DRAFT ANNUAL BUDGET FOR 2026/2027

DATE : MARCH 2026

REPORT TO THE CHAIRPERSON OF THE PORTFOLIO COMMITTEE

1. PURPOSE

To present to Council the Draft Budget for the 2025/26 financial year.
In terms of Section 16 of the Municipal Finance Management Act, 56 of 2003,

1. The Council of a Municipality must for each financial year approve an Annual Budget for the Municipality 30 days before the start of that financial year.

2. In order for the Municipality to comply with Subsection (1), 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.

2. LEGAL/STATUTORY REQUIREMENTS

- Constitution of SA 1996
- MFMA 56/2003
- MFMA
- National Treasury Regulations

3. BACKGROUND

In terms of Section 16 of the MFMA act, the Mayor must table the annual budget at least 90 days before the start of the budget year to Municipal Council.

The Council of a Municipality must for each financial year approve an Annual Budget for the Municipality before the start of that financial year.

The Draft Budget has been updated in line with DORA as published by Minister Finance.

The total Operating budget for MTREF 2026/27 includes Total Revenue is R959 million and Total Expenditure of R956 million resulting in a Surplus of R2.9 million.

The operating Revenue budget has changed from R888 million in 2025/26 to R959 million in 2026/27 FY, R999million 2027/28 FY and R1,055 million in 2028/29 FY respectively.

The operating Expenditure budget has changed from 886 million in 2025/26 to R956 million in 2026/27 FY, R988 million 2027/28 FY and R1,016 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 R161million which includes R24,7 million Own capital Funded and R 136 ,3 million 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	24,740,000	3,800,000	4,250,000
TOTAL CAPITAL GRANTS	160,895,750	147,479,250	149,416,500

3.1 CHALLENGES

Low percentage increase on the operational budget due to the CPI Projection of 4,3 %.
Electricity Bulk purchase has increased 9.1% as outlined by Circular MFMA 132. Will be updated once cost of supply is completed.
Electricity tariff has been increased by 15,7 % 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.
All tariffs increased by 6% to align to additional services extended to villages.
The water Tarris will be updated once the cost of supply for water has been finalized.

3.2 WAY FORWARD

To avoid Unauthorized Expenditure.

4. STAFF IMPLICATIONS

Employee Related Costs - 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

Remuneration of councillors - has budgeted for the actual costs approved in accordance 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.

5. FINANCIAL IMPLICATIONS

The total Operating budget for MTREF 2026/27 includes Total Revenue is R959 million and Total Expenditure of R956 million resulting in Surplus of R2.9 million.

The operating Revenue budget has changed from R888 million in 2025/26 to R959 million in 2026/27 FY, R992million 2027/28 FY and R1,022 million in 2028/29 FY respectively.

The operating Expenditure budget has changed from 886 million in 2025/26 to R956 million in 2026/27 FY, R988 million 2027/28 FY and R1,016 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 R161million which includes R24,7 million Own capital Funded and R 136 ,3 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 15,7 % 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.

Electricity and Water tariffs will be adjusted once NERSA approves the cost of supply.

Capital Expenses

The grants funding projects are as follows:

- MIG R51 million
- INEP R8 Million
- WISIG schedule 6B R78 million
- The own Funding Projects are R24.7   million.

6. OTHER PARTIES CONSULTED

- Management

7. ATTACHMENTS

DRAFT BUDGET NARRATIONS 2026-2 | Media Statement - NERSA approves Eskc | Dora allocation 2026.pdf

SUMMARY OPERATING BUDGET | ORGANISATIONAL STRUCTURE LEPHALA

DRAFT - LEPHALALE MUNICIPALITY TARIFI | SUMMARY CAPEX GRANTS MTREF BUD | DRAFT Budget Related Policies.zip

The following tables are attached as **ANNEXURES:**

a) Budget Narrations **(ANNEXURE 1)**
b) Budget Summary Tables **(ANNEXURE 2)**
c) Tariffs **(ANNEXURE 3)**
d) **Budget Related Policies (ANNEXTURES 4)**
    1. Tariff Policy
    2. Credit Control and Debt Collection Policy
    3. Indigent Policy
    4. Property Rates Policy
    5. Expenditure Management Policy
    6. Virement Policy
    7. Cost Containment Policy
    8. Petty Cash Policy
    9. SCM Turnaround Policy
    10. Subsistence and Travel Policy
    11. Supply Chain Management Policy
    12. Unknown deposit Policy
    13. Long term Financial Planning Policy
    14. Funding and Reserves Policy
    15. Banking and Investment Policy
    16. Borrowing Policy
    17. Policy Related to infrastructure investment and capital Projects

18. Fixed Asset Management Policy
19. Electronic Banking Transfer Policy
20. Revenue Enhancement Strategy
21. UIFW Reduction Strategy
22. Consultant reduction Strategy

8. RECOMMENDATIONS

1. That the Draft Annual Budget for 2026/27 and indicative allocations for the two projected outer years 2027/2028 and 2028/2029 and related Policies be approved by council.

2. That The total Operating budget for MTREF 2026/27 includes Total Revenue is R959 million and Total Expenditure of R956 million resulting in the Surplus of R2.9 million be approved by Council

3. The Capital expenditure is R 161 million which includes R24.7 m Own capital Funding, MIG of R50 million , WSIG R77.6 million , INEP – R8 million approved by council.

4. That all tariff for 2026/27 and the indicative allocation for two projected outer years 2027/2028 and 2028/29 be approved by council.

5. That the budget will be revised once the cost of supply for Electricity and Water is finalised

6. That the following Annexures be approved by Council

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   b) Budget Summary Tables (**ANNEXURE 2)**
   c) Tariffs **(ANNEXURE 3)**
   d) Budget Related Policies **(ANNEXTURES 4)**
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