

# MASILONYANA LOCAL MUNICIPALITY



## DRAFT BUDGET

2026/2027 TO 2027/2028

## MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

This report is prepared in terms of the Local Government: Municipal Finance Management Act, No. 56 of 2003, the Municipal Budget and Reporting Regulations and Government Gazette 32141, dated 17 April 200

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## 1.MAYOR'S FOREWORD

To the Municipal Council

I hereby wish to submit to the municipal council the Draft budget as required by MFMA .

As per section 16(2) of the Municipal Finance Management Act (MFMA), the mayor must submit the draft annual budget to council.

The submission of the report forms part of the general responsibilities of the Mayor of Masilonyana Local Municipality as stipulated in section 52 of the MFMA. This report is submitted to council to exercise its oversight responsibility.



**Ms. Dimakatso Elizabeth Modise**  
**Mayor: Masilonyana Local Municipality**

**25 March 2026**

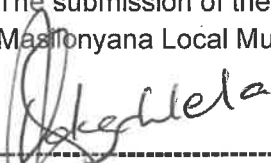
## 2.ACTING MUNICIPAL MANAGER'S FOREWORD

To the Mayor

I hereby wish to submit to the Mayor an Adopted Budget as per the MFMA.

As per section 28 of the Municipal Finance Management Act (MFMA), the Municipal Manager may submit annual Budget (MTREF) to the mayor for adoption by 30 days before the start of new Financial Year.

The submission of the annual budget forms part of the responsibility of the Mayor of Masilonyana Local Municipality as stipulated in section 28 (4) of the MFMA.



**Mrs Masethole Makgahlela**  
**Acting Municipal Manager: Masilonyana Local Municipality**

### 3. INTRODUCTION

In terms of the constitution “A municipality must- (a) structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community”

The MFMA is there to ensure that the municipality complies with its constitutional duty. Together with current MTREF guidelines from National Treasury to ensure that the municipality focuses on the current economic status and affairs.

The municipality experienced challenges over the past few years. Below is some of the challenges noted and experienced.

**Key challenges experienced during the compilation of the 2026/2027 MTREF, can be summarised as follows:**

#### Infrastructure and Capital items

- Capital projects that can't be funded from our own funds.
- The need to re-prioritise projects and expenditure within the existing limited resources given the cash flow realities.
- Plant hire on a regular basis is costly, and alternatives need to be explored – purchasing of own equipment (subject to affordability).
- Tariffs are not cost reflective.

Despite these challenges, the municipality aims to improve and provide services with conditional grants available to the municipality and further improving collection rate by implementing credit control where possible.

**These are also some other challenges:**

- New version of MSCOA charter 7.1 for 2026/2027 was introduced.
- Budget tool for NT needed to be used to assess the cost reflectiveness of the budget.
- Delay on submission of budget input and project for 2026/2027 which need to be captured on the system.
- Late submission of new budget Template from service provided and containing missing item on submission.
- Huge amount of data cleansing and mapping to finalise the budget

#### **Budget assumption used when preparing the Medium-Term Revenue and Forecasts (MTREF) 2026/2027 financial year**

1. **Inflation rate.** Considered the CPI of 3.4% for the 2026/2027 based on south African current economic conditions
2. **Possible Revenue growth:** Estimate revenue growth based on historical trends, consider factors like tariff increases and changes in consumer behaviour,
3. **Salary increase:** Assume a salary increases of 4.75, considering the public sector wage bill and cost of living adjustment

4. Prioritizing essential project and assume a moderate increase in capital spending.
5. **Consumer debt:** Assume a certain percentage of debt will be recovered, considering collection rate of 50% through out and the other 50% being debt impairment.
6. Consider Prior year AFS, NT recommendation, applicable circular and DORA
7. Input from other Directorates.

#### 4.EXECUTIVE SUMMARY

##### 1.1 Operating Revenue and Expenditure Summary

1.1.1 The high-level budget assessment of operating revenue (capital grants included) and operating expenditure is presented in Table 1 below.

The municipality's total draft budget amounts to **R569 454 000** million on income and **R539 696 000** million on expenditure (Operating Budget)

This resulted in a budgeted operating surplus of **R29 Million of which budget office still busy finalising the capturing** on the system and when done the surplus will change and the report will be amended accordingly.

There is also a DBSA Grant of R23.8 mil allocated for smart Menter which also included on the budget.

Capital budget of R52.2 million as allocated on DORA and Equitable share of R 176 843 000

Description	Budget
Equitable Share	176 843 000
Financial Management Grant (FMG)	1 700 000
Expanded Public Works Programme (EPWP)	1 500 000
Water Services Infrastructure Grants (WSIG)	24 288 000
RBIG	
Municipal Infrastructure Grant (MIG)	25 924 000
INEP	4 007 000
	<b>234 262 000</b>

Aschedule Income Statement & Balance Sheet Summary

Income Statement	Budgets		
	Year - 2027	Year - 2028	Year - 2029
<b>RevenueBySource</b>			
Service charges - Electricity	(70 196 591.00)	(12 720 629.00)	(12 831 234.00)
Service charges - Water	(38 054 103.00)	(32 054 103.00)	(32 054 103.00)
Service charges - Waste Water Management	(17 833 472.00)	(8 064 928.00)	(8 332 525.00)
Service charges - Waste Management	(12 666 152.00)	(13 132 389.00)	(13 614 013.00)
Sale of Goods and Rendering of Services	(2 145 179.00)	(1 928 433.00)	(1 725 133.00)
Agency services	-	-	-
Interest	-	-	-
Interest earned from Receivables	(53 191 869.00)	(80 255 697.99)	(82 891 026.00)
Interest earned from Current and Non Current Assets	-	-	-
Dividends	-	-	-
Rent on Land	-	-	-
Rental from Fixed Assets	(2 127 643.00)	(648 206.00)	(668 949.00)
Licence and permits	-	-	-
Special rating levies	-	-	-
Construction Contract Revenue	-	-	-
Development Charges	-	-	-
Operational Revenue	(50 000 000.00)	(31 150 000.00)	(43 000 000.00)
Property rates	(98 037 515.00)	(98 037 515.00)	(98 037 515.00)
Surcharges and Taxes	-	-	-
Fines, penalties and forfeits	(50 000.00)	(60 000.00)	(70 000.00)
Licences or permits	(318 484.00)	(328 993.00)	(339 521.00)
Transfer and subsidies - Operational	(206 846 500.00)	(184 089 000.00)	(192 232 000.00)
Interest	(17 986 700.00)	(17 986 700.00)	(17 986 700.00)
Fuel Levy	-	-	-
Operational Revenue	-	-	-
Gains on disposal of Fixed and Intangible Assets	-	-	-
Other Gains	-	-	-
Discontinued Operations	-	-	-
<b>TOTAL REVENUE (excluding capital transfers and</b>	<b>(569 454 208.00)</b>	<b>(480 456 593.99)</b>	<b>(503 782 719.00)</b>

**Service Charges:** Service charge revenue is projected based on expected approved tariff and historical collection trends. This revenue estimates are further informed by prior year performance, adjusted for anticipated changes in customer base and economic conditions.

**Operation Revenue inclusion on budget:** The budget also considers any planned expansion of service (new meter installation) that may enhance revenue generation.

**Interest Earned from Receivable:** Interest earned from receivable is projected based on outstanding customer balance and applicable interest rates charged on overdue account.

**Property Rates:** Property revenue is projected based on the current valuation roll and proposed tariff increases for the budget period. The estimate considers property revaluation and any changes in rating policies that may impact the overall revenue base.

<b>Expenditure By Type</b>			
Employee related costs	172 768 002.00	186 882 915.36	213 393 597.50
Remuneration of councillors	8 926 311.00	9 226 569.00	9 424 846.26
Bulk purchases - electricity	53 099 339.00	65 000 000.00	70 000 000.00
Inventory consumed	-	-	-
Debt impairment	154 000 000.00	155 000 000.00	148 000 000.00
Depreciation and amortisation	26 778 863.00	26 378 863.00	26 378 863.00
Interest, Dividends and Rent on Land	4 000 000.00	24 000 000.00	24 000 000.00
Contracted services	74 263 510.00	75 737 000.00	52 722 637.00
Transfers and subsidies	-	-	-
Irrecoverable debts written off	7 783 704.00	8 040 564.00	8 313 942.00
Operational costs	38 077 000.00	38 398 450.00	70 319 102.80
Disposal of Fixed and Intangible Assets	-	-	-
Other Losses	-	-	-
	-	-	-
<b>TOTAL EXPENDITURE</b>	<b>539 696 729.00</b>	<b>588 664 361.36</b>	<b>622 552 988.56</b>
<b>Surplus/(Deficit)</b>	<b>(29 757 479.00)</b>	<b>108 207 767.37</b>	<b>118 770 269.56</b>
Transfers and subsidies - capital (monetary)	(52 215 500.00)	(59 001 000.00)	(61 135 000.00)
Transfers and subsidies - capital (in-kind)	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contribution</b>	<b>(81 972 979.00)</b>	<b>49 206 767.37</b>	<b>57 635 269.56</b>

**Employee Related Cost:** Employee related cost budgeted based on the current staff establishment, approved vacancies, and anticipated salary adjustment for the 2026/2027 financial year.

**Remuneration of Councillor:** Remuneration of councillor's projection are based on the anticipated adjustment to remuneration as guided by national directive.

**Debt Impairment:** Debt impairment is budgeted to account for the portion of billed revenue that may not be expected to be collected during financial year, The provision is based on historical collection trends, ageing of debtor's accounts, and anticipated collection rate for the budget.

**Contracted Services:** Contracted services are budgeted based on existing service level agreement, anticipated service requirement. This includes costs of outsourced service such as maintenance, security, consulting and other special service that cannot performed in -house.

Council approves budget with the following for the 2026/2027 financial year:

- a) Budgeted Financial Performance (revenue and expenditure by functional classification)
- b) Budgeted Financial Performance (revenue and expenditure by municipal vote)
- c) Budgeted Financial Performance (revenue and expenditure)
- d) Multi-year and single-year capital appropriations by municipal vote and standard
  - a. classification and associated funding by source
- e) All the budget related policies as presented.
- f) Tariff list for every service charge.
- g) Funding plan
- h) mSCOA roadmap and implementation
- i) Proposed Electricity List