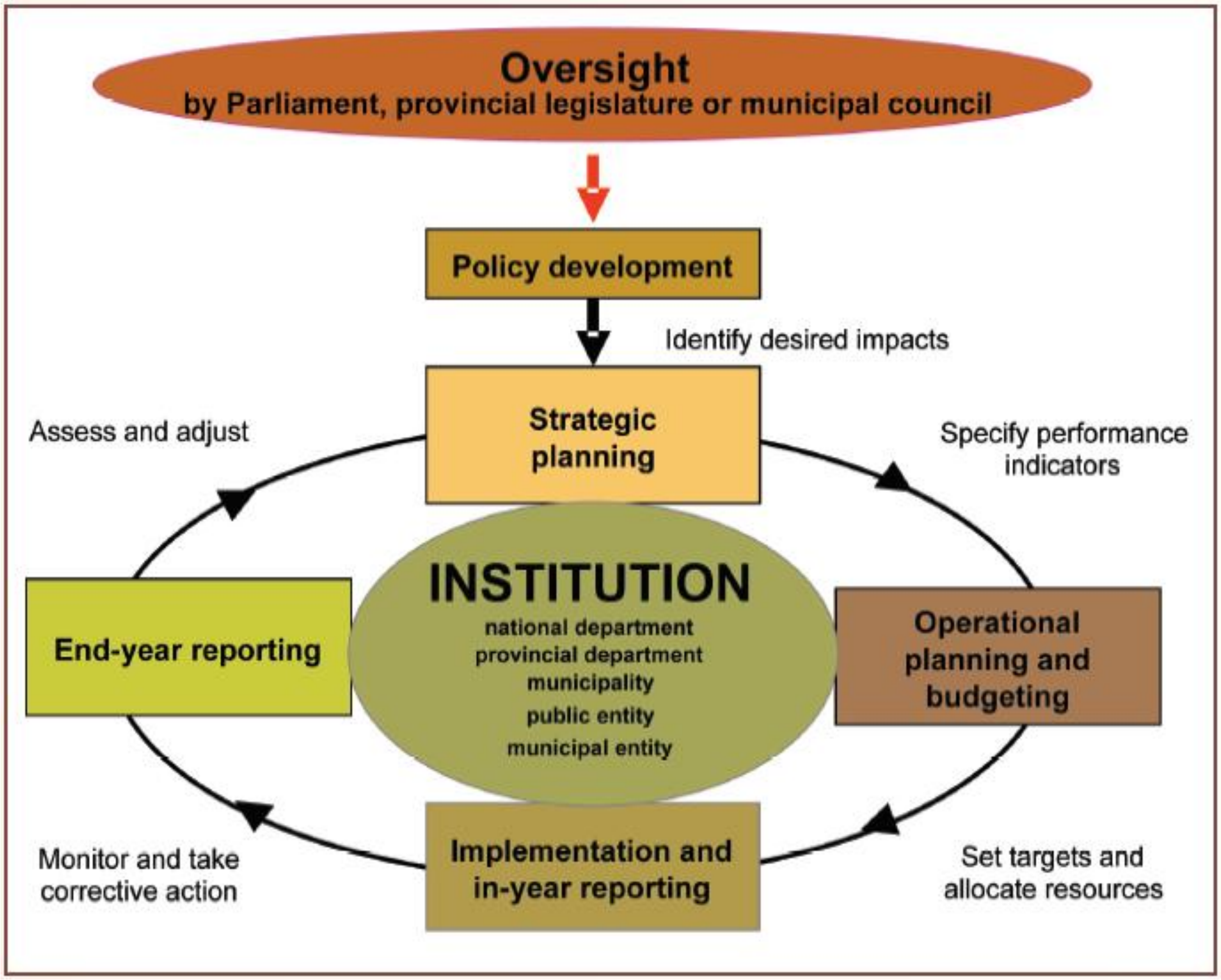
Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee’s performance.

The municipality’s performance plan reflects key performance indicators (KPI's) and targets linked to the IDP. The adopted performance management framework encompasses:

- Planning (setting KPI’s and targets)
- Monitoring (quarterly monitoring)
- Measurement (indicators of success)
- Review (identifying areas requiring change and improvement
- Reporting (reporting to internal audit and audit committee, Council and annual report)
- Improvement (changes to improve where necessary)
- The performance of the municipality relates directly to the extent to which it has achieved success in realizing its goals and objectives.

The performance information concepts used by the municipality in its performance management system are aligned to the National Treasury performance management framework

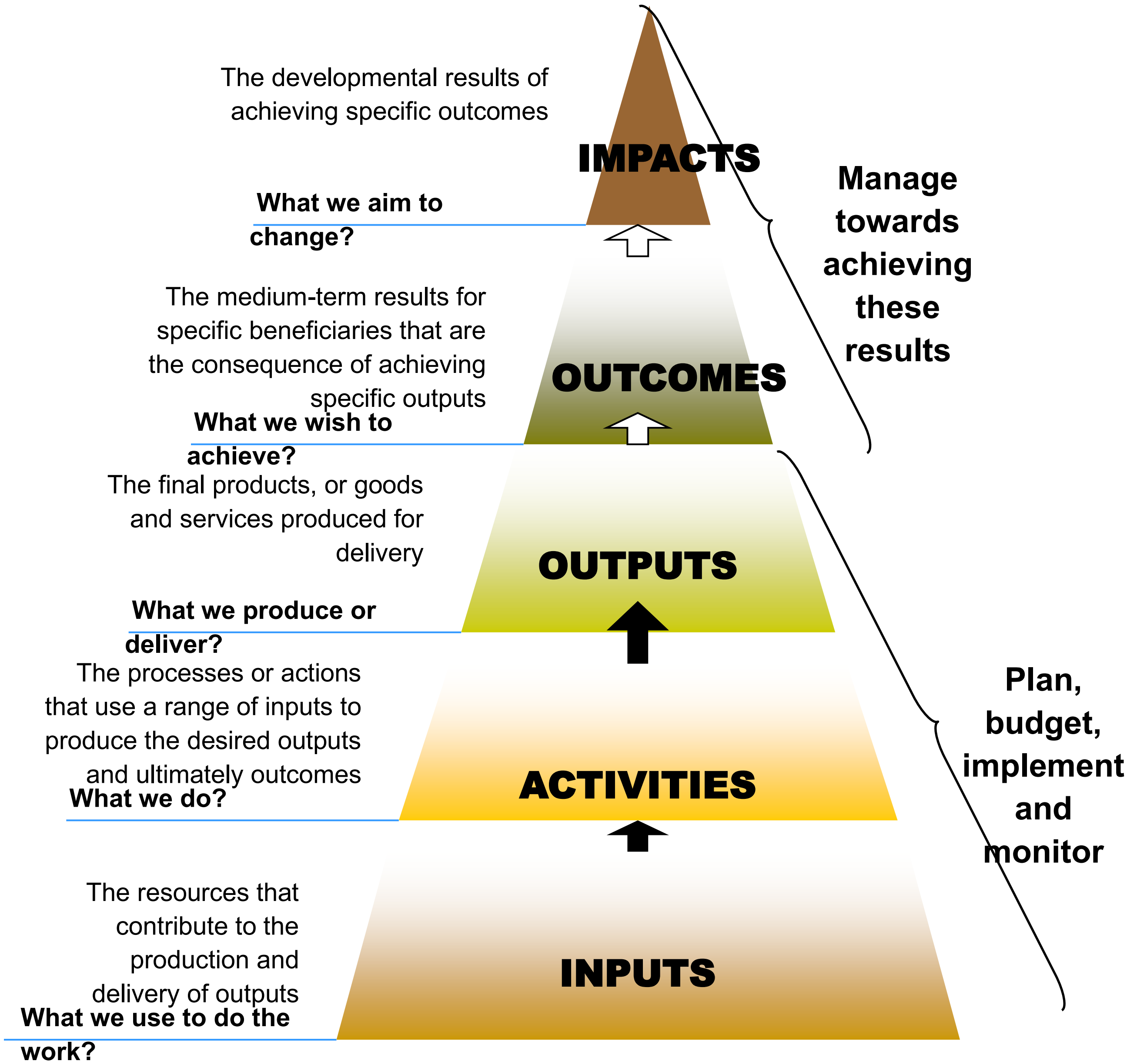
At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



Planning, budgeting and reporting cycle

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

The Framework of Managing Programme Performance Information issued by the National Treasury:



NW396 Lekwa-Teemane - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Vote 1 - vote name										
Function 1 - (name)										
Sub-function 1 - (name)										
Insert measure/s description										
Sub-function 2 - (name)										
Insert measure/s description										
Sub-function 3 - (name)										
Insert measure/s description										
Function 2 - (name)										
Sub-function 1 - (name)										
Insert measure/s description										
Sub-function 2 - (name)										
Insert measure/s description										
Sub-function 3 - (name)										
Insert measure/s description										
Vote 2 - vote name										
Function 1 - (name)										
Sub-function 1 - (name)										
Insert measure/s description										
Sub-function 2 - (name)										
Insert measure/s description										
Sub-function 3 - (name)										
Insert measure/s description										
Function 2 - (name)										
Sub-function 1 - (name)										
Insert measure/s description										
Sub-function 2 - (name)										
Insert measure/s description										
Sub-function 3 - (name)										
Insert measure/s description										
Vote 3 - vote name										
Function 1 - (name)										
Sub-function 1 - (name)										
Insert measure/s description										
Sub-function 2 - (name)										
Insert measure/s description										
Sub-function 3 - (name)										
Insert measure/s description										
Function 2 - (name)										
Sub-function 1 - (name)										
Insert measure/s description										
Sub-function 2 - (name)										
Insert measure/s description										
Sub-function 3 - (name)										
Insert measure/s description										
And so on for the rest of the Votes										

Performance indicators and benchmark

NW396 Lekwa-Teemane - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Borrowing Management											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	12.4%	1.7%	4.0%	0.6%	5.2%	5.2%	7.7%	5.6%	5.5%	5.5%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	13.9%	1.7%	4.1%	0.5%	5.5%	5.5%	5.8%	5.9%	5.9%	5.8%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Safety of Capital											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity											
Current Ratio	Current assets/current liabilities	0.3	0.7	0.7	0.3	0.7	0.7	0.7	1.0	1.1	1.1
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.3	0.7	0.7	0.3	0.7	0.7	0.7	1.0	1.1	1.1
Liquidity Ratio	Monetary Assets/Current Liabilities	0.2	0.3	0.4	0.2	0.4	0.4	0.3	0.7	0.8	0.8
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	0.0%	0.0%	0.0%	0.4%	86.6%	78.9%	78.9%	119.5%	83.2%	80.1%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		0.0%	0.0%	0.4%	86.6%	78.9%	78.9%	119.5%	83.2%	80.1%	77.1%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	179.6%	166.3%	154.5%	130.2%	138.7%	138.7%	299.5%	139.3%	133.7%	127.5%
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		-1350.5%	-954.7%	-552.3%	29893.7%	2535.1%	2535.1%	2535.1%	131309.3%	-4582.8%	-1545.9%
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)	21.7%	21.3%	19.9%	22.9%	24.7%	24.7%	25.3%	24.8%	25.5%	25.5%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	23.7%	23.0%	21.4%	24.6%	26.6%	26.6%	46.3%	26.6%	27.3%	27.3%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	2.8%	2.2%	3.1%	3.6%	3.0%	3.0%	4.9%	2.8%	2.9%	2.9%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	21.1%	7.7%	9.5%	7.5%	13.0%	13.0%	10.7%	13.4%	13.3%	13.0%
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	120.7%	114.2%	131.6%	59.8%	64.2%	64.2%	230.8%	57.9%	54.9%	51.9%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	(2.0)	(1.0)	(2.1)	0.1	0.8	0.4	0.3	0.0	–	–

(a) Borrowing Management

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

The municipality's debt profile provides some interesting insights on the future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs.

(b) Safety Capital

The gearing ratio measures long-term borrowings over funds and reserves. Due to the implementation of the mSCOA chart the municipal reserves are absorbed in the accumulated surplus. Thus, the percentage can no longer be calculated.

(c)Liquidity

Current ratio is a measure of the current assets divided by the current liabilities and as a benchmark the municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the municipality. As part of the longer-term financial planning objectives this ratio will have to be set at a minimum of 1.

(d) Revenue Management

As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection.

- Annual debtors’ collection rate (payment levels) ratio indicates the municipality’s projected collection rate, debtor level of payments as a percentage of revenue billed. It is projected that the collection rate over the medium term will become under pressure but will remain between 59-65%.

- Outstanding debtors to revenue measure the percentage of debtors not collected from annual billed revenue. The higher the percentage, the more billed revenue is likely to remain uncollected for the period.

(e) Creditors Management

The municipality has struggled to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality is striving to pay the supplier as an when the invoices are received and consistently did not comply with the 30 days payment regulations. This has had an unfavorable impact on suppliers’ perceptions of risk of doing business with the municipality, which is expected to benefit the municipality in the form of more competitive pricing of tenders, as suppliers compete for the municipality’s business.

(f) Other Indicators

The distribution losses are of serious concern and provision has been made in the capital budget for water loss control equipment. It is expected that electricity distribution losses will remain below 35%. The municipality has also embarked on a process to audit and verify all electricity meters. This includes prepaid as well as conventional meters

Bulk Purchases as a percentage of operating revenue continues to increase over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.

Water distribution losses measure the percentage loss of potential revenue for water. It is expected that the water distribution losses will be under pressure for the medium term.

Finance charges and depreciation as percentage of revenue is largely influenced by borrowings and interest rate levels.

Repairs and maintenance as percentage of revenue (excluding capital revenue) needs to be increased steadily to an appropriate level of 8% to ensure municipal assets are maintained

(G) IDP regulation financial viability indicators

In terms of the Local Government Municipal Planning and Performance Management Regulation, 2001, the following three (3) key performance indicators must be in the municipal performance management plan to express financial viability

- Debt coverage measures the number of times debt payments are covered by operating revenue (excluding grants) and indicates the ease with which debt payments can be accommodated within a period
- Outstanding service debtors' to revenue ratio is an indication what percentage of revenue is outstanding owing by service debtors. This measures the municipality's effectiveness of its credit control and debt collection policy.
- Cost coverage measures the ability to meet at least its monthly fixed operating commitments from cash reserves if no revenue is collected during that month. The higher the ratio, the higher is the municipality's safety net to provide services and minimize the risk of insufficient cash to fund operation

(h) Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the municipality. Except for water and refuse in the rural areas only registered indigents qualify for the free basic services.

In terms of the Municipality's indigent policy registered households are entitled to 6kℓ fee water, 50 Kwh of electricity, free sanitation and free waste removal equivalent to one removal once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 22 MBRR A10 (Basic Service Delivery Measurement).

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not considered in the table noted above.

PROVIDING CLEAN WATER AND MANAGING WASTE WATER

The municipality is not water service authority (WSA) in terms of the Water Services Act, 1977 and acts as the water service provider (WSP).

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a blue drop or green drop award respectively to provide portable water treatment works and waste water treatment works that meet certain criteria of excellence.

The following are some challenges facing the municipality on water and waste water provision:

- The infrastructure at the waste water treatment plants is old and insufficient to treat the increased volume of waste water.
- Shortage of skilled staff makes proper operations and maintenance difficult.
- Lack of long-term planning and resources makes it difficult to meet the required standards.
- Insufficient raw water sources to meet contracts demand.
- Increased water interruptions due to ageing water pipes.

The following programmes/plans will be implemented over the next five (5) years to address the challenges:

- Replacement of old water pipes to reduce water interruptions and losses.
- Master planning for water and waste water systems.
- Pressure management of water distribution zones.
- Meter management and replacement plan.
- Refurbishment of plant and equipment at WWTP.

2.4 OVERVIEW OF THE BUDGET RELATED POLICIES

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies, namely;

- Accounting policy – the policy prescribes the basis of presentation of the annual financial statements in accordance with the General Recognized Accounting Practices and Accounting Standards.
- Asset management policy – the objective of the policy is to prescribe the accounting and administrative procedures relating to property, plant and equipment (assets).
- Budget and virement policy – this policy sets out the principles which must be followed in preparing a medium-term revenue and expenditure framework budget. It further ensures that the budget reflects the strategic outcomes embodied in the IDP and related strategic policies.
- Cost containment policy – this policy is to ensure that municipal resources are used effectively, efficiently and economically. The policy relates to the implementation of cost containment measures.
- Credit control and debt collection policy – a policy required in terms of section 96 of the Municipal Systems Act, Act 32 of 2000 - to provide for credit and debt collection procedures and mechanisms to ensure that all consumers pay for the services that are supplied.
- Free basic services and indigent support policy – to provide access to and regulate free basic services to all indigent households.
- Investment policy – this policy was compiled in accordance with the Municipal Investment Regulation R308 and ensures that cash resources are managed in the most efficient and effective manner possible.
- Petty cash policy – this policy governs the issuing of petty cash in terms of the supply chain management policy and the effective utilization of petty cash according to authorized processes only.
- Property rates policy – a policy required by the Municipal Property Rates Act, Act 6 of 2004. This policy provides the framework for the determining of rates. It further ensures certainty and clarity as to amounts payable in respect of property rates.
- Supply chain management policy – this policy is developed in terms of section 111 of the Municipal Finance Management Act, Act 56 of 2003. The principles of this policy is to give effect to a fair,

equitable, transparent, competitive and cost-effective system for the procuring of goods and services, disposing of goods and selecting of contractors in the provision of municipal services.

- Borrowing policy – this policy enables the municipality to exercise their obligation to ensure sufficient cash resources to implement the capital programme in the most cost-effective manner
- Funding and reserve's policy – this policy is compiled according to section 8 of the Budget and Reporting Regulations and sets guidelines to ensure that the municipality is financially viable over the short- and long-term whilst ensuring sufficient funding to achieve its objectives through the implementation of the operating and capital budgets.
- Tariff policy – the policy prescribes the procedures for calculating tariffs. This policy is required in terms of section 74 of the Local Government Municipal Systems Act, Act 22 of 2000.
- Impairment of debtors and write-off policy – to ensure that all long outstanding debt is evaluated and debtors are not overstated in the yearend statements. The policy aims to set down principles for the writing off of bad debts
- Property rates policy – a policy required by the Municipal Property Rates Act, Act 6 of 2004. This policy provides the framework for the determining of rates. It further ensures certainty and clarity as to amounts payable in respect of property rates
- Travelling and subsistence policy – this policy regulates the reimbursement of travelling and subsistence cost to officials and councillors undertaking official visits

The previous year's adopted policies were reviewed as part of the budget compilation process and will be approved by Council in May 2025.

The Budget related Policies are attached for considerations are;

- Travel and Subsistence Policy
- Supply Chain management Policy
- Tariff Policy
- Virement Policy
- Assets Management Policy
- Budget Policy
- Banking and Investment Policy
- Debt and Credit Control Policy

- Fraud and Anti-Corruption Policy
- Petty Cash Policy
- Delegation of Authority
- Rates Policy
- Borrowing Policy
- Cost Containment
- Funding and Reserves

2.5 OVERVIEW OF THE BUDGET ASSUMPTION

Over the past year, GDP growth is expected to average 1.8 per cent from 2025 to 2027. Medium-term growth will be underpinned by household consumption on the back of rising purchasing power, moderate employment recovery and wealth gains. The 2025 budget highlights the difficult economic and fiscal choices confronting government over the next several years. It is evident that determined action is required to reverse the deterioration of public finances by narrowing the budget deficit, containing debt and growing the economy faster and in a sustainable manner.

The declining economic growth which might be impacted upon further by the VAT increase and international companies closing down, the deteriorating state of the finances for state-owned entities, continued high unemployment and water and electricity shortages will put pressure on the ability of municipalities to raise revenue. As a result, the budget policy framework for the next three (3) years is designed to manage risk in a constrained fiscal environment while building a foundation for economic growth which is supported by the implementation of the national development plan (NDP).

Municipalities will have to renew their focus on core service delivery functions and reduce costs without adversely affecting basic services. The state of the economy has an adverse effect on the consumers. Therefore, revenues and cash flow are expected to remain under pressure considering the potential closure of coal mines in the municipal area.

The preparation of the 2026/27 budget was compiled considering the current economic indicators, increased demand for bulk infrastructure, replacement and upgrade of ageing infrastructure and the continuation of current and improved service delivery standards.

2.5.1 External factors

Due to weaker economic growth and other economic factors such as the current VAT increase which puts added pressure on households, households will likely struggle to pay municipal accounts which will impact negatively on municipal own revenues. This will result in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

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

- National Government macro-economic targets;
- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 24% of total operating expenditure in the 2024/25 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

2.5.3 Collection rate for revenue services

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

The rate of revenue collection is based on actual payments on billings. Cash flow is assumed to be in line with the provision plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.5.4 Growth or decline in tax base of the municipality

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

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

2.5.5 Salary increases

Provision has been made for a 5.15% salary increase in terms of MFMA budget circular no.129 CPI guidelines and South African Bargain Council salary agreement.

2.5.6 Impact of national, provincial and local policies

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

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

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

2.5.7 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 98 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2026/27 MTREF of which performance has been factored into the cash flow budget.

2.6 OVERVIEW OF THE BUDGET FUNDING

Medium-term outlook: operating revenue

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

Table breakdown of the operating revenue over the medium term

NW396 Lekwa-Teemane - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Revenue											
Exchange Revenue											
Service charges - Electricity	2	86 635	96 274	105 403	136 454	116 681	116 681	77 357	127 194	138 653	151 146
Service charges - Water	2	16 985	21 810	16 779	27 574	18 433	18 433	11 621	19 115	19 745	20 377
Service charges - Waste Water Management	2	16 035	17 451	18 211	17 761	19 107	19 107	12 741	19 814	20 468	21 123
Service charges - Waste Management	2	12 565	14 257	14 898	13 904	15 707	15 707	10 475	16 289	16 826	17 365
Sale of Goods and Rendering of Services	2	414	612	1 473	712	669	669	421	693	716	739
Agency services	2	2 524	2 432	2 542	4 499	6 500	6 500	(97)	6 741	6 963	7 186
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables	2	54 187	61 322	67 198	56 705	56 705	56 705	50 989	58 803	60 744	62 687
Interest earned from Current and Non Current Assets	2	340	784	13	-	-	-	21	-	-	-
Dividends	2	-	-	-	-	-	-	-	-	-	-
Rent on Land	2	-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets	2	23	297	278	18	28	28	15	29	30	31
Licence and permits	2	-	-	-	-	-	-	-	-	-	-
Special rating levies	2	-	-	-	-	-	-	-	-	-	-
Construction Contract Revenue	2	-	-	-	-	-	-	-	-	-	-
Development Charges	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	920	1 385	421	107	668	668	15	693	716	739
Non-Exchange Revenue											
Property rates	2	36 506	40 163	35 320	54 064	43 315	43 315	25 893	44 918	46 400	47 885
Surcharges and Taxes	2	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	2	1 368	1 307	79 445	5 737	6 229	6 229	4 425	6 460	6 673	6 886
Licences or permits	2	-	-	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational	2	65 473	84 874	77 006	75 577	75 577	75 577	51 706	76 146	76 768	80 727
Interest	2	35 155	24 296	25 493	22 173	22 173	22 173	17 738	22 993	23 752	24 512
Fuel Levy	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	-	-	-	-	-	-	-	-	-	-
Gains on disposal of Fixed and Intangible Assets	2	-	1 218	-	-	-	-	-	-	-	-
Other Gains	2	19 345	33 507	33 600	56 419	56 419	56 419	-	58 506	60 437	62 371
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		**348 475**	**401 990**	**478 081**	**471 702**	**438 211**	**438 211**	**263 321**	**458 392**	**478 891**	**503 774**
Expenditure											
Employee related costs	2	75 585	85 445	95 302	107 815	108 365	108 365	66 598	113 512	122 161	128 519
Remuneration of councillors	2	6 982	7 072	7 046	8 182	8 182	8 182	4 794	8 485	8 765	9 045
Bulk purchases - electricity	2	55 056	76 665	90 408	74 356	97 671	97 671	52 576	106 471	109 985	113 504
Inventory consumed	2,8	22 053	3 391	2 744	1 063	560	560	1 421	3 703	3 754	3 841
Debt impairment	2,3	-	-	-	124 878	124 878	124 878	-	129 499	133 772	138 053
Depreciation, amortisation and impairment	2	25 047	24 314	26 204	33 024	33 024	33 024	12 807	34 147	35 497	36 633
Interest, Dividends and Rent on Land	2	48 387	6 838	19 367	2 300	23 924	23 924	15 298	27 195	28 092	28 991
Contracted services	2	29 918	37 079	34 776	34 930	29 257	29 257	18 320	27 875	31 680	32 694
Transfers and subsidies	2	1 040	1 651	2 957	1 000	1 617	1 617	613	937	968	999
Irrecoverable debts written off	2	101 762	148 078	166 569	-	150	150	3 040	-	-	-
Operational costs	2	23 252	22 877	33 856	15 637	36 014	36 014	23 343	32 210	32 733	33 711
Disposal of Fixed and Intangible Assets	2	116	249	-	-	-	-	-	-	-	-
Other Losses	2	-	-	-	-	-	-	-	-	-	-
Total Expenditure		**389 199**	**413 660**	**479 228**	**403 186**	**463 643**	**463 643**	**198 810**	**484 034**	**507 406**	**525 990**
Surplus/(Deficit)		**(40 724)**	**(11 670)**	**(1 146)**	**68 516**	**(25 432)**	**(25 432)**	**64 511**	**(25 642)**	**(28 515)**	**(22 216)**
Transfers and subsidies - capital (monetary allocations)	6	39 601	36 295	32 475	20 993	20 993	20 993	15 815	17 436	22 044	18 492
Transfers and subsidies - capital (in-kind)	6	-	128	376	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		**(1 123)**	**24 753**	**31 705**	**89 509**	**(4 439)**	**(4 439)**	**80 326**	**(8 206)**	**(6 470)**	**(3 725)**
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		**(1 123)**	**24 753**	**31 705**	**89 509**	**(4 439)**	**(4 439)**	**80 326**	**(8 206)**	**(6 470)**	**(3 725)**
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		**(1 123)**	**24 753**	**31 705**	**89 509**	**(4 439)**	**(4 439)**	**80 326**	**(8 206)**	**(6 470)**	**(3 725)**
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	**(1 123)**	**24 753**	**31 705**	**89 509**	**(4 439)**	**(4 439)**	**80 326**	**(8 206)**	**(6 470)**	**(3 725)**

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipality derives most of its operational revenue from the provision of goods and services such as water, sanitation and solid waste removal, property rates, operating and capital grants from organs of state, and other minor charges (such as building plan fees, licenses and permits etc).

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

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a collection rate as budgeted for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and

- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts as contained in National Treasury MFMA budget circular 98 and 99, 108, 123, 126, 128,129,130 and 132.

All revenue items were increased by 3.7 per cent in 2026/27 financial year except for Electricity which is increased at a higher 9 per cent rate in line with NERSA guideline and government grants which are included in the Division of Revenue Act.

Sources of Capital Revenue

Vote Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Funded by:											
National Government		4 226	26 898	4 857	20 483	20 483	20 483	16 301	16 636	18 044	18 492
Provincial Government		24 321	17 897	–	510	510	510	–	800	–	–
District Municipality		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions)		–	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	4	**28 547**	**44 794**	**4 857**	**20 993**	**20 993**	**20 993**	**16 301**	**17 436**	**18 044**	**18 492**
Borrowing	6	–	–	–	–	–	–	–	–	–	–
Internally generated funds		4 233	2 946	26 753	100	2 200	2 200	1 185	–	–	–
Total Capital Funding	7	**32 780**	**47 740**	**31 610**	**21 093**	**23 193**	**23 193**	**17 487**	**17 436**	**18 044**	**18 492**

Capital budget is made up of grants (MIG) from national government as depicted in the table above. For 2026/27 financial year, the municipality has the Municipal Infrastructure Grant and Library Grant to the value of R 17 million (VAT Exclusive) for projects implementation.

Cash Flow Management

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

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance.

- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long-term borrowing (debt).

Cash Backed Reserves/Accumulated Surplus Reconciliation

NW396 Lekwa-Teemane - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Cash and investments available											
Cash/cash equivalents at the year end	1	(55 912)	(37 526)	(83 507)	2 857	15 294	15 294	15 294	14 008	26 481	40 244
Other current investments > 90 days		–	–	–	–	–	–	–	–	–	–
Non current Investments	1	46	64	70	–	–	–	–	–	–	–
Cash and investments available:		**(55 866)**	**(37 462)**	**(83 437)**	**2 857**	**15 294**	**15 294**	**15 294**	**14 008**	**26 481**	**40 244**
Application of cash and investments											
Unspent conditional transfers		36 464	0	4 225	–	–	–	–	12 918	12 838	12 838
Unspent borrowing											
Statutory requirements	2	2 665	35 706	40 149	(35 036)	(22 467)	(22 467)	(22 467)	(21 320)	(22 158)	(22 358)
Other working capital requirements	3	752 297	355 327	459 541	672 431	208 269	208 269	208 269	170 562	163 943	150 295
Other provisions		–	–	–	(3 266)	(3 266)	(3 266)	(3 266)	2 124	2 124	2 124
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	–	–	–	–	–	–	–	–	–	–
Total Application of cash and investments:		**791 426**	**391 033**	**503 915**	**634 129**	**182 535**	**182 535**	**182 535**	**164 284**	**156 747**	**142 899**
Surplus(shortfall) - Excluding Non-Current Creditors Trf to Debt Relief Benefits		**(847 292)**	**(428 495)**	**(587 352)**	**(631 271)**	**(167 242)**	**(167 242)**	**(167 242)**	**(150 276)**	**(130 267)**	**(102 655)**
Creditors transferred to Debt Relief - Non-Current portion		–	–	–	–	–	–	–	–	–	–
Surplus(shortfall) - Including Non-Current Creditors Trf to Debt Relief Benefits		**(847 292)**	**(428 495)**	**(587 352)**	**(631 271)**	**(167 242)**	**(167 242)**	**(167 242)**	**(150 276)**	**(130 267)**	**(102 655)**

This above table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash;

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

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall of R 543 million would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected) and it is mainly due to the cash flow crisis where the municipality is unable to generate enough cash to pay off prior year creditors.

Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Cash/cash equivalent position

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

Cash plus Investments less application funds

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

Monthly average payments covered by Cash and Cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. As indicated above the municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

Surplus /Deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are enough to conclude that the community is making a enough contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a enough contribution toward the economic benefits they are consuming over the medium term. It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

Cash Receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are ‘collected’. This measure is intended to analyses the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. In addition, the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed.

Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment must be increased to offset under-collection of billed revenues. The provision has been appropriated at 41 per cent of the billing for property rates, 36% for electricity and 41% for all other services.

Capital Payments Percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position.

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

The purpose of this measurement is to determine the proportion of a municipality’s ‘own-funded’ capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure has been excluded. The Municipality did not borrow any funds for the year under review.

Transfer/grants revenue as a Percentage of Government transfer/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for as per the Division of Revenue Act (DoRA. The municipality has budgeted for all transfers.

Assets renewal/rehabilitation expenditure level

A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categories each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarize and understand the proportion of budgets being provided for new assets and asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

2.7 EXPENDITURE ON GRANTS ALLOCATIONS

All national allocations to local government are published in the Division of Revenue Bill, 2025, per municipality for the next three (3) years, whilst provincial allocations form part of the provincial budgets.

The following supporting tables SA18, SA19 and SA20 provide details of planned expenditure against each allocation and grant received. The following grants have been allocated to the municipality:

NW396 Lekwa-Teemane - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
RECEIPTS	1.2									
Operating										
National Government										
Monetary Allocations										
Energy Efficiency and Demand Management	–	(194)	–	–	–	–	–	–	–	–
Local Government Equitable Share	–	60 204	65 147	68 806	69 843	69 843	69 843	69 755	70 271	74 173
EPWP Incentive	–	1 015	–	–	1 355	1 355	1 355	1 522	1 522	1 522
Municipal Drought Relief	–	268	–	–	–	–	–	–	–	–
Finance Management	–	–	989	3 989	3 000	3 000	3 000	3 000	3 000	3 000
Municipal Infrastructure Grant	–	–	–	–	863	863	863	876	950	973
North West_Capacity Building and Other_Specify (Add grant description)_Receipts	–	–	–	–	516	516	516	273	1 026	1 059
Total Monetary Allocations		**61 293**	**66 135**	**72 795**	**75 577**	**75 577**	**75 577**	**75 426**	**76 768**	**80 727**
Total Operating/National Government		**61 293**	**66 135**	**72 795**	**75 577**	**75 577**	**75 577**	**75 426**	**76 768**	**80 727**
Integrated National Electrification Programme Grant	–	-	-	-	-	-	-	-	-	-
North West_Capacity Building and Other_Capacity Building and Other_RECEIPTS	–	–	–	–	–	–	–	–	–	–
Total Operating/Provincial Government		-	-	-	-	-	-	-	-	-
District Municipalities										
Monetary Allocations										
Other transfers/grants [insert description]										
Total Monetary Allocations		-	-	-	-	-	-	-	-	-
Allocations In-kind										
Other transfers/grants [insert description]										
Total Allocations In-kind		-	-	-	-	-	-	-	-	-
Total Operating/District Municipalities		-	-	-	-	-	-	-	-	-
Other Grant Providers										
Monetary Allocations										
[insert description]										
Total Monetary Allocations		-	-	-	-	-	-	-	-	-
Allocations In-kind										
[insert description]										
Total Allocations In-kind		-	-	-	-	-	-	-	-	-
Total Operating/Other Grant Providers		-	-	-	-	-	-	-	-	-
Total Operating	5	**61 293**	**66 135**	**72 795**	**75 577**	**75 577**	**75 577**	**75 425 600**	**76 768 469**	**80 726 844**
Capital										
National Government										
Monetary Allocations										
Municipal Infrastructure Grant (MIG)		4 594	15 714	38 356	16 483	16 483	16 483	16 636	18 044	18 492
Energy Efficiency and Demand Side Management Grant		–	–	4 000	4 000	4 000	4 000	–	4 000	–
Integrated National Electrification Programme Grant		–	–	9 764	–	–	–	–	–	–
Total Monetary Allocations		**4 594**	**15 714**	**52 120**	**20 483**	**20 483**	**20 483**	**16 636 400**	**22 044 300**	**18 491 750**
Total Capital/National Government		**4 594**	**15 714**	**52 120**	**20 483**	**20 483**	**20 483**	**16 636 400**	**22 044 300**	**18 491 750**
Provincial Government										
Monetary Allocations										
Other transfers/grants [insert description]		–	–	–	510	510	510	800	–	–
Total Monetary Allocations		-	-	-	**510**	**510**	**510**	**800 000**	-	-
Allocations In-kind										
Other transfers/grants [insert description]										
Total Allocations In-kind		-	-	-	-	-	-	-	-	-
Total Capital/Provincial Government		-	-	-	**510**	**510**	**510**	**800**	-	-
District Municipalities										
Monetary Allocations										
Other transfers/grants [insert description]										
Total Monetary Allocations		-	-	-	-	-	-	-	-	-
Allocations In-kind										
Other transfers/grants [insert description]										
Total Allocations In-kind		-	-	-	-	-	-	-	-	-
Total Capital/District Municipalities		-	-	-	-	-	-	-	-	-
Other Grant Providers										
Monetary Allocations										
[insert description]										
Total Monetary Allocations		-	-	-	-	-	-	-	-	-
Allocations In-kind										
[insert description]										
Total Allocations In-kind		-	-	-	-	-	-	-	-	-
Total Capital/Other Grant Providers		-	-	-	-	-	-	-	-	-
Total Capital	5	**4 594**	**15 714**	**52 120**	**20 993**	**20 993**	**20 993**	**17 436**	**22 044**	**18 492**
TOTAL RECEIPTS OF TRANSFERS AND GRANTS		**65 887**	**81 849**	**124 915**	**96 570**	**96 570**	**96 570**	**92 862**	**98 813**	**99 219**

NW396 Lekwa-Teemane - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
EXPENDITURE	1									
Operating										
National Government										
Monetary Allocations										
Energy Efficiency and Demand Management	–	(194)	–	–	–	–	–	–	–	–
Local Government Equitable Share	–	60 204	65 147	68 806	69 843	69 843	69 843	69 755	70 271	74 173
EPWP Incentive	–	1 015	–	–	1 355	1 355	1 355	1 522	1 522	1 522
Municipal Drought Relief	–	268	–	–	–	–	–	–	–	–
Finance Management	–	–	989	3 989	3 000	3 000	3 000	3 000	3 000	3 000
Municipal Infrastructure Grant	–	–	–	–	863	863	863	876	950	973
North West_Capacity Building and Other_Specify (Add grant description)_Receipts	–	–	–	–	516	516	516	273	1 026	1 059
Total Monetary Allocations		61 293	66 135	72 795	75 577	75 577	75 577	75 426	76 768	80 727
Total National Government		61 293	66 135	72 795	75 577	75 577	75 577	75 426	76 768	80 727
	–									
	–									
	–									
	–									
North West	–	-								
District Municipalities										
Monetary Allocations										
Other transfers/grants [insert description]										
Total Monetary Allocations		-	-	-	-	-	-	-	-	-
Allocations In-kind										
Other transfers/grants [insert description]										
Total Allocations In-kind		-	-	-	-	-	-	-	-	-
Total Operating/District Municipalities		-	-	-	-	-	-	-	-	-
Other Grant Providers										
Monetary Allocations										
Other transfers/grants [insert description]										
Total Monetary Allocations		-	-	-	-	-	-	-	-	-
Allocations In-kind										
Other transfers/grants [insert description]										
Total Allocations In-kind		-	-	-	-	-	-	-	-	-
Total Operating/Other Grant Providers		-	-	-	-	-	-	-	-	-
Total operating expenditure of Transfers and Grants		61 293	66 135	72 795	75 577	75 577	75 577	75 426	76 768	80 727
Capital										
National Government										
Monetary Allocations										
Municipal infrastructure grant		4 594	15 714	38 356	16 483	16 483	16 483	16 636	18 044	18 492
Energy efficiency and demand Site Management		–	–	4 000	4 000	4 000	4 000	–	4 000	–
Intergrated Development program		–	–	9 764	–	–	–	–	–	–
Total Monetary Allocations		4 594	15 714	52 120	20 483	20 483	20 483	16 636	22 044	18 492
Total National Government		4 594	15 714	52 120	20 483	20 483	20 483	16 636	22 044	18 492
Provincial Government										
Monetary Allocations										
Other transfers/grants [insert description]		–	–	–	510	510	510	800		
Total Monetary Allocations		-	-	-	510	510	510	800	-	-
Total Provincial Government		-	-	-	510	510	510	800	-	-
District Municipalities										
Monetary Allocations										
Other transfers/grants [insert description]										
Total Monetary Allocations		-	-	-	-	-	-	-	-	-
Allocations In-kind										
Other transfers/grants [insert description]										
Total Allocations In-kind		-	-	-	-	-	-	-	-	-
Total Capital/District Municipalities		-	-	-	-	-	-	-	-	-
Other Grant Providers										
Monetary Allocations										
Other transfers/grants [insert description]										
Total Monetary Allocations		-	-	-	-	-	-	-	-	-
Allocations In-kind										
Total Allocations In-kind		-	-	-	-	-	-	-	-	-
Total Capital/Other Grant Providers		-	-	-	-	-	-	-	-	-
Total capital expenditure of Transfers and Grants		4 594	15 714	52 120	20 993	20 993	20 993	17 436	22 044	18 492
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		65 887	81 849	124 915	96 570	96 570	96 570	92 862	98 813	99 219

2.8 ALLOCATIONS OR GRANTS MADE BY THE MUNICIPALITY

Supporting table SA21 provides detail on provisions made by Council to other organizations in terms of the conditions of the grants-in-aid policy and specific Council resolutions.

The total amount granted to other organizations or bodies outside any sphere of government amounts to R 937 000 for the 2026/2027, R 968 000 for the 2026/27 and R 999 000 For 2027/28 financial year.

NW396 Lekwa-Teemane - Supporting Table SA21 Transfers and grants made by the municipality

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Monetary Transfers to other municipalities											
District Municipalities	1	–	–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–	–
Total Monetary Transfers To Municipalities:		–	–	–	–	–	–	–	–	–	–
Monetary Transfers to Entities/Other External Mechanisms											
Municipal Entities	2	1 040	1 651	2 957	1 000	1 617	1 617	613	937	968	999
		–	–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–	–
Total Monetary Transfers To Entities/Ems'		**1 040**	**1 651**	**2 957**	**1 000**	**1 617**	**1 617**	**613**	**937**	**968**	**999**
Monetary Transfers to other Organs of State											
Departmental Agencies and Accounts	3	–	–	–	–	–	–	–	–	–	–
Provincial Government		–	–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–	–
Total Monetary Transfers To Other Organs Of State:		–	–	–	–	–	–	–	–	–	–
Monetary Transfers to Organisations											
Foreign Government and International Organisations		–	–	–	–	–	–	–	–	–	–
Higher Educational Institutions		–	–	–	–	–	–	–	–	–	–
Non-Profit Institutions		–	–	–	–	–	–	–	–	–	–
Private Enterprises		–	–	–	–	–	–	–	–	–	–
Public Corporations		–	–	–	–	–	–	–	–	–	–
Total Monetary Transfers To Organisations		–	–	–	–	–	–	–	–	–	–
Monetary Transfers to Groups of Individuals											
Households		–	–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–	–
Total Monetary Transfers To Groups Of Individuals:		–	–	–	–	–	–	–	–	–	–
TOTAL Monetary TRANSFERS AND GRANTS	6	**1 040**	**1 651**	**2 957**	**1 000**	**1 617**	**1 617**	**613**	**937**	**968**	**999**

2.9 COUNCILLOR AND EMPLOYEES BENEFITS

Supporting table SA22, SA23 and SA24 provides the proposed cost to salaries, allowances and benefits for:

- Councilors of the municipality
- Municipal manager and senior managers
- Other municipal staff

Employee-related cost amounts to R 113 million, and councilor remuneration totaling R 8 million for the 2026/2027 financial year.

NW396 Lekwa-Teemane - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
	1	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)										
Allowances and Service Related Benefits										
Basic Salary		5 913	6 173	6 302	7 063	7 063	7 063	7 324	7 566	7 808
Cell phone Allowance		608	628	654	1 025	1 025	1 025	1 062	1 097	1 133
Housing Allowance		–	–	–	–	–	–	–	–	–
In-kind Benefits		–	–	–	–	–	–	–	–	–
Market Related Non-pensionable Allowance		–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance		461	271	90	95	95	95	98	101	105
Office-bearer Allowance		–	–	–	–	–	–	–	–	–
Out of pocket Expenses		–	–	–	–	–	–	–	–	–
Travelling Allowance		–	–	–	–	–	–	–	–	–
Use of Personal Facilities		–	–	–	–	–	–	–	–	–
Total Allowances and Service Related Benefits		6 982	7 072	7 046	8 182	8 182	8 182	8 485	8 765	9 045
Social Contributions										
Medial Aid Benefits		–	–	–	–	–	–	–	–	–
Pension Fund Contributions		–	–	–	–	–	–	–	–	–
Total Social Contributions		-	-	-	-	-	-	-	-	-
Total Councillors		6 982	7 072	7 046	8 182	8 182	8 182	8 485	8 765	9 045
% increase	4		1.3%	(0.4%)	16.1%	–	–	3.7%	3.3%	3.2%
Senior Managers of the Municipality	2									
Salaries and Allowances										
Basic Salary		196	2 548	2 553	5 635	5 635	5 635	5 903	6 212	6 539
Bonuses		–	–	–	–	–	–	–	–	–
Allowance										
Accommodation, Travel and Incidental		–	–	–	–	–	–	–	–	–
Cellular and Telephone	3	5	44	52	–	31	31	32	34	36
Housing Benefits	3	–	–	–	–	–	–	–	–	–
Non-pensionable		–	–	–	–	–	–	–	–	–
Travel or Motor Vehicle	3	92	752	821	–	535	535	561	590	621
Voluntary Work		–	–	–	–	–	–	–	–	–
Total Allowance		96	797	873	-	566	566	593	624	657
Service Related Benefits										
Acting	3	–	29	101	–	–	–	–	–	–
Bonus	3	–	–	–	–	–	–	–	–	–
Danger Allowance	3	–	–	–	–	–	–	–	–	–
Entertainment	3	–	–	–	–	–	–	–	–	–
Fire Brigade		–	–	–	–	–	–	–	–	–
In-kind Benefits	3	–	–	–	–	–	–	–	–	–
Leave Pay	3	–	33	81	–	–	–	–	–	–
Lifeguard/Duty Squads		–	–	–	–	–	–	–	–	–
Long Service Award		–	–	–	–	–	–	–	–	–
Overtime		–	–	–	–	–	–	–	–	–
Scarcity	3	–	–	–	–	–	–	–	–	–
Standby Allowance	3	–	–	–	–	–	–	–	–	–
Tools Allowance	3	–	–	–	–	–	–	–	–	–
Uniform/Special/Protective Clothing	3	–	–	–	–	–	–	–	–	–
Leave gratuity		–	–	–	–	–	–	–	–	–
Long Term Service Award		–	–	–	–	–	–	–	–	–
Total Service Related Benefits		-	62	182	-	-	-	-	-	-
Total Salaries and Allowances		293	3 407	3 607	5 635	6 201	6 201	6 495	6 836	7 195
Social Contributions										
Bargaining Council		0	–	–	–	–	–	–	–	–
Group Life Insurance		–	–	–	–	–	–	–	–	–
Medical		–	28	15	–	–	–	–	–	–
Pension		–	215	210	–	–	–	–	–	–
Unemployment Insurance		1	5	8	–	17	17	18	19	20
Total Social Contributions		1	248	233	-	17	17	18	19	20
Post-retirement Benefit	6									
Medical		–	–	–	–	–	–	–	–	–
Other Benefits		–	–	–	–	–	–	–	–	–
Pension		–	–	–	–	–	–	–	–	–
Total Post-retirement Benefit		-	-	-	-	-	-	-	-	-
Costs Capitalised to PPE		–	–	–	–	–	–	–	–	–
Sub Total - Senior Managers of Municipality		294	3 655	3 840	5 635	6 218	6 218	6 513	6 855	7 215
% increase	4		1 145.2%	5.0%	46.8%	10.4%	–	4.7%	5.3%	5.2%
Other Municipal Staff										
Salaries and Allowances										
Basic Salary		46 801	49 665	54 512	65 760	65 760	65 760	69 460	75 249	79 155
Bonuses		2 890	3 648	3 902	4 349	4 349	4 349	4 556	4 795	5 047
Allowance										
Accommodation, Travel and Incidental		–	–	–	–	–	–	–	–	–
Cellular and Telephone	3	164	167	249	373	342	342	359	378	397
Housing Benefits	3	245	171	397	137	137	137	144	578	600
Non-pensionable		–	–	–	–	–	–	–	–	–
Travel or Motor Vehicle	3	3 826	4 305	4 458	3 073	2 538	2 538	2 658	2 798	2 945
Voluntary Work		–	–	–	–	–	–	–	–	–
Total Allowance		4 234	4 643	5 104	3 584	3 018	3 018	3 161	3 754	3 942
Service Related Benefits										
Acting	3	542	480	370	–	–	–	–	–	–
Bonus	3	731	517	551	568	568	568	595	626	659
Danger Allowance	3	–	–	–	–	–	–	–	–	–
Entertainment	3	–	–	–	–	–	–	–	–	–
Fire Brigade		–	–	–	–	–	–	–	–	–
In-kind Benefits	3	–	–	–	–	–	–	–	–	–
Leave Pay	3	597	967	1 922	–	–	–	–	–	–
Lifeguard/Duty Squads		–	–	–	–	–	–	–	–	–
Long Service Award		351	282	345	–	–	–	–	–	–
Overtime		4 096	4 558	5 348	2 200	2 750	2 750	2 305	2 425	2 553
Scarcity	3	–	–	–	–	–	–	–	–	–
Standby Allowance	3	1 420	1 620	1 759	500	500	500	524	551	580
Tools Allowance	3	–	–	–	–	–	–	–	–	–
Uniform/Special/Protective Clothing	3	–	–	–	–	–	–	–	–	–
Leave gratuity		740	466	1 612	–	–	–	–	–	–
Long Term Service Award		–	–	–	–	–	–	–	–	–
Total Service Related Benefits		8 476	8 890	11 908	3 268	3 818	3 818	3 423	3 603	3 792
Total Salaries and Allowances		62 402	66 846	75 425	76 961	76 945	76 945	80 600	87 400	91 936
Social Contributions										
Bargaining Council		23	24	27	416	416	416	436	459	483
Group Life Insurance		8	8	9	10	10	10	10	11	11
Medical		2 723	3 913	4 210	12 519	12 519	12 519	13 113	13 922	14 650
Pension		9 730	10 567	11 351	11 345	11 345	11 345	11 883	12 507	13 164
Unemployment Insurance		405	432	441	930	913	913	956	1 006	1 059
Total Social Contributions		12 889	14 944	16 037	25 220	25 202	25 202	26 399	27 905	29 368
Post-retirement Benefit	6									
Medical		–	–	–	–	–	–	–	–	–
Other Benefits		–	–	–	–	–	–	–	–	–
Pension		–	–	–	–	–	–	–	–	–
Total Post-retirement Benefit		-	-	-	-	-	-	-	-	-
Costs Capitalised to PPE		–	–	–	–	–	–	–	–	–
Sub Total - Other Municipal Staff		75 291	81 790	91 463	102 180	102 147	102 147	106 999	115 306	121 304
% increase	4		8.6%	11.8%	11.7%	(0.0%)	–	4.8%	7.8%	5.2%
Total Parent Municipality		82 567	92 517	102 348	115 997	116 547	116 547	121 997	130 926	137 564
Board Members of Entities										
Salaries and Allowances										
Basic Salary										
Bonuses										
Allowance										
Accommodation, Travel and Incidental										
Cellular and Telephone	3									
Housing Benefits	3									
Non-pensionable										
Travel or Motor Vehicle	3									
Voluntary Work										
Total Allowance		-	-	-	-	-	-	-	-	-
Service Related Benefits										
Acting	3									
Bonus	3									
Danger Allowance	3									
Entertainment	3									
Fire Brigade										
In-kind Benefits	3									
Leave Pay	3									
Lifeguard/Duty Squads										
Long Service Award										
Overtime										
Scarcity	3									
Standby Allowance	3									
Tools Allowance	3									
Uniform/Special/Protective Clothing	3									
Leave gratuity										
Long Term Service Award										
Total Service Related Benefits		-	-	-	-	-	-	-	-	-
Total Salaries and Allowances		-	-	-	-	-	-	-	-	-
Social Contributions										
Bargaining Council										
Group Life Insurance										
Medical										
Pension										
Unemployment Insurance										
Total Social Contributions		-	-	-	-	-	-	-	-	-
Post-retirement Benefit	6									
Medical										
Other Benefits										
Pension										
Total Post-retirement Benefit		-	-	-	-	-	-	-	-	-
Costs Capitalised to PPE										
Sub Total - Board Members of Entities		-	-	-	-	-	-	-	-	-
% increase	4		–	–	–	–	–	–	–	–
Senior Managers of Entities										
Salaries and Allowances										
Basic Salary										
Bonuses										
Allowance										
Accommodation, Travel and Incidental										
Cellular and Telephone	3									
Housing Benefits	3									
Non-pensionable										
Travel or Motor Vehicle	3									
Voluntary Work										
Total Allowance		-	-	-	-	-	-	-	-	-
Service Related Benefits										
Acting	3									
Bonus	3									
Danger Allowance	3									
Entertainment	3									
Fire Brigade										
In-kind Benefits	3									
Leave Pay	3									
Lifeguard/Duty Squads										
Long Service Award										
Overtime										
Scarcity	3									
Standby Allowance	3									
Tools Allowance	3									
Uniform/Special/Protective Clothing	3									
Leave gratuity										
Long Term Service Award										
Total Service Related Benefits		-	-	-	-	-	-	-	-	-
Total Salaries and Allowances		-	-	-	-	-	-	-	-	-
Social Contributions										
Bargaining Council										
Group Life Insurance										
Medical										
Pension										
Unemployment Insurance										
Total Social Contributions		-	-	-	-	-	-	-	-	-
Post-retirement Benefit	6									
Medical										
Other Benefits										
Pension										
Total Post-retirement Benefit		-	-	-	-	-	-	-	-	-
Costs Capitalised to PPE										
Sub Total - Senior Managers of Entities		-	-	-	-	-	-	-	-	-
% increase	4		–	–	–	–	–	–	–	–
Other Staff of Entities										
Salaries and Allowances										
Basic Salary										
Bonuses										
Allowance										
Accommodation, Travel and Incidental										
Cellular and Telephone	3									
Housing Benefits	3									
Non-pensionable										
Travel or Motor Vehicle	3									
Voluntary Work										
Total Allowance		-	-	-	-	-	-	-	-	-
Service Related Benefits										
Acting	3									
Bonus	3									
Danger Allowance	3									
Entertainment	3									
Fire Brigade										
In-kind Benefits	3									
Leave Pay	3									
Lifeguard/Duty Squads										
Long Service Award										
Overtime										
Scarcity	3									
Standby Allowance	3									
Tools Allowance	3									
Uniform/Special/Protective Clothing	3									
Leave gratuity										
Long Term Service Award										
Total Service Related Benefits		-	-	-	-	-	-	-	-	-
Total Salaries and Allowances		-	-	-	-	-	-	-	-	-
Social Contributions										
Bargaining Council										
Group Life Insurance										
Medical										
Pension										
Unemployment Insurance										
Total Social Contributions		-	-	-	-	-	-	-	-	-
Post-retirement Benefit	6									
Medical										
Other Benefits										
Pension										
Total Post-retirement Benefit		-	-	-	-	-	-	-	-	-
Costs Capitalised to PPE										
Sub Total - Other Staff of Entities		-	-	-	-	-	-	-	-	-
% increase	4		–	–	–	–	–	–	–	–
Total Municipal Entities		-	-	-	-	-	-	-	-	-
TOTAL SALARY, ALLOWANCES & BENEFITS		82 567	92 517	102 348	115 997	116 547	116 547	121 997	130 926	137 564
% increase	4		12.1%	10.6%	13.3%	0.5%	–	4.7%	7.3%	5.1%
TOTAL MANAGERS AND STAFF	5,7	75 585	85 445	95 302	107 815	108 365	108 365	113 512	122 161	128 519

2.10 MONTHLY TRAGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

Supporting table SA25 and SA27 disclose the monthly targets for operating revenue by source, operating expenditure by type as well as a consolidated projection of revenue and expenditure by vote, whilst supporting table SA29 provides monthly projections for capital expenditure by vote.

All these schedules have been included in the annual budget. The SDBIP will further include the detailed capital budget by program and show each capital project associated within the program and indicate the planning for each project.

Supporting table SA30 provides a consolidated projection of cash flow for the budget setting out receipts by source and payments by type, both operating and capital broken down per month for the budget year and also shown in total the following two (2) years.

NW396 Lekwa-Teemane - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2026/27												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Revenue by Vote																
Vote 1 - Municipal Manager and council		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 2 - Corporate Services		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 3 - Budget and Treasury Office / Finance		13 191	13 191	13 191	13 191	13 191	13 191	13 191	13 191	13 191	13 191	13 191	13 191	158 290	161 629	168 359
Vote 4 - Community Services		2 918	2 918	2 918	2 918	2 918	2 918	2 918	2 918	2 918	2 918	2 918	2 918	35 018	36 041	37 145
Vote 5 - Technical Services		23 483	23 483	23 483	23 483	23 483	23 483	23 483	23 483	23 483	23 483	23 483	23 483	281 800	303 266	316 762
Vote 6 - [NAME OF VOTE 6]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Revenue by Vote		39 592	39 592	39 592	39 592	39 592	39 592	39 592	39 592	39 592	39 592	39 592	39 592	475 109	500 936	522 266
Expenditure by Vote to be appropriated																
Vote 1 - Municipal Manager and council		4 113	4 113	4 113	4 113	4 113	4 113	4 113	4 113	4 113	4 113	4 113	4 113	49 352	53 255	55 417
Vote 2 - Corporate Services		1 957	1 957	1 957	1 957	1 957	1 957	1 957	1 957	1 957	1 957	1 957	1 957	23 479	24 579	25 725
Vote 3 - Budget and Treasury Office / Finance		16 636	16 636	16 636	16 636	16 636	16 636	16 636	16 636	16 636	16 636	16 636	16 636	199 632	206 541	213 551
Vote 4 - Community Services		3 076	3 076	3 076	3 076	3 076	3 076	3 076	3 076	3 076	3 076	3 076	3 076	36 909	40 963	42 884
Vote 5 - Technical Services		14 072	14 072	14 072	14 072	14 072	14 072	14 072	14 072	14 072	14 072	14 072	14 072	168 866	176 081	182 234
Vote 6 - [NAME OF VOTE 6]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Expenditure by Vote		39 853	39 853	39 853	39 853	39 853	39 853	39 853	39 853	39 853	39 853	39 853	39 853	478 238	501 418	519 811
Surplus/(Deficit) before assoc.		(261)	(261)	(261)	(261)	(261)	(261)	(261)	(261)	(261)	(261)	(261)	(261)	(3 129)	(483)	2 455
Income Tax		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Share of Surplus/Deficit attributable to Minorities		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Intercompany/Parent subsidiary transactions		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit)	1	(261)	(261)	(261)	(261)	(261)	(261)	(261)	(261)	(261)	(261)	(261)	(261)	(3 129)	(483)	2 455

2.11 ANNUAL BUDGETS AND SERVICE DELIVERY IMPLEMENTATION PLANS – INTERNAL DEPARTMENTS

Water Services Department is primarily responsible for the distribution of potable water within the municipal boundary, which includes the purification of raw water, maintenance of the reticulation network and implementation of the departmental capital program.

2.12 ANNUAL BUDGETS AND SERVICE DELIVERY IMPLEMENTATION PLANS – MUNICIPAL ENTITIES

Not Applicable

2.13 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

CCG Financial Systems.

2.14 CAPITAL EXPENDITURE DETAILS

Supporting tables SA29, SA34 discloses monthly budgeted capital expenditure and capital expenditure by asset class respectively and table SA36 provides a list of capital programs and projects aligned to the goals of the integrated development plan. See also supporting table SA6 for reconciliation with IDP strategic objectives.

From these tables it can be seen that 100% of capital expenditure is allocated for infrastructure development and service delivery.

Capital expenditure on new infrastructural assets equates to 100% of the capital program whilst 0% is being utilized for renewals and upgrading of existing assets due to Lack of Own capital Funding

NW396 Lekwa-Teemane - Supporting Table SA29 Budgeted monthly capital expenditure (functional classification)

Description	Ref	Budget Year 2026/27												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Capital Expenditure - Functional	1															
Governance and administration		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Executive and council		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Finance and administration		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Internal audit		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Community and public safety		367	367	367	367	367	367	367	367	367	367	367	367	4 400	8 630	3 660
Community and social services		367	367	367	367	367	367	367	367	367	367	367	367	4 400	–	–
Sport and recreation		–	–	–	–	–	–	–	–	–	–	–	–	–	8 630	3 660
Public safety		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Economic and environmental services		1 086	1 086	1 086	1 086	1 086	1 086	1 086	1 086	1 086	1 086	1 086	1 086	13 037	9 415	14 832
Planning and development		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Road transport		1 086	1 086	1 086	1 086	1 086	1 086	1 086	1 086	1 086	1 086	1 086	1 086	13 037	9 415	14 832
Environmental protection		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Trading services		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Energy sources		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Water management		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste management		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Capital Expenditure - Functional	2	1 453	1 453	1 453	1 453	1 453	1 453	1 453	1 453	1 453	1 453	1 453	1 453	17 436	18 044	18 492
Funded by:																
National Government		1 386	1 386	1 386	1 386	1 386	1 386	1 386	1 386	1 386	1 386	1 386	1 386	16 636	18 044	18 492
Provincial Government		67	67	67	67	67	67	67	67	67	67	67	67	800	–	–
District Municipality		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions)		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers recognised - capital		1 453	1 453	1 453	1 453	1 453	1 453	1 453	1 453	1 453	1 453	1 453	1 453	17 436	18 044	18 492
Borrowing		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Internally generated funds		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Capital Funding		1 453	1 453	1 453	1 453	1 453	1 453	1 453	1 453	1 453	1 453	1 453	1 453	17 436	18 044	18 492

References

NW396 Lekwa-Teemane - Supporting Table SA34a Capital expenditure on new assets by asset class

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure		**62 352**	**105 508**	**104 854**	**11 310**	**12 310**	**12 310**	**13 037**	**9 415**	**14 832**
Roads Infrastructure		2 591	27 849	16 912	11 310	11 310	11 310	13 037	9 415	14 832
Roads		(1 970)	19 544	8 277	11 210	11 210	11 210	13 037	9 415	–
Road Structures		4 561	8 305	8 636	–	–	–	–	–	14 832
Road Furniture		–	–	–	100	100	100	–	–	–
Capital Spares		–	–	–	–	–	–	–	–	–
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Drainage Collection		–	–	–	–	–	–	–	–	–
Storm water Conveyance		–	–	–	–	–	–	–	–	–
Attenuation		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		7 956	7 956	16 828	–	1 000	1 000	–	–	–
Power Plants		–	–	–	–	–	–	–	–	–
HV Substations		–	–	5 333	–	–	–	–	–	–
HV Switching Station		–	–	–	–	–	–	–	–	–
HV Transmission Conductors		–	–	–	–	–	–	–	–	–
MV Substations		–	–	–	–	–	–	–	–	–
MV Switching Stations		–	–	–	–	–	–	–	–	–
MV Networks		–	–	–	–	–	–	–	–	–
LV Networks		–	–	1 734	–	1 000	1 000	–	–	–
Capital Spares		7 956	7 956	9 761	–	–	–	–	–	–
Water Supply Infrastructure		1 790	1 790	1 790	–	–	–	–	–	–
Dams and Weirs		–	–	–	–	–	–	–	–	–
Boreholes		–	–	–	–	–	–	–	–	–
Reservoirs		–	–	–	–	–	–	–	–	–
Pump Stations		3 194	3 194	3 194	–	–	–	–	–	–
Water Treatment Works		–	–	–	–	–	–	–	–	–
Bulk Mains		–	–	–	–	–	–	–	–	–
Distribution		(1 404)	(1 404)	(1 404)	–	–	–	–	–	–
Distribution Points		–	–	–	–	–	–	–	–	–
PRV Stations		–	–	–	–	–	–	–	–	–
Capital Spares		–	–	–	–	–	–	–	–	–
Sanitation Infrastructure		49 441	67 338	67 338	–	–	–	–	–	–
Pump Station		–	–	–	–	–	–	–	–	–
Reticulation		49 441	67 338	67 338	–	–	–	–	–	–
Waste Water Treatment Works		–	–	–	–	–	–	–	–	–
Outfall Sewers		–	–	–	–	–	–	–	–	–
Toilet Facilities		–	–	–	–	–	–	–	–	–
Capital Spares		–	–	–	–	–	–	–	–	–
Solid Waste Infrastructure		–	–	–	–	–	–	–	–	–
Landfill Sites		–	–	–	–	–	–	–	–	–
Waste Transfer Stations		–	–	–	–	–	–	–	–	–
Waste Processing Facilities		–	–	–	–	–	–	–	–	–
Waste Drop-off Points		–	–	–	–	–	–	–	–	–
Waste Separation Facilities		–	–	–	–	–	–	–	–	–
Electricity Generation Facilities		–	–	–	–	–	–	–	–	–
Capital Spares		–	–	–	–	–	–	–	–	–
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Rail Lines		–	–	–	–	–	–	–	–	–
Rail Structures		–	–	–	–	–	–	–	–	–
Rail Furniture		–	–	–	–	–	–	–	–	–
Drainage Collection		–	–	–	–	–	–	–	–	–
Storm water Conveyance		–	–	–	–	–	–	–	–	–
Attenuation		–	–	–	–	–	–	–	–	–
MV Substations		–	–	–	–	–	–	–	–	–
LV Networks		–	–	–	–	–	–	–	–	–
Capital Spares		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Sand Pumps		–	–	–	–	–	–	–	–	–
Piers		–	–	–	–	–	–	–	–	–
Revetments		–	–	–	–	–	–	–	–	–
Promenades		–	–	–	–	–	–	–	–	–
Capital Spares		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		575	575	1 986	–	–	–	–	–	–
Data Centres		–	–	1 412	–	–	–	–	–	–
Core Layers		–	–	–	–	–	–	–	–	–
Distribution Layers		–	–	–	–	–	–	–	–	–
Capital Spares		575	575	575	–	–	–	–	–	–
Community Assets		**1 756**	**2 960**	**7 656**	**5 272**	**5 272**	**5 272**	**3 600**	**8 630**	**3 660**
Community Facilities		1 137	2 340	2 340	2 936	2 936	2 936	3 600	–	–
Halls		6 281	7 484	7 484	2 936	2 936	2 936	3 600	–	–
Centres		–	–	–	–	–	–	–	–	–
Crèches		–	–	–	–	–	–	–	–	–
Clinics/Care Centres		–	–	–	–	–	–	–	–	–
Fire/Ambulance Stations		–	–	–	–	–	–	–	–	–
Testing Stations		–	–	–	–	–	–	–	–	–
Museums		–	–	–	–	–	–	–	–	–
Galleries		–	–	–	–	–	–	–	–	–
Theatres		–	–	–	–	–	–	–	–	–
Libraries		–	–	–	–	–	–	–	–	–
Cemeteries/Crematoria		385	385	385	–	–	–	–	–	–
Police		–	–	–	–	–	–	–	–	–
Parks		–	–	–	–	–	–	–	–	–
Public Open Space		–	–	–	–	–	–	–	–	–
Nature Reserves		–	–	–	–	–	–	–	–	–
Public Ablution Facilities		–	–	–	–	–	–	–	–	–
Markets		–	–	–	–	–	–	–	–	–
Stalls		–	–	–	–	–	–	–	–	–
Abattoirs		–	–	–	–	–	–	–	–	–
Airports		–	–	–	–	–	–	–	–	–
Taxi Ranks/Bus Terminals		–	–	–	–	–	–	–	–	–
Capital Spares		(5 529)	(5 529)	(5 529)	–	–	–	–	–	–
Sport and Recreation Facilities		619	619	5 316	2 336	2 336	2 336	–	8 630	3 660
Indoor Facilities		–	–	–	–	–	–	–	–	–
Outdoor Facilities		619	619	5 316	2 336	2 336	2 336	–	8 630	3 660
Capital Spares		–	–	–	–	–	–	–	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Monuments		–	–	–	–	–	–	–	–	–
Historic Buildings		–	–	–	–	–	–	–	–	–
Works of Art		–	–	–	–	–	–	–	–	–
Conservation Areas		–	–	–	–	–	–	–	–	–
Other Heritage		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Improved Property		–	–	–	–	–	–	–	–	–
Unimproved Property		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Improved Property		–	–	–	–	–	–	–	–	–
Unimproved Property		–	–	–	–	–	–	–	–	–
Other assets		–	**276**	**890**	–	–	–	–	–	–
Operational Buildings		–	276	890	–	–	–	–	–	–
Municipal Offices		–	276	890	–	–	–	–	–	–
Pay/Enquiry Points		–	–	–	–	–	–	–	–	–
Building Plan Offices		–	–	–	–	–	–	–	–	–
Workshops		–	–	–	–	–	–	–	–	–
Yards		–	–	–	–	–	–	–	–	–
Stores		–	–	–	–	–	–	–	–	–
Laboratories		–	–	–	–	–	–	–	–	–
Training Centres		–	–	–	–	–	–	–	–	–
Manufacturing Plant		–	–	–	–	–	–	–	–	–
Depots		–	–	–	–	–	–	–	–	–
Capital Spares		–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Staff Housing		–	–	–	–	–	–	–	–	–
Social Housing		–	–	–	–	–	–	–	–	–
Capital Spares		–	–	–	–	–	–	–	–	–
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Intangible Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		–	–	–	–	–	–	–	–	–
Water Rights		–	–	–	–	–	–	–	–	–
Effluent Licenses		–	–	–	–	–	–	–	–	–
Solid Waste Licenses		–	–	–	–	–	–	–	–	–
Computer Software and Applications		–	–	–	–	–	–	–	–	–
Load Settlement Software Applications		–	–	–	–	–	–	–	–	–
Unspecified		–	–	–	–	–	–	–	–	–
Computer Equipment		1 042	1 733	2 134	–	–	–	–	–	–
Computer Equipment		1 042	1 733	2 134	–	–	–	–	–	–
Furniture and Office Equipment		5 698	5 901	5 926	–	–	–	800	–	–
Furniture and Office Equipment		5 698	5 901	5 926	–	–	–	800	–	–
Machinery and Equipment		17	17	110	–	1 100	1 100	–	–	–
Machinery and Equipment		17	17	110	–	1 100	1 100	–	–	–
Transport Assets		3 349	4 582	5 301	510	510	510	–	–	–
Transport Assets		3 349	4 582	5 301	510	510	510	–	–	–
Land		–	–	–	–	–	–	–	–	–
Land		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
Living resources		-	-	-	-	-	-	-	-	-
Mature		-	-	-	-	-	-	-	-	-
Policing and Protection		–	–	–	–	–	–	–	–	–
Zoological plants and animals		–	–	–	–	–	–	–	–	–
Immature		-	-	-	-	-	-	-	-	-
Policing and Protection		–	–	–	–	–	–	–	–	–
Zoological plants and animals		–	–	–	–	–	–	–	–	–
Total Capital Expenditure on new assets	1	**74 215**	**120 976**	**126 871**	**17 093**	**19 193**	**19 193**	**17 436**	**18 044**	**18 492**

2.15 LEGISLATIVE COMPLIANCE

The municipality is fully committed to promote and seek to implement the basic values and principles of public administration described as per section 195(1) of the Constitution.

In achieving this commitment, the municipality is presently in full compliance with the stipulations of the following legislation, the principles as per circulars issued in line with the legislation as well as promulgated regulations to give effect to the stipulations of such legislation, except where a lower extent of compliance is reflected:

- Local Government: Municipal Structures Act, Act 117 of 1998 with all its amendments to date.
- Local Government: Municipal Systems Act, Act 32.
- Local Government: Municipal Finance Management Act, Act 56 of 2004
- Local Government: Property Rates Act, Act 6 of 2004 and its promulgated regulations in so far as a new valuation are implemented from 1 July 2009 in full compliance to legislator requirement.
- Electricity Act of 1987
- Labour Relations Act of 1995
- The Constitution of South Africa, 1996
- Financial and Fiscal Commission Act, 1997
- Intergovernmental Fiscal Relations Act, 1997
- Water Services Act, 1997 · Municipal Demarcation Act, 1998
- National Environmental Management Act, 1998
- Remuneration of Political Office Bearers Act, 1998
- Skills Development Act, 1998 · National Land Transport Transition Act, 2000
- Preferential Procurement Policy Framework Act, 2000
- Intergovernmental Relations Framework Act, 2005
- Division of Revenue Acts as enacted annually

Compliance with the MFMA implementation has been substantially adhered to through the following activities;

In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor and treasury (within 10 working days) has progressively improved.

Internship programme

The municipality is participating in the Municipal Financial Management Internship programme and has employed all the interns that were previously recruited. Positions for the new interns have also been filled.

Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

Audit Committee

Our municipality receives shared audit services through a district audit committee which has been established and is fully functional.

Service Delivery and Implementation Plan

The SDBIP document is at a draft stage and will be finalized after together with the 2026/27 MTREF in June 2025, directly aligned and informed by the 2026/27 MTREF budget.

Annual Report

Annual report has been tabled to council in January 2026.

MFMA Training

Most of the Finance staff are compliant with MFMA training.

Policies

All financial related policies are reviewed on annual basis or whenever the need arises and submitted with the budget for adoption by council.

2.16 OTHER SUPPORTING DOCUMENTS

Other supporting documents included in the budget are;

- IDB Budget Process Plan attached as annexure A
- Financial Recovery Plan attached as annexure B
- All budget related policies

2.17 ANNUAL BUDGETS OF MUNICIPAL ENTITIES ATTACHED TO THE MUNICIPALITY'S ANNUAL BUDGET

Not Applicable

Quality Certificate

I,**……………………………..,** the Municipal Manager of **Lekwa-Teemane Local Municipality NW396,** hereby certify that the **2026/27 MTREF Budget and Supporting Documentations** have been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act, and that the adjustment budget and supporting documentation are consistent with the Integrated Development Plan of the Municipality.

Print Name…………………………………….

The Municipal Manager of **Lekwa-Teemane Local Municipality NW396**

Signature ____

Date____

PART 3: BUDGET FUNDING PLAN

2026/27 BUDGET FUNDING PLAN

LEKWA-TEEMANE LOCAL MUNICIPALITY NW396

1. PURPOSE

To devise a plan to reduce the budget deficit of the municipality over the MTREF. The plan will cover the short- and long-term strategies to resolve challenges leading to the unfunded status of the municipality's budget.

2. BACKGROUND

The Lekwa-Teemane Local Municipality is a Category B municipality situated in North West with two small towns (Bloemhof and Christiana). There is very low economic activity withing these two areas.

In terms of section 18 of the MFMA:
(1) An annual budget may only be funded from—
(a) realistically anticipated revenues to be collected;
(b) cash-backed accumulated funds from previous years' surpluses not committed
for other purposes; and
(c) borrowed funds, but only for the capital budget referred to in section 17(2).
(2) Revenue projections in the budget must be realistic, taking into account—
(a) projected revenue for the current year based on collection levels to date; and
(b) actual revenue collected in previous financial years.

It is for the above section that the municipality has to table a plan on how to reduce the budget deficit and further fund expenditure.

The municipality is faced with historic challenges which impact on the municipality's ability to pay its ESKOM account amongst other things. The municipality is currently having an unfunded budget for current year 2024/25 – 2027/28 MTREF.

Given the above to ensure service delivery to communities, financial sustainability and to achieve or improve on the budget outcome, the municipality has tabled the funding plan as a way forward.

3. EXECUTIVE SUMMARY

In December 2024, National Treasury issued Municipal Finance Management Act circular number 129 and circular 130 in March which must be used in conjunction with other previous MFMA budget circulars to guide the compilation of 2025/2026 – 2027/28 Medium Term Revenue Expenditure Framework Budget.

The Global Economic Outlook and how it affects the South African Economy and the ability of the South African Government to collect tax revenue for the equitable distribution to government entities and municipalities. And the ability to borrow money for infrastructure to respond to ongoing global energy crisis.

According to the aforementioned circular, the economy is expected to grow by 1.8 per cent between 2025 and 2027, which is up by 0.6 percent from the previous National Treasury tabled the Medium-Term Budget Policy Statement. This has resulted in the National Treasury revising the country's economic growth estimates for 2026/27 to 4.4 per cent from the estimated 4.6 per cent at the time of tabling the Medium-Term Budget Policy Statement in Parliament and the economy is forecasted to grow at 4.6 per cent and 4.4 per cent for 2026/27 and 2.5 per cent 2027/28 financial years respectively.

Real purchasing power is expected to be supported by a further moderation in inflation and lower interest rates supporting households. The newly implemented two-pot retirement system, which allows consumers to withdraw a portion of their savings before retirement, may also boost household consumption over the next few years depending on the eventual use of the withdrawn funds.

Even though confidence of the consumers has been uplifted by the improved economy, households are still struggling to pay municipal accounts and that has a negative impact on municipal own revenues.

The continued pressure on our transformers/mini-substations from Eskom due to illegal connections and electricity theft in some areas necessitates load reduction to avoid equipment damage. These further impacts local businesses.

Similar to the rest of government, municipalities face a difficult fiscal environment. The weak economic growth has put pressure on consumers ability to pay for services while transfers from national government are growing at a slower pace than in the past. Some municipalities, more so the medium to bigger ones, have managed these challenges well.

Smaller municipalities like Lekwa-teemane Local Municipality have fallen into financial distress and face serious liquidity problems.

The community of Lekwa-teemane as a rural municipality is one such example where we have seen in the recent years the following;

- Declining economic activity (local businesses closing down)
- Old and dilapidated infrastructure (lead to some businesses closing down)
- Loadshedding (some businesses cannot afford alternative energy and are forced to reduce operating capacity and staff – increase in unemployment)
- High unemployment rate which continues to increase due to points 1, 2 and 3 above
- Culture of non-payment for services due to unaffordability
- Theft of electricity and water through by-passing of meters (affects the revenue base of the municipality negatively)

As a result of this, we are unable to meet our payment obligations to ESKOM, and other creditors. Furthermore, the municipality would like to highlight the following historic challenges which is the main reason the municipality is in R522 million in deficit:

Creditors Book (R919 million):

- Water affairs bulk water – R 582 million (Wrongly invoiced as the municipality is not a water authority and is not extracting raw water, the district should be invoiced instead)
- Eskom Account R 326 million (R176 million should be invoiced to Sedibeng / Magalies, as the municipality does not own pump stations)

Recalculated Creditors book (without historic debt): R161 million

- Debtors Book: (The top 6 of departments): R45 million
    1. Provincial Public Works with R18.6 million,
    2. NWDC with R15.6 million,
    3. Correctional Service with R6.3 million,
    4. National Public Works with R3.9 million,

5. Education with R1.2 million.

Recalculated deficit: R116 million

This is mainly the Eskom debt, which the municipality is working on as and when the equitable share is received.

Below is some of the challenges experienced by the municipality, which if resolved, the municipality can pay the Eskom account and be funded.

4. KEY CHALLENGES ON THE REVENUE MANAGEMENT

- Low collection rate
- Incomplete customer profiles.
- Inaccurate meter reading for customer services.
- Services accounts opened by tenants who have since left the property.
- Conventional electricity customers not settling electricity bill in full monthly.

CHALLENGES	Champion	MEASURES	TIMEFRAME
Low collection rate	Manager: Debtors and Collection	Issuing of cut-off lists to technical services to ensure nonpaying customers are cut-off.	Monthly
Incomplete customer profiles. .	Manager: Debtors and Collection	Encouraging customers to update their information as and when they visit municipal offices.	Monthly
Inaccurate meter reading for customer services.	Manager: Revenue	Resolving of queries timeously.	Bi-weekly
Services accounts opened by tenants who have since left the property.	Manager: Revenue	Contacting the owner	Monthly

Conventional electricity customers not settling electricity bill in full monthly.	Manager: Revenue	Replacement of conventional meters with prepaid meters	Awaiting NT response on the application

5. MONITORING AND REPORTING

The funding plan will be reported on, on a quarterly basis as required by the National Treasury. The report will however be included in the monthly section 71 as a compliance requirement based on the debt relief programme.

6. IMPLEMETATION PLAN

REVENUE

2026/27 BUDGET FUNDING PLAN

FOCUS AREA	PRIORITY AREA(S)	ACTIVITY	TIME FRAME (START & END)	RESPOSIBLE PERSON	COSTS (& SOURCE OF FUNDING)	OUTCOME	EXPECTED IMPACT (R MILLION)			DIRECTORATE
							2025/26	2026/27	2027/28	
					R MILLION (FY2025/26)		R MILLION	R MILLION	R MILLION	
Revenue Manage ment	Government Property Audit	Auditing of all the government properties within the boundaries of the municipality	Once off every finacial year financial year	CFO and Revenue Manager	Own Funding. The Municipality will pay a commission of 20% on the recovery	The property rates register will be purified.	7 000 000.00	7 343 000.00	7 702 807.00	BTO
	Indigent Subsidy	Engage the Local District Municipality to transfer the water and sanitation allocation to the local Municipality.	Ongoing	Municipal Manager	None	Financial relief for the municipality and less debt	-	174 000 000.00	-	BTO
		Registering and updating of the indigents debtors to ensure the credibility of the data	Yearly	Credit Control Manager	Own funding	Increased indigents book which results in better equitable share	2 800 000.00	3 000 000.00	3 100 000.00	BTO
	Electricity	Installation of smart prepaid meters in all residential areas in lekwa-teemane excluding where Eskom is a direct supplier.	Throughout the financial year	CFO, Revenue Manager and Technical Services Director	The cos per meter is estimated at R 3 500.	Reduction of Electricity theft and improved electricity sales	3 000 000.00	4 500 000.00	4 500 000.00	TECHNICAL
		Areas affected are as follow:Christiana Town,Geluurksoord Township,Bloemhof Town								TECHNICAL
		We also need to apply for license at NERSA for those prepaid meters as a regulatory requirement.				Savings on the procurement process				TECHNICAL
	Service charges	Perform the data cleansing of the billing system on an ongoing basis	Runs throughout the financial year	CFO and Revenue Manager	Own Funding	Accuracy of the accounts will reduce queries and encourage frequent payment for services.	Unquantifiable	Unquantifiable	Unquantifiable	BTO
	Water and Electricity (Organs of state)	Enter into a new lease agreement.	Date of the new lease agreement to be determined by corporate services	Director: Community Services	R 3 500 per meter for electricity meter and R 3 000 per meter for water meters	New revenue stream	100 000.00	100 000.00	100 000.00	COMMUNITY
		The Christiana Caravan Park and Resort has about 52 chalets and 12 camping sites and is a municipal property.	April				100 000.00	100 000.00	100 000.00	COMMUNITY
		The original lease expired more than 6years ago.	April				100 000.00	100 000.00	100 000.00	COMMUNITY
		Installation of water and electricity meters at library and the town clinic	April			New revenue stream	100 000.00	100 000.00	100 000.00	TECHNICAL
		Rental of town clinic and library	April			New revenue stream	50 000.00	50 000.00	50 000.00	COMMUNITY
		Reopening of testing stations	May		R 1,2 million	Collection of historic d	750 000.00	750 000.00	900 000.00	COMMUNITY
		Invoicing the Provincial Department of Safety for the 20% Registering Authority for both Bloemhof and Chrisitiana	Quartely		R700 000		2 500 000.00	2 650 000.00	2 700 000.00	BTO
	Debtors' income	Handing over of arrear debtors	Ongoing	Community services director	Commission based (25 percent of recovery)	Collection of historic debt	4 000 000.00	4 000 000.00	4 000 000.00	BTO
		Rental of grazing land. Current occupants of the municipal grazing camps are not paying the rent.	May	Community services director	No cost	New revenue stream	50 000.00	50 000.00	50 000.00	COMMUNITY
		Procurement of Speed cameras	July	Community services director	Cost of speed cameras	New revenue stream	1 000 000.00	1 100 000.00	1 200 000.00	BTO
		Meter Management	April	Technical Services Director	R 3 500 per meter for electricity meter and R 3 000 per meter for water meters	New revenue stream	2 500 000.00	2 650 000.00	2 700 000.00	BTO
Eskom debt relief	Eskom Account	Servicing of the Eskom Account on a monthly basis and making affordable arrangement - will assist the municipality to achieve funded budget and the interest amount owed by the municipality will be written off.	July 2024 – June 2025	Municipal Manager CFO	n/a	Reduction in trade payables	81 000 000.00	81 000 000.00	81 000 000.00	BTO
							92 250 000.00	92 650 000.00	93 000 000.00	

EXPENDITURE

FOCUS AREA	PRIORITY AREA(S)		ACTIVITY	TIME FRAME (START & END)	RESPOSIBLE PERSON	COSTS (& SOURCE OF FUNDING)	OUTCOME	EXPECTED IMPACT (R MILLION)			DIRECTORATE
								2025/26	2026/27	2027/28	
						R MILLION (FY2025/26)		R MILLION	R MILLION	R MILLION	
enditure Managen	Employees Related Costs	Overtime	Elimination of non-essential overtime	Ongoing	CFO and other Senior Managers and supervisors	No cost	Reduced expenses on the overtime	R1 500 000.00	R2 000 000.00	R2 500 000.00	Technical Services
		Travel and subsistence	Reduction of the Travel and subsistence allowance	Ongoing	CFO and other Senior Managers	No cost	Reduction on the travel and subsistence allowance	R50 000.00	R100 000.00	R150 000.00	Technical Services
	Contracted Services	Legal services	The amounts of the legal services to be reduced with the intention of cost containing	Ongoing	Corporate Director and the MM	No cost	Reduction of the Legal fees.	R500 000.00	R700 000.00	R900 000.00	Corporate Services
		Audit Fees and Consultancy fees	The consultancy fees will be reduced.	Ongoing	Chief Financial Officer and theMM	No cost	Cost of financial consulting to be reduced by building inhouse	R500 000.00	R1 000 000.00	R1 500 000.00	Budget and Treasury Office
	Other Operating Expenses	Reduction of the Operating Expenses	The reduction of the repairs and maintenance on the vehicle by replacing the old vehicles	May	Chief Financial Officer Director Technical Services and Community Services	Own funding R cost estimated at R900 k to procure 2 service delivery bakkies	The repairs and maintenance due to breakdown will be reduced.	R400 000.00	R500 000.00	R600 000.00	All Directorates
Cost								R2 950 000.00	R4 300 000.00	R5 650 000.00	

CONCLUSION

- The developed funding plan is realistic and the municipality will implement and monitor the plan monthly to alleviate and improve the financial challenges that we are facing as a municipality.

- Other departments/units are made aware of the municipality's cash flow challenges so that they contribute to the implementation of the plan.

- The funding plan will be submitted to Provincial Treasury through the Local Government Database. Subsequent to review of the Plan, the municipality made adjustments to the plan to align it to the recommendations made and will be submitted to Council of the Municipality for during adjustment budget.

- Based on the revenue estimates if realized, the municipality should be able to reduce the Eskom debt at least by half and be to keep up with the current account. It is for that reason that the funding plan should be approved as the municipality does not have other issues other than the ones listed above