LEPHALALE MUNICIPALITY

FINAL BUDGET NARRATIONS

2026 2027 (MTREF)

TABLE OF CONTENT

1. REPORT OF THE HONOURABLE MAYOR
2. EXECUTIVE SUMMARY
3. BUDGET SCHEDULES
4. OVERVIEW OF THE ANNUAL BUDGET PROCESS FOR THE FY 2023/2024
5. OVERVIEW OF ALIGHNMENT OF ANNUAL BUDGET WITH IDP
6. MEASURABLE PERFORMANCE OBJECTIVES
7. OVERVIEW OF BUDGET RELATED POLICIES
8. OVERVIEW OF BUDGET ASSUMPTIONS
9. OVERVIEW OF BUDGET FUNDING
10. EXPENDITURE ON GRANTS ALLOCATION AND GRANT PROGRAMME
11. ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY
12. COUNCILLOR AND BOARD MEMBER ALLOWANCES AND EMPLOYEE BENEFITS
13. CONTARCTS HAVING FUTURE BUDGETARY IMPLICATIONS
14. CAPITAL EXPENDITURE DETAILS
15. LEGISLATION COMPLIANCES STATUS
16. QUALITY CERTIFICATES

1. REPRT OF THE HONOURABLE MAYOR

Budget Process for the municipalities is controlled by pieces of legislation.
Key to those legislations is MFMA and Municipal Systems Act 32 of 2000.
Section 16 of MFMA requires Council to table of the annual budget at least 90 days before the start of the financial year while Section 17 (2) (b) of Municipal Systems Act requires Council to establish appropriate mechanism, processes, and procedures to enable local communities to participate in the affairs of the municipality through notification and public procedures, when appropriate.
Section 53 of MFMA requires the Mayor of a municipality to provide general political guidance over the budget process and the priorities that must guide the preparation of the budget.

The Municipality Budget also align to Chapter 2 of The Municipal Budget and Reporting Regulations, gazette on 17 April 2009, the Mayor of a 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.

This budget process started with steering committees' meetings where the priorities of the Municipality for 2024/25 Budget were identified for the preparation of the budget. Treasury guidelines for the preparation of the budget were shared with the Services Departments.Service departments submitted their budget proposals for consideration to the portfolio committee.

The 2026/27 MTREF Budget is also aligned IDP, Provincial and National Government Development plans and Priorities.

In line with Section 17 of Municipal Systems Act, The Budget, IDP and tariff proposals were published for comment and consultation as part of public comment and consultation process.

The budget Process plan was tabled to council in August 2025 with all the due dates of all activities.

2. EXECUTIVE SUMMARY

The preparation of the budget is guided by circular 132 of MFMA no 56 of 2003. The Circulars are linked to the Municipal Budget and Reporting Regulations (MBRR) and the municipal Standard Chart of Accounts (mSCOA); and strive to support municipalities' budget preparation processes so that the minimum requirements are achieved.

The objective of the circulars is to demonstrate how municipalities should undertake annual budget preparation in accordance with the budget and financial reform agenda by focusing on key "game changers", which includes.

- ensuring that municipal budgets are funded,
- revenue management is optimized,
- assets are managed efficiently, supply chain management processes are adhered to,
- mSCOA is implemented correctly and that audit findings are addressed.

The preparation of the 2026/27 Municipality's Medium-Term Revenue and Expenditure Framework (MTREF) comes when the economy is improving in response to the suspension of power cuts since March 2024, improved confidence following the formation of the government of national unity in June, better than-expected inflation outcomes in recent months and reduced borrowing costs.
Even though the 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 ongoing disasters as result of the impact of global warming , extension of service to the villages , ageing infrastructure and Economic constraints will put Pressure on the 2026/27 MTREF Budgets.

Local Government allocations

Equitable share There is increase in Equitable share social protection as a cornerstone of its fiscal strategy, ensuring ongoing support for indigent populations and the expansion of critical infrastructure through conditional grants. Lephalale can expand on the Grants by increasing the number on Indigents

Notable changes to the conditional grants system

Electricity – The merging of the Integrated National Electrification Programme grant and the Energy Efficiency Demand Side Management grant focuses on energy efficiency and renewable energy programmes that can lead to more sustainable energy provision and enable the achievement of long-term goals;

The Municipality has adopted a multi-pronged green energy strategy focused on energy security, cost reduction, and compliance with national policy:

Utility-Scale Renewable Energy Program

Procurement of a 20.28 MWp Solar PV Plant with 52.5 MWh Battery Energy Storage System (BESS) under a 20-year PPA is on progress in line with MFMA Section 33 MFMA

Structured as a Design–Finance–Build–Operate–Transfer (DFBOT) project
Key outcomes:

- Reduction in Eskom dependency
- Peak shaving and load shifting using BESS
- Improved supply reliability during loadshedding

The Municipality is currently implementing Energy Efficiency and Demand- Side Management Program as a measure to reduce local demand of energy (energy saving measures)

Water and sanitation – The Water Services Infrastructure Grant, Regional Bulk Infrastructure Grant and Municipal Infrastructure Grant will be reviewed to address overlaps in water services provision;

Municipal Infrastructure Grant.
Reforms in the Municipal Infrastructure Grant (MIG) – Government is reforming MIG to control underspending, misuse of funds and capacity constraints. Municipalities with proven capacity will retain direct transfers, while those with ongoing capacity or governance failures will shift to indirect transfers through entities such as the Municipal Infrastructure Support Agency (MISA) and the Development Bank of Southern Africa (DBSA), supported by time-bound capability plans to restore direct access. This approach accelerates service delivery while strengthening long-term municipal capability. 5%of the grants is allocated as the repairs and maintenance on annual basis.

Reporting requirements for Disaster Allocations

The Division of Revenue Act, 2025 (Act No. 2 of 2025) (DoRA) provides for the unallocated funds to local government through the Municipal Disaster Response Grant schedule 7B (MDRG 7B) and the Municipal Recovery Grant schedule 5B (MDRG 5B). The main purpose of the MDRG 7B is to provide for the immediate release of funds for disaster response if an occurrence cannot be adequately addressed in line with section 2(1)(b) of the Disaster Management Act, 2002 (Act No. 57 of 2002) while the MDRG 5B main goal is to rehabilitate and reconstruct municipal infrastructure damaged by a disaster.

Municipal Disaster Recovery Grant are used to support the reconstruction and rehabilitation of municipal infrastructure that was damaged by the floods and storm surges due to global warming.

2.3 Criteria for the release of Equitable Share

The criteria for the release of the equitable as covered in MFMA Circular No. 122 remain relevant and are still applicable to the release of equitable share instalments in the 2026/27 financial year.
Failure to comply with the criteria will result in the National Treasury invoking section 38 of the MFMA which empowers National Treasury to withhold a municipality's equitable share if the municipality commits a serious or persistent breach of the measures established in terms of Section 216(2) of the Constitution which includes reporting obligations set out in the MFMA and National Treasury requests for information in terms of Section 74 of the MFM

The following criteria will be applied in relation to addressing **UIFWe** and the implementation of consequence management as required in terms of Chapter 15 of the MFMA, read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings:

Municipalities are required to submit an action plan which must address the period from 02 January 2025 to 31 August 2026. The action plan should include monthly calendar actions that will allow for the monitoring of the action plan implementation.

The action plan should include the following information:

- The plan to process the UIFWE balances up to 30 June 2026 by 31 August 2026, and how future UIFWE will be prevented with specific UIFWE prevention controls;

- The key process changes (including administrative processes) the municipality will implement to ensure that the UIFWE balances are processed to adhere to the August 2026 deadline;

- The process to be followed to establish and appoint members of the disciplinary board and address the backlog of financial misconduct referrals to the disciplinary board. This should include processes and procedures for the referral of matters to the disciplinary board.

Cost of supply

Municipalities are therefore reminded that all municipal tariff applications for the 2026/27 financial year must be accompanied by the required Cost of Supply (COS) studies and submitted to NERSA before the outer deadline of 12 December 2025. Failure to comply with these requirements will result in the municipality being prohibited from making any adjustment to the electricity tariffs for the 2026/27 financial year. NERSA already confirmed to municipalities that only complete municipal applications received before 12 December 2025 will be processed and approved for implementation with effect from 01 July 2026.

Lephalale has submitted the cost of supply and Nersa has approved the cost of supply for incorporation to the MTREF budget 2026/27 cost of supply for water and electricity and incorporate it in the 2026/27 Budget

Valuation Roll

The Municipality is busy with the compilation of the new valuation roll to be implemented from 1 July 2026 .

The budget must cater for Revenue Enhancement and Protection on all service charges i.e Electricity, Water, Wastewater and Refuse services and this must be administered by the senior manager responsible for the municipal Electricity Infrastructure Directorate, taking into consideration the recommendations and standards set out in NRS055 (Code of Practice for Revenue Protection);

The major contribution to National development Plan is to improve the lives of Lephalale Community through Poverty alleviation, rural infrastructure development while creating Jobs for the disadvantaged. Job creation is a top priority of the economic recovery plan that will guide policy actions over the medium term, supported by new infrastructure investment and large-scale public employment programs. In addition, skills development will be a priority to improve productivity and operational efficiency.

On the capital Expenditure Municipality is dependent on Grants and operational expenditure is dependent on the Service Charges (Own revenue) and portion of Equitable shares.

The budget is preprepared under difficult circumstances whereby consumers are facing economic hardships. The scaling down of the Economy in Lephalale as result into high rate of unemployment which put pressure on consumer affordability due to the high increase of Electricity Charges, high debt book and low collection of revenue

Consumers switching over to other sources of energy which includes solar and Gas due increased charge of electricity. More effort should be given to diversification of energy to reduce costs .

The service charge has increased by 6 % which in with the economic growth band.Electricity is tariffs will be revised once NERSA approve the cost of supply report.

The operating costs for the provision of services are on the increase due to expansion of free basic services to the villages, this is unsustainable as it reduces the reserves for asset replacement and maintenance.
The municipality must consider igniting the Economy and upgrade the infrastructure of the villages so that the consumers can start paying for the Services

Therefor to remain sustainable municipality must implement the revenue Enhancement strategies

Revenue Protection and enhancement

- Implementation of Statistical meters ,check meters
- Rollout of water smart & Electrical meters
- Implementation of revenue enhancement and revenue improvement straggles
- Implementation of cost of supply for water and Electricity
- Full implementation of credit control and debt collection measures

Revenue improvement

- Implementation of the new valuation roll

Increase revenue Base

- Implementation of investment summit packages
- Operationalization of landfill site

Cost containment

- Reduction of NMD

- Introduction of Sollar
- Setting Cost reflective tariffs
- Implementation of threshold for overtime
- Appointing critical positions

Monitoring and Oversight

- Implementation of revenue enhancement and debt steering Committee
- Implementation Project steering Committee

This means when implementing the budget Municipality should Increase the revenue , cutting of water& Electricity losses, charging cost reflective and affordable tariffs, accelerate Debt collection, Filling of only Critical positions, Implementation of revenue enhancement ,UIFW reduction strategies, cost containment strategies. Municipality must also accelerate investment summit packages to unlock economic activity of the town.

Municipality must implement systems to ensure accurate metering and billing to instill confidence of the public.

Municipality must also prioritize Capital Spending to avoid the withholding of funds by Treasury. Cost containment strategies will be implemented to reduce the noncore Expenditures.The municipality has also embarked on a range of collection strategies to optimize the collection of revenue. To ensure on the optimization of resources Municipality must cut operational costs and remove the nice to have costs.

The budget for Lephalale Municipality will address the following key areas as guided by National Government.

Short-term Priorities

- Maintenance of the infrastructure to improve reliability infrastructure network,
- Manage employee related cost to be within the norm.
- Capitalize and explore on available funding mix – Budgeted to technical reports.
- Ensure operational efficiency to achieve service delivery.
- Implementation of Cost containment and revenue enhancement strategies
- Attract investment in the Town.
- Capitalize DBSA and Private sector Financial and nonlending support.
- Development of technical plans to source funding

Medium-term priorities include:

- Increase the revenue base.
- Source Funds for the implementation of smart metering.
- Focus on the on-asset care Projects (asset renewal and replacement of ageing infrastructure.
- Implementation of strategies to collect revenue at the Marapong and Thabo Mbeki Township.
- Introduction of a flat rate for informal settlement and rural villages once infrastructure has been installed.
- Introduction of new sources of revenue (Rental stock, Landfill, Grey water ,Zeeland WTW) and implementation of Investment packages.

Long Term Focus

- Development of Economic recovery plan with Revenue Diversification, longevity, and Long-term Financial sustainability.
  - ✓ Attract investments to create Jobs and capitalize on Lephalale competencies (Energy, Mining, Agriculture & tourism).
  - ✓ Explore Public Private partnerships (Grey Water).
  - ✓ Entities opportunities.
  - ✓ Zeeland Water Treatment.
  - ✓ Apply for electricity Licenses in new areas.
  - ✓ Capital investment plan vs Capital expansion.

The budget will be implemented in line with the following Treasury Norms and standards:

- Revenue the Collection rate = Due to economic downfall the revenue collection projected at 90 % vs Treasury Norms of 95%
- Employee related Cost as percentage of Total Expenditure = 25- 40%
- Contracted services as a % of total Expenditure = @ 8% vs 5% due the inclusion of water smart meter
- Asset renewal and maintenance as % of total PPE = 8%
- Stringent implementation of credit control measures
- Indigent registrations
- Budget to include asset replacement Reserves.
- Cost containment – Do more with less.

- Own funding Projects directed at Revenue enhancement Projects and technical reports to unlock Funding
- Attract investments for Lephalale Local economic development.

3. BUDGET SUMMARY

The total Operating budget for MTREF 2026/27 includes Total Revenue is R946 million and Total Expenditure of R943 million resulting in a Surplus of R2.9 million.

The operating Revenue budget has changed from R888 million in 2025/26 to R946 million in 2026/27 FY, R979 million 2027/28 FY and R1,009 million in 2028/29 FY respectively.

The operating Expenditure budget has changed from 886 million in 2025/26 to R943 million in 2026/27 FY, R976 million 2027/28 FY and R1,002 million in 2028/29, resulting to a surplus of R 2.9 million for 2026/27 FY and R3.1 million and R6.9 million in the outer years.

The Capital expenditure is R161,7 million which includes R25.5 million Own capital Funded and R 136 ,1 million National Grant Funded Projects.

Provision has been made for employee costs to be adjusted by 4.75% in 2026/2027 financial year as per MFMA Circular 132

All tariffs been increased by 6% to align to Revenue improvement plan and MFMA Circular 132 3.7% , 3.3 % and 3.2 % for 2026/27 ,2027/28 and 2028/29.

Electricity tariff has been increased by 10,89 % LLM as per 2025/26 Cost of supply approved by NERSA.

Revenue Tariff increase

Description	26/27	27/28	28/29
Rates	6 %	3.3 %	3.2 %
Electricity	10.89 %	3.3 %	3.2 %
Water	6 %	3.3 %	3.2 %
Sanitation	6 %	3.3 %	3.2 %
Refuse	6 %	3.3 %	3.2 %
Operating Expenditures	3.7 %	3.3 %	3.2 %

The Revenue Budget.

As part of the Budget Process the Municipality is reviewing the critical revenue management related policies and assessing revenue management value chain to identify and address inefficiencies, aligning with the approved organogram and related delegations. The municipality implements strategies for faster collection of Revenue, writing oof uncollectible debt and reduction of High debt Book .

The weak economic growth has put pressure on consumers' ability to pay for services, while transfers from national government are growing more slowly than in the past.

Municipalities must ensure that they render basic services, maintain their assets and clean environment. Furthermore, there must be continuous communication with the community another stakeholder to improve the municipality's reputation. This will assist in attracting investment in the local economy which may result in reduced unemployment.

Therefore, the new leadership is 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.

Revenue Tariff Increase

The MTREF-based other revenue and expenditure budget assumed inflation-linked annual draft budget of 3.7 %, 3.3 % and 3.2 % respectively for the 3-years budget period of 2026/2027 ,2027/2028 and 2028/28.

Electricity tariffs is based on the Cost supply study approved by NERSA
Other services charges have been increased by 6% to gradually align to the cost reflective tariffs.

Total operating Revenue R 946 m

Property rates constitute R138 m which constitute 15 % of operating revenue.

Service charges

Service charges is R421 Million which constitutes 44% of the budgeted revenue The amount is higher than R403 M budgeted in the previous budget cycle.

Service Charges
Service charges for electricity has been adjusted to R280 m from R252m – 30 % of total revenue
Service charges water has been adjusted to R78m from R73m – 8%
Sanitation Revenue has been adjusted to R36m from R 32m – 3.8%
Service charges refuse has been adjusted to R28M from R26.5 m.- 3% .
Municipality is highly Grant Funded Equitable share constitute to the amount of R270 M - 29%

Interest on Investment
The interest on investment is R8 M, The amount is related to interest received from short term investment from Grant and own Funding funds .

Interest on Outstanding Debtors – Revenue from Exchange Transactions - R58m & Non Exchange transactions – R24m.

The impact of economic downfall has resulted in the inability of consumers to pay their debt on time. Municipality has reviewed the billing cycle to align to the month end where consumers are getting paydays. Data cleansing Project is on progress. Municipality has procured an Indigent management system.

Agency Fees (Commission) and license and permits R13M

Agency Fees - R2,5 million
Agency fees relates to Commission received for Department of transport for the service rendered by LLM on their behalf.

License and permit R10,3 million
The budgeted revenue for License and Permit has been increased in line with the CPI. Municipality is performing the services (License and permits)for Department of Transport

Fines and penalties R5.3 million
The budgeted revenue for building fines, traffic fines and offences relating to building regulations ,public safety and noncompliance to municipal regulations and by laws.

Transfers of Grants and subsidies are reconciled as per DORA allocation for R408 million.

The allocation are as follows:

GRANTS	Budget 2026/27	Budget 2027/28	Budget 2028/29
EQUITABLE SHARES	264,473,000	275,574,000	283,624,000
MIG - PMU	**2,660,250**	**2,945,750**	**3,036,500**
FMG	2,000,000	2,200,000	2,200,000
EPWP	1,461,000	-	-
Sub total	**270,594,250**	**280,719,750**	**288,860,500**
MIG	**50,544,750**	**55,969,250**	**57,693,500**
INEP	8,000,000	15,719,000	12,249,000
WSIG (Schedule 6, Part B)	**77,611,000**	**71,991,000**	**75,224,000**
TOTAL CAPITAL GRANTS	**136,155,750**	**143,679,250**	**145,166,500**
TOTAL GRANTS EXC ESKOM	**406,750,000**	**424,399,000**	**434,027,000**
INEP (Schedule 6,Part B) (ESKOM)	**1,294,000**	**8,988,000**	**9,133,000**
TOTAL GRANTS	**408,044,000**	**433,387,000**	**443,160,000**

Municipality Grant's funding focus on improving service delivery and maintenance of the infrastructure assets.

Operational revenue R2.8 m

Other revenue includes Sundry Income i.e purchase of tender documents, Consolidation and divisions for the plans, Photocopy machines charges and payment of clearance certificates.

Revenue Management

Municipality will implement revenue enhancement strategies and attract investment through Local economic development.
To increase the revenue collection efforts are put in place to accelerate debt collections and increase the revenue base in 2026/27 Financial Year.

Operating Expenditure is at 943 Million

Employee related costs and remuneration of councilors R288 Million

The 2026/27 includes the head count of 483 permanent employees and 9 contract employees.

The salary and wage collective agreement was signed by the parties of the South African Local Government Bargaining Council (SALGBC) on Friday, 6 September 2024. It is a five-year agreement effective from July 1, 2024, to June 30, 2029.

In respect of the 2026/27 financial year, all employees covered by this agreement shall receive, with effect from 1 July 2026, a salary increase linked to the Consumer Price Index (CPI) plus 0.75 per cent. Employee related cost will increased by Macro economic factors in the outer years

The employee related cost constitutes 31% of the total operating expending which is within the norm of 25 – 40% .

Additional increase of 3% on employee benefits is mainly due to the overtime and standby allowance at Service Delivery Department to address aging infrastructure challenges. Municipality must explore the shift system to cut on overtime costs.

Due to financial constraint position will be reprioritized to ensure continuity of service delivery.

The following position will be prioritized in **2026/27** Financial year ,

Vacant positions

2 x Disaster management Coordinator	L6
1 x Manager : Credit control and RE	L2-1
2 x Accountants (Financial services & Budget & Reporting)	L4
ICT Security Administrator Officer	L3
8X Traffic Officer	L7

Budget Includes 1% total Salary Bill for Skill development: Training will be reprioritized to Improve operational Efficiency.

Remuneration of councilors- R16.6 Million

Remuneration of Councilors are budget in line with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance.

Bulk Purchases – R204 Million

Bulk purchases have been increase by 9.1 % as per National Energy Regulator of South Africa (NERSA) .

Inventory Consumed – R58,1 M

The amount of Bulk water is R18m (Purified water) R25m for (abstraction of raw water from Mofolo dam) and R15m relates to (Inhouse maintenance and withdrawals from stores).This includes purchases of the materials for maintenance of Infrastructure network inhouse.

Bulk purchase of water has been increased by 3.7 % and budgeted under inventory according to MFMA circular 132 .

Contracted Service R 78.5 M

Contracted services as a percentage of the Total Expenditure are at 9% which in line not in with the norm due to inclusion of water smart metering .Ther is reduction Accounting and auditing Services And legal fees to reduce overreliance on consultant . Of the total contracted services, the amount of R17 million (22%) relates to repairs and maintenance, R67 million relates to consultants and system vendors.

DESCRIPTION	2026/27	2027/28	2028/29
Consultants and Professional Services			
Accounting and auditing Services	4,341,068.50	4,484,323.76	4,627,822.12
Forensic Investigation	1,574,000.00	1,625,942.00	1,677,972.14
Internal audit Outsourcing and audit Committee	1,920,398.96	1,983,772.12	2,047,252.83
Risk Management	548,982.62	567,099.04	585,246.21
Valuer	3,607,723.00	3,726,777.86	3,846,034.75
Medical Services	259,250.00	267,805.25	276,375.02
Human Resources	20,740.00	21,424.42	22,110.00
Credit Control System	829,600.00	856,976.80	884,400.06
Quality Control - Indigents system	1,222,200.00	1,262,532.60	1,302,933.64
Project Management(PMS)	1,105,354.89	1,141,831.60	1,178,370.21
Employee wellness	103,700.00	107,122.10	110,550.01
Legal Services	4,761,273.16	4,918,395.18	5,075,783.82
Total Consultants and proffesional Services	20,294,291.13	20,964,002.74	21,634,850.82
Maintenance services -Sanitation	4,133,891.46	4,270,309.87	4,406,959.79
Maintenance services -Water	2,583,874.23	2,669,142.08	2,754,554.63
Maintenance services -Electricity	2,531,518.18	2,615,058.28	2,698,740.14
Maintenance services -Waste	1,859,598.18	1,920,964.92	1,982,435.79
Maintenance services -Roads Buildings & Storm water (0540)	2,552,665.72	2,636,903.69	2,721,284.61
Maintenance services -Vehicles	3,328,442.31	3,438,280.90	3,548,305.89
Total Repairs and maintenance	16,989,990.07	17,550,659.74	18,112,280.85
Prepaid vendors	18,199,349.56	18,799,928.10	19,401,525.80
Water Smart metering	2,500,000.00	2,582,500.00	2,665,140.00
Security	18,397,611.88	19,004,733.07	19,612,884.53
Collection Cost	2,203,977.50	2,276,708.76	2,349,563.44
Total Outsourced Services	41,300,938.94	42,663,869.93	44,029,113.76
TOTAL	78,585,220.14	81,178,532.40	83,776,245.44

Repairs and maintenance R58 M

The repairs and maintenance is R19m which includes which includes the amount of R17m for outsourcing of External Service Provide where the municipality does not have inhouse capacity. The R15m is allocated to inventory consumed for the material withdrawn from stores .This includes repairs and maintenance and replacement on infrastructure of R26. MIG – repairs and maintenance including MIG ,resealing of roads and replacement of Switchgear and poles.

DWS has approved business case the amount of R177 Million has been allocated to the refurbishment of the infrastructure which will increase our infrastructure to be within the norm.
The following business case has been approved DWS.

- ✓ Refurbishment and upgrading of Sewer pump station Waste water treatment works Network pipes and replacement of AC Pipes
- ✓ Replacement of Lephalale Town and Marapong replacement of Old AC pipes

Debt Impairment R49 M & Debt Write off R40 M

The budget for Debt impairment has increased from R49 million and debt write off is R40 m in 2026/27 due to high debtors' book and to address the address irrecoverable debt .The is implementing full credit control and debt collection measures to improve revenue collection. The debt collector has been appointed to assist with acceleration of debt collection and reduction of debt Book.

Finance Charges R19M

The finance relates to interest charged for the provision of Post employment retirement benefits and landfill site and R8 Million relates to interest Charged in relation to the Interest charged on financial lease at Zeeland.

Operational Expenses R84 M

Operational Costs constitute 9 % of the total operating expenditure due the extension of services to villages, including fleet cost Financial and IT systems related costs and purchases of electricity for sewer and water pumps and electricity for high mast light at villages. The municipality must put Solar for high as light and introduce aluminum cable for high risk areas

4. OVERVIEW OF THE ANNUAL BUDGET PROCESS FOR THE FY 2023/2024 Compliance to regulations

Budget Process for the municipalities is controlled by pieces of legislation. Key to those legislations is MFMA and Municipal Systems Act 32 of 2000. Section 24 of MFMA requires Council to consider approval of the annual budget at least 30 days before the start of the financial year while Section 17 (2) (b) of Municipal Systems Act requires Council to establish appropriate mechanism, processes, and procedures to enable local communities to participate in the affairs of the municipality through notification and public procedures, when appropriate. Section 53 of MFMA requires the Mayor of a municipality to provide general political guidance over the budget process and the priorities that must guide the preparation of the budget.

In terms of Chapter 2 of the Municipal Budget and Reporting Regulations, gazette on 17 April 2009, the Mayor of a 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.

Municipalities are under pressure to generate revenue because of the economic landscape, weak tariff setting and increases in key cost drivers to provide basic municipal services. Customers' ability to pay for services is declining, which means that less revenue will be collected. To achieve financial sustainability, municipalities must demonstrate the political will to implement the changes required to improve their performance. Where municipalities consistently fail to deliver their mandates, the Constitution provides for provincial and/or national government to intervene.

5. OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

The budget of the municipality is aligned with the IDP. All the projects appearing in the budget are also appearing in the IDP. The IDP contains all the municipal projects funded and not funded for the next five years, while the budget contains only the funded projects. The budget schedules A1 – A5 from the annual budget schedules are also presented in the IDP. The Strategic goals and objectives of the municipality from the IDP are also linked to the Budget (refer to SA4 – SA6 in the budget schedules)

5.1 2026 Local Government Elections and the budget process

Given the fact that the IDP and budget would need to be reviewed and adopted by 30 June 2026, the current council has an obligation to ensure that these stipulations are complied with. In this regard, the current council is expected to continue reviewing the IDP and ensuring that it is adopted within the legislated timeframe.

Section 25 (3) of the MSA does allow the municipal council to adopt the IDP of the preceding council. However, should the incoming council be unhappy with the priorities set by the current council, in this case, municipal councils are advised to consider the existing adopted IDP and resolve to initiate or not to initiate an amendment procedure as guided by the MSA and the Municipal Performance and Planning Regulations (2001

5.2 Hand-over reports for the newly elected councils

Each municipal manager, working together with the CFO and senior managers, is encouraged to prepare a hand-over report that can be tabled at the first meeting of the newly elected council. The purpose of this hand-over report is to provide the new councils with important orientation information regarding the municipality, the state of its finances, service delivery and capital programme, as well as key issues that need to be addressed

6. MEASURABLE PERFORMANCE OBJECTIVES

Introduction

Chapter 6 S38 of the Municipal Systems Act (2000) (MSA) requires that every Municipality must develop a Performance Management System suitable for their own needs. The aim of performance management is to indicate how well a Municipality is meeting its priorities/goals and objectives. It gives clear guidance on the effectiveness and efficiency of policies and processes and indicates improvements required. Performance management is key to effective management. It facilitates effective accountability, enabling key stakeholders and role players to track progress and identify scope for improvement.

The performance management system is the primary mechanism to monitor, review and improve on the activities of the municipality. It must provide an integrated approach that links municipal performance to individual performance; aimed at improving planning (reviewing), budgeting, monitoring, reporting and evaluation.

7. OVERVIEW OF BUDGET RELATED POLICIES

The list of the budget related policies and the objectives of the municipality are as follows:

7.1 Tariff Policy

The objective of the tariff policy is to ensure that:

a) The tariffs of the Municipality comply with the legislation prevailing at the time of implementation.
b) The Municipal services are financially sustainable, affordable, and equitable.
c) The needs of the indigent, aged, and disabled are taken into consideration.
d) There is consistency in how the tariffs are applied throughout the municipality.
e) The policy is drawn in line with the principles as outlined in the MSA

7.2 Credit Control and Debt Collection Policy

The objectives of the policy are to:

a) Provide a framework within which the municipal council can exercise its executive and legislative authority regarding credit control and debt collection.
b) Ensure that all monies due and payable to the municipality are collected and used to deliver municipal services in the best interest of community, residents and ratepayers and in a financially sustainable manner.
c) Set realistic targets for debt collection.
d) Outline credit control and debt collection policy procedures and mechanisms; and
e) Provide a framework to link the municipal budget to Indigent support, and Tariff policies.

7.3 Indigent Policy

The purpose of the Policy is to provide a framework and structures to support poverty alleviation within the Municipality by providing a support programme for the subsidization of basic services to indigent households.

The policy objectives
The objective of this Policy will be to ensure the following:

a) The provision of basic services to the approved indigent/vulnerable members of community in a sustainable manner within the financial and administrative capacity of the Municipality.
b) Establish the framework for the identification, screening and management of indigent households including an economic rehabilitation plan where possible.
c) The provision of procedures and guidelines for the subsidization of basic services

7.4 Property Rates Policy

The key objectives of the policy are to:
(a) Ensure that all owners of rateable property are informed about their liability to pay assessment rates.
(b) Specify relief measures for ratepayers who may qualify for relief or partial relief in respect of the payment of rates through exemptions, reductions and rebates contemplated in section 8 of this policy and section 15 of the Act;
(c) Set out the criteria to be applied by the Council if it increases rates and levies differential rates on different categories of property;
(d) Provide for categories of public benefit organisations, approved in terms of Section 30(1) of the Income Tax Act, 1962 (Act no 58 of 1962) as amended, which ratepayers are eligible for exemptions, reductions and rebates and therefore may apply to the Council for relief from rates.
(e) Recognise the state, organs of state and owners of public service infrastructure as property owners.
(f) Encourage the development of property.
(g) Ensure that all persons liable for rates are treated equitably as required by the Act. (h) Determine the level of increases in rates

(i) Provide for exemption, rebates, and reductions.

7.5 Supply Chain Management Policy

The objectives of this policy are to implement the legislative provisions relating to the supply chain management of the Municipality, that:

(a) gives effect to:

(i) section 217 of the Constitution; and

(ii) Part 1 of Chapter 11 and other applicable provisions of the MFMA;

(b) is fair, equitable, transparent, competitive, and cost effective.

(c) complies with:

(i) the regulatory framework prescribed in Chapter 2 of the SCMR; and

(ii) any minimum norms and standards that may be prescribed by means of regulations or guidelines as envisaged by the provisions of section 168 of the MFMA;

(d) is consistent with other applicable legislation.

(e) does not undermine the objective for uniformity in Supply Chain Management Systems between organs of state in all spheres; and

(f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

(2) The Municipality may not act otherwise than in accordance with this Supply Chain Management Policy when:

(a) procuring goods and/or services.

(b) Disposing of goods no longer needed.

(c) selecting contractors to aid in the provision of municipal services otherwise than in circumstances where Chapter 8 of the MSA applies; or

(d) in the case of the Municipality selecting external mechanisms referred to in section 80(1)(b) of the MSA for the provision of municipal services in circumstances contemplated in section 83 of that Act.

(3) To assure the creation of an environment where business can be conducted with integrity and in a fair, reasonable and accountable manner, this policy will ensure that the Municipal Manager and all officials of the Municipality involved in supply chain management activities must act with integrity, accountability, transparency and with the highest of ethical standards and free of favoritism, nepotism, and corruption of any kind. The officials of the Municipality involved in supply chain management activities must adhere to the code of ethical standards contained in this policy, together with the Code of Conduct for Municipal Staff Members as contained in Schedule 2 of the MSA.

7.6 Fixed Asset Management Policy

The objective of this policy is to improve accounting of assets in the municipalities. Good asset management is critical to any business environment whether in the private or public sector. In the past municipalities used a cash-based system to account for assets, whilst the trend has been to move to an accrual system.

With the cash system, assets were written off in the year of disposal or, in cases where infrastructure assets were financed from advances or loans, they were written off when the loans were fully redeemed. No costs were attached to subsequent periods in which these assets would be used.

With an accrual system the assets are incorporated into the books of accounts and systematically written off over their anticipated lives. This necessitates that a record is kept of the cost of the assets, the assets are verified periodically, and the assets can be traced to their suppliers via invoices or other such related delivery documents. This ensures good financial discipline and allows decision makers greater control over the management of assets. An Asset Management Policy should promote efficient and effective monitoring and control of assets.

7.7 Banking and Investment Policy

The policy of the municipality is aimed at gaining the optimal return on investments, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes.

7.8 Virement Policy

Virement is the process of transferring funds from one line item of a budget to another. The policy will monitor the budget transfers of Lephalale Local Municipality. The purpose of this policy is therefore to provide a framework whereby transfers between line items within votes of the operating budget may be performed with the approval of certain officials.

7.9 Unknown deposit Policy

The objective of this policy is to direct the payments such as direct deposits and bank transfers that are deposited into the municipality's bank account without proper reference number, and the origin of the payment cannot always be traced.

The policy ensures the following:

- Proper recording of unknown deposits
- That unknown deposits are properly monitored.
- That unknown deposits are cleared timeously.
- Those unknown deposits register is reconciled to general ledger monthly.

This policy also provides guidance on how to treat unknown deposits that remain untraced or unclaimed for a certain period.

7.10 Subsistence and Travel Policy

7.11 Petty Cash Policy

7.12 Cost Containment Policy

7.13 SCM Turnaround Policy

7.14 Funding and Reserves Policy

7.15 Borrowing Policy

7.16 Long term Financial Planning Policy

7.17 Policy Related to infrastructure investment and capital Projects

7.18 Banking Electronic Transfer Policy

7.19 Expenditure Management Policy

7.20 Revenue Enhancement Strategy

7.21 UIFW Reduction Strategy

7.22 Consultant reduction Strategy

8. OVERVIEW OF BUDGET ASSUMPTIONS

Revenue Framework

Section 18 of the MFMA states that the budget can only be funded by realistically anticipated revenue to be collected and cash-backed accumulated funds from previous years, not committed for other purposes.

In addition, NT Circular 93 stipulates that the budget is to be managed in a full accrual manner, reflecting a transparent budget and accounting system approach.

Municipality must maintain tariff increases at level that reflect an appropriate balance between affordability of the poorer household and other consumers while ensuring financial sustainability.

The MFMA requires the municipality to adopt and implement a tariff policy. Council has approved such policies for all major tariff-funded services provided by the municipality, which are attached as annexure to this document.

Council is required to adopt budgetary provisions based on realistic anticipated revenue for the budget year from each revenue source ad per requirements of the MFMA (chapter 4, s17 (1) (a) (b).

The MTREF model, which enables economics forecasts and the eventual medium term fiscal framework, was compiled under harsh external economic conditions. Budgetary constraints and economic challenges meant that the municipality applies a combination of cost-saving interventions to ensure an affordable credible and sustainable budget over the 2026/2027 MTREF.

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the municipality's financial sustainability. The Consumer Price Index (CPI) is forecasted to be within the lower limit of the 3 to 6 per cent target band; therefore, municipalities are required to justify all increases more than the projected inflation target for 2026/27 MTREF in their budget narratives and pay careful attention to the differential incidence of tariff increases across all consumer groups. It is noted that the tariff increases by Eskom and Water Boards are above inflation and should be considered as such while determining cost-reflective tariffs.

Tarrif Increases

Financial modeling

In addition to the above, further principles applied to the MTREF in determining the affordability envelope included:

- Higher than headline CPI revenue increases, to the extent that they affect and support Council's activities of relevant services.
- Credible collection rates, based on collection achievement to date, incorporating improved success anticipated on selected revenue items.

CPI projections adopted over MTREF:

CPI projections over the 2026/2027 MTREF are 3,7 % for 2027/2028, 3.3 % for 2028 2029 and 3.2 %.
Higher than headline CPI revenue increases tariff of 6% has been implemented , to the extent that they support Council's activities of relevant services of extending basic services to the village .
Water and Electricity tariffs will be finalized on completion of cost of supply.

EXPENDITURE FRAMEWORK

Municipalities are under pressure to generate revenue because of the economic landscape, Effect of Global warming and in increasing disaster costs , weak tariff setting and increases in key cost drivers to provide basic municipal services. Customers' ability to pay for services is declining, which means that less revenue will be collected.

To achieve financial sustainability, municipalities must demonstrate the political will to implement the changes required to improve their performance.

Initiatives to improve financial sustainability.
Municipality will implement revenue Enhancement strategies and the Municipality has also applied for the support from DDM Model and DBSA on the Following Programs which include:

Salaries, wages, and related staff cost.

The 2026/27 includes the head count of 483 permanent employees and 9 contract employees. The salary and wage collective agreement was signed by the parties of the South African Local Government Bargaining Council (SALGBC) on Friday, 6 September 2024. It is a five-year agreement effective from July 1, 2024, to June 30, 2029.
In respect of the 2026/27 financial year, all employees covered by this agreement shall receive, with effect from 1 July 2026, a salary increase linked to the Consumer Price Index (CPI) plus 0.75 per cent. Employee related cost will increased by 4.75 Macro economic factors in the outer years

The employee related cost constitutes 32% of the total operating expending which is within the norm of 25 – 40% .
Additional increase of 3% on employee benefits is mainly due to the overtime and standby allowance at the Service Delivery Department to address aging infrastructure challenges. Municipality must explore the shift system to cut on overtime costs.
Position will be staggered to ensure alignment to the norms.

Due to financial constraint position will be reprioritized to ensure continuity of service delivery.

Budget Includes 1% total Salary Bill for Skill development: Training will be reprioritized to Improve operational Efficiency.

Remuneration of Councilors

Remuneration of Councilors are based on the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance.

Conditional Grants Transfers
Section 22 of the Division of Revenue Act, 2020 requires that any conditional allocation or a portion thereof that is not spent at the end of the 2020/21 financial year reverts to the National Revenue Fund, unless the rollover of the allocation is approved in terms of subsection (2). Furthermore, the receiving officer, provincial treasury and national

transferring officer is required to prove to National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.
Stringent controls are place for the application of rollovers within the stipulated timelines.
Rollovers request for 3 consecutive years will not be accepted.
Process for the unspent committed cost relating to Covid 19 allocation has been stipulated and the Municipality Fastrack spending.

Importance of section 17 of the Division of Revenue Act

The purpose of this section is to provide further clarity on section 17 of DoRA in relation to the transfer of funds to the organ of state in order to implement projects on behalf of the municipalities.
Section 17 (3) of DoRA states that a receiving officer may not allocate any portion of a schedule 5 allocation to any other organ of state for the performance of a function, unless the receiving officer and the organ of the state agree on the obligation of both parties and a payment schedule, the receiving officer has notified the transferring officer, the relevant provincial treasury, and National Treasury of the agreed payment schedule and:

Repairs and maintenance

The National Treasury Budget Circular 132 for the 2026/2027 MTREF stated, amongst other, that municipalities must "secure the health of their asset base (especially the municipality's revenue generating assets) by increasing spending on repairs and maintenance". The repairs and maintenance will be budgeted in line with the infrastructure master plan and the norm.

Free basic Services

The municipality is currently busy updating the indigents register which will inform the budget for free basic services during the adjustment. The current budget for free basic services is based on previous spending.

Section 97(c) of the Local Government Municipal Systems Act, 2000 states that a Municipality must make provision for indigent debtors that is consistent with its rates and tariff policies and any national policy on indigents
Indigents refers to consumers with total household income per month must be less than R4 600.
The amount of R42 million for indigent write-off by council on Q2 of 2025/26 to reduce uncollectible debt.
The Roll out of indigent will be done in Q4 of 2025/2026

Benefits of free basic services.

- 6 kl of water.
- 50 kwh of electricity.
- Subsidy on property rates and service charges for sewerage and refuse removal.

All consumers are urged to visit Municipality Offices Revenue department or make arrangements with councilors to register .

REVENUE FRAMEWORK

Service growth

The municipality's revenue will increase by 6% from adjusted budget for 2025/26 . The municipality is highly dependent on the revenue received from Service charges. This will pose a risk to financial sustainability as Consumers may reprioritize their budget to complementary services. The municipality will continue to explore and implement customer care and debt collection strategies to ensure the generation of internal Revenue.

The Municipality is also facing a huge challenge to sustain the revenue levels due to the staff demobilization of Medupi Project.

Collection Rate

In accordance with relevant legislation and national directives the municipalities projected revenue recovery rates are based on realistic and sustainable trends.

The total collection rate for 2026/2027 is projected at an average of 85% and is based on a combination of actual collection rates achieved to date and the estimated outcomes for the current financial period. The Collection rate will improve as the Municipality implementing a prepaid system for electricity and also have appointed a service provider for debt collection.

Depreciation

Depreciation on the new capital expenditure is calculated at a varying rate ranging between 3 to 30 years depending on the nature of the asset. Actual depreciation was modelled on existing assets. An annual capital expenditure implementation rate of 100% was factored into the model. The higher than usual depreciation is as results of the implementation of GRAP17 where the Municipality's assets were revalued in the 2025/2026 financial year.

9. OVERVIEW OF BUDGET FUNDING

Fiscal Overview

DESCRIPTION	2026-27	2027-28	2028 -29	BUDGET REVENUE %
TOTAL REVENUE	1,108,048,654	1,126,257,690	1,158,673,568	100%
OPERATIONAL GRANTS	270,594,250	280,719,750	288,860,500	24%
CONDITINAL GRANTS	136,155,750	143,679,250	145,166,500	12%
OPERATIONAL REVENUE	675,758,654	698,058,690	720,396,568	61%
OWN FUNDING RESERVES	25,540,000	3,800,000	4,250,000	2%
OPERATING EXPENDITURE	943,395,311	975,614,104	1,002,345,311	85%
Surplus/(Deficit)	2,957,594	3,164,336	6,911,758	0.3%

Municipality is heavily Grant Funded 36% of revenue comes from Governments and 61% from Internal Revenue (Service charges)

The total Operating budget for MTREF 2026/27 includes Total Revenue is R946 million and Total Expenditure of R943 million resulting in a Surplus of R2.9 million.

The operating Revenue budget has changed from R888 million in 2025/26 to R946 million in 2026/27 FY, R979 million 2027/28 FY and R1,009 million in 2028/29 FY respectively.

The operating Expenditure budget has changed from 886 million in 2025/26 to R943 million in 2026/27 FY, R976 million 2027/28 FY and R1,002 million in 2028/29, resulting to a surplus of R 2.9 million for 2026/27 FY and R3.1 million and R6.9 million in the outer years.

The Capital expenditure is R161,7 million which includes R25.5 million Own capital Funded and R 136 ,1 million National Grant Funded Projects.

Provision has been made for employee costs to be adjusted by 4.45% in 2026/2027 financial year as per MFMA Circular 132

All tariffs been increased by 6% to align to Revenue improvement plan and MFMA Circular 132 3.7% , 3.3 % and 3.2 % for 2026/27 ,2027/28 and 2028/29.

Electricity tariff has been increased by 10.89 % LLM as per 2025/26 Cost of supply Municipality is busy with the cost of supply study for 2026/27. The tariffs will be amended once Eskom approves cost of supply application for 2026/27.

Medium term capital budget and funding sources

The funding sources listed below are appropriate towards the following major projects on the capital budget:

National Grant Funded Projects

- Municipal Infrastructure grant to improve bulk infrastructure in support of housing opportunities. R50m.
- Municipal Water Infrastructure Grants to improve the water infrastructure R77 m. (**DWS will administer the funds- Schedule 6 B**)
- Electrification R8 Million

Own Capital funded R25.6 M.

- A portion of their internally generated 'own revenue' towards their capital budget funding mix

Property Rate

The proposed property rates are levied in accordance with existing council policies unless otherwise indicated and both the Local Government Municipal Property Rates Act 2004 (MPRA) and the Local Government Municipal Finance Management Act 2003.

Property tax rates are based on values indicated in General Valuation Roll of 2020. The Roll is updated for properties affected by land sub-divisions, alterations to buildings, demolitions, and new buildings (improvements) through Supplementary Valuation Rolls. The municipality will implement the new valuation roll effective from 1 July 2026.

Rebates and concessions are granted to certain categories of property usage and/or property owner.

Water and Sanitation

The proposed Water and Sanitation Tariffs for 2025/26 are consistent with National Policy on the provision of free basic services, the National Strategic Framework for Water and Sanitation and with Council's Indigent relief measures.

Rates, Tariff Policies and Equitable Service Framework.

The tariff increases are necessary to address essential operational requirements, maintenance of existing infrastructure, new infrastructure provision and to ensure the financial sustainability of the service.

The progressive nature of existing domestic stepped tariff structure both for water and sanitation is pro-poor and allows for the needs of the indigents. In total the proposed Tariffs and Rates are cost-reflective and will provide the income to cover the costs of Water and Sanitation during the 2026/27 financial year.

Electricity

The proposed revisions to the tariffs have been formulated in accordance with the Lephalale Local Municipality Tariff and Rates Policy and comply with Section 74 of the Municipal Systems Act as well as the recommendations of the National Energy Regulator of South Africa (NERSA)

The Electricity Regulation Act requires that the proposed revisions to the electricity consumption-based tariffs be submitted to the Regulator as soon as possible.

Cash backed accumulated surplus.

Cash backed accumulated revenue surpluses are used to provide working capital and to temporarily fund capital expenditure. Operational cash flow deficits and surpluses are forecasted and managed daily within available cash resources and banking facilities.

All statutory funds reserves, including unspent grants, are fully cash backed. Long-term provisions are cash backed to extend that actual expenditure is projected for the budget year.

10. EXPENDITURE ON GRANTS ALLOCATION AND GRANT PROGRAMME

The municipality is allocated the following grants as per Division of Revenue Act:

GRANTS	Budget 2026/27	Budget 2027/28	Budget 2028/29
EQUITABLE SHARES	264,473,000	275,574,000	283,624,000
MIG - PMU	**2,660,250**	**2,945,750**	**3,036,500**
FMG	2,000,000	2,200,000	2,200,000
EPWP	1,461,000	-	-
Sub total	**270,594,250**	**280,719,750**	**288,860,500**
MIG	**50,544,750**	**55,969,250**	**57,693,500**
INEP	8,000,000	15,719,000	12,249,000
WSIG (Schedule 6, Part B)	**77,611,000**	**71,991,000**	**75,224,000**
TOTAL CAPITAL GRANTS	**136,155,750**	**143,679,250**	**145,166,500**
TOTAL GRANTS EXC ESKOM	**406,750,000**	**424,399,000**	**434,027,000**
INEP (Schedule 6,Part B) (ESKOM)	**1,294,000**	**8,988,000**	**9,133,000**
TOTAL GRANTS	**408,044,000**	**433,387,000**	**443,160,000**

11. ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

Grants-in-Aid refer to transfers of municipal funds to organizations or bodies assisting the Municipality in the exercise of powers of function in terms of Section 67 of MFMA and do not constitute commercial or business contracts and transactions. Specific provision must be made in the Municipality's annual operating budget for Grants-in-Aid in terms of provisions contained in Section 17(3) (j) of the MFMA

The municipality is giving the grants to the following institution:

DESCRIPTION	Budget 2026/27	Budget 2027/28	Budget 2028/29
COMMUNITY FORUM	148,739	153,647	158,564
DONATION ORGANISATIONS	148,739	153,647	158,564
AGRI CONTRIBUTION	148,739	153,647	158,564
MOGOL CLUB	148,739	153,647	158,564
SPCA	148,739	153,647	158,564
SPORT CLUB MARAPONG	148,739	153,647	158,564
ENTERPRISE DEVELOPMENT	148,739	153,647	158,564
TRANSFERS AND SUBSIDIES	355,017	366,733	378,468
DESCRIPTION	1,396,190	1,442,264	1,488,417

12. COUNCILLOR AND BOARD MEMBER ALLOWANCES AND EMPLOYEE BENEFITS

The salaries, allowance, and benefits of the councilors for our municipality are informed by the government gazette no 39548 for the determination of upper limits of salaries, allowances, and benefits. The annual increase as per circular 108 applies. Refer to SA23 on the budget supporting schedules.

13. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

The municipality has the following water projects which have future budgetary implications:

- Witpoort & Ga Seleka Regional water Phase 5 – R13 Million

14. CAPITAL PROJECT DETAILS

The Capital expenditure is R160 million which includes R24,7 m Own capital Funded and R136,1 m National Grant Funded Projects.

DESCRIPTION	2026-27	2027-28	2028 -29
MIG	50,544,750	55,969,250	57,693,500
INEP	8,000,000	15,719,000	12,249,000
WSIG	77,611,000	71,991,000	75,224,000
OWN FUNDING	25,540,000	3,800,000	4,250,000
TOTAL CAPITAL GRANTS	161,695,750	147,479,250	149,416,500
INEP ESKOM	1,294,000	8,988,000	9,133,000
TOTAL CAPITAL GRANTS	162,989,750	156,467,250	158,549,500

MIG PROJECTS

DEPARTMENT	FUNDER	2026-27	2027-28	2028 -29
Upgrading of Kgobagodimo Access Road	MIG	17,420,190	18,420,190	18,920,190
Letlora access road	MIG	11,930,303	12,930,303	13,430,303
Witpoort and Seleka Regional Water Scheme	MIG	13,166,149	14,166,149	14,666,149
Construction of VIP toilets in various villages	MIG	2,707,609	4,561,109	4,603,859
Maintenance Costs 10% MIG	MIG	5,320,500	5,891,500	6,073,000
TOTAL		50,544,750	55,969,250	57,693,500

ELECTRICITY PROJECTS

ELECTRIFICATION PROJECTS	2026-27	2027-28	2028 -29
INEP	4,000,000	15,719,000	12,249,000
Energy Efficiency and Demand Side Management	4,000,000		
TOTAL	8,000,000	15,719,000	12,249,000

WSIG PROJECTS

DEPARTMENT	FUNDER	2026-27	2027-28	2028 -29
Shongoane Scheme - Sorce Development Project	WSIG	9,170,000.00	8,170,000.00	11,170,000.00
Shongoane Scheme - Connectors Distribution & Reticulation line	WSIG	13,733,122.26	12,733,122	10,733,122
Shongoane Scheme - Bulk Lines Distribution & Reticulatio	WSIG	14,537,893	12,537,893	14,537,893
Construction of VIP Toilets in Various Villages	WSIG	12,416,006	10,796,006	10,796,006
Seleka Water Scheme - Ga Seleka WS WTW and Pump Station	WSIG	12,071,040	12,071,040	12,071,040
Seleka Water Scheme - Ground Water Development	WSIG	9,497,973	9,497,973	9,730,973
Seleka Water Scheme -Kauletsi Water Project	WSIG	6,184,965	6,184,965	6,184,965
Total	WSIG	77,611,000	71,991,000	75,224,000

OWN FUNDING PROJECTS

DEPARTMENT	2026-27	2027-28	2028 -29
Reservoir Floaters and Refill-(Urban and Rural Reservoirs)’	500,000	800,000	600,000
Procurement of Mobile Trash Pump	1,250,000		
Procurement of 2500l honey sucker truck	1,000,000		
12 Tonne Lowbed Truck	2,500,000		
2x water tanker trucks	3,800,000		
Road reasealing	2,000,000		
Replacemet of Obsulute Switchgear	1,300,000		
Fencing of Sub substation	500,000		
Acquisition of 20x 6 cubic metre bins	1,000,000		
Designs for Transfer Station	2,500,000		
Acquisition of backhoe for grave digging	740,000		
Public Safety Equipment	500,000		
IT Equipments	900,000		
Office Equipments & Furniture	50,000		
Relocation of Server	3,500,000		
Establish township at Steenbokpan, township establishment process including the opening of the township register and its declaration	1,000,000		
Formalisation of Infomal settlement - Steve biko & GA- Phahladira	1,000,000		
Technical report for Mokuruanyane and Witpoort RWS	1,500,000		
	25,540,000	3,800,000	4,250,000

15. LEGISLATION COMPLIANCES STATUS

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

Budget and Treasury Office

A budget office and Treasury office has been established with the MFMA.

Budgeting

The annual budget is prepared in accordance with the requirements prescribed by the National Treasury and MFMA.

Financial reporting
100% compliance with regards to monthly, quarterly and annual reporting to the Executive Mayor, Mayoral committee, Council, Provincial and National Treasury.

Annual Report
The annual report is prepared in accordance with the MFMA and National Treasury requirements.

Internship Programme

The Lephalale Local Municipality is participating in the Municipal Finance Management Internship Program and has employed 5 interns undergoing training in various finance sections in line with the conditions of FMG grants.

16. QUALITY CERTIFICATES

Signed Quality certificate will be submitted once Budget is approved by Council