

2026/27



MKHONDO LOCAL MUNICIPALITY 2026/27 MTREF DRAFT BUDGET

ANNUAL DRAFT BUDGET REPORT -
MP303

Municipal Budget Reporting Regulations (MBRR)



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1. Draft Medium-Term Revenue and Expenditure Framework (MTREF): 2026/27 TO 2028/29 as required by section 16 of the MFMA.

1.1. Purpose

To submit the Draft Medium-Term Revenue and Expenditure Framework (distributed under separate cover) for the 2026/2027 to 2028/2029 financial period in terms of Section 16 of the Municipal Finance Management Act.

1.2. Recommendations

- i. That the report regarding the Draft Medium-Term Revenue and Expenditure Framework for the 2026/2027 to 2028/2029 financial period, be noted.
- ii. That the Draft Medium-Term Revenue and Expenditure Framework for the 2026/2027 to 2028/2029 financial period, inclusive of draft tariffs, the draft budget related policies, and the draft organizational structure (distributed under separate cover), be approved as a draft in terms of Section 16 of the Municipal Finance Management Act.
- iii. That the Draft Medium-Term Revenue and Expenditure Framework for the 2026/27 to 2028/2029 financial period, inclusive of draft tariffs, and draft budget related policies be subjected to a community consultation process in terms of Sections 22 and 23 of the Municipal Finance Management Act and that the consultation process be done in accordance with Chapter 4 of the Municipal Systems Act.
- iv. That the Final Medium-Term Revenue and Expenditure Framework for the 2026/2027 to 2028/2029 financial period, inclusive of tariffs, draft budget related policies, and organizational structures be submitted to Council for final consideration on 31 May 2026 as required by section 24 of the Municipal Finance Management Act.

1.3. Report

In terms of the legislative process, the Budget must be tabled to Council by no later than 31st March 2026 for endorsement by Council so that the public participation processes can take place during April 2026. Section 16 of the MFMA dealing with the tabling of annual budgets, inter alia, reads as follows:

- i. The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.
- ii. In order for a 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.

- iii. Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.

Section 24 of the MFMA dealing with the approval of annual budgets and, inter alia, reads as follows:

1) The municipal council must at least 30 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 by the adoption by the council of a resolution referred to in section 17(3)(a)(i);

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 objectives for revenue from each source and for each vote in the budget;
 - iv. approving any changes to the municipality's integrated development plan; and
 - v. approving any changes to the municipality's budget related policies.
 - vi. The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant Provincial Treasury.

1.4. Process Followed

The key deadlines for the compilation of the IDP and Medium-Term Revenue and Expenditure Framework (MTREF, or Budget) was submitted to Council for approval during August 2025.

In terms of the approved key deadlines, the administrative process in the compilation of the budget was followed and the Budget Steering Committee provided the political oversight.

The Budget Steering Committee considered the operating budget, the capital budget, the tariffs and the budget related policies and recommended that same now be forwarded to the Section 80 Committee, the Mayoral Committee as well as Council for consideration.

1.5. Budget Summary

The operating revenue for 2026/27 is budgeted at R 1 076 billion which is an increase of 2.7% from the 2025/26 adjusted budget.

The following tariff increases are proposed:

- (a) Electricity – 15% (subject to final confirmation of NERSA)
- (b) Water – 6.0%
- (c) Sanitation – 6.0%
- (d) Refuse Collection – 6.0%
- (e) Assessment Rates – 6.0%

The tariff increases are in line with the projected inflation targets. No growth in the volume of sales have been budgeted for.

In terms of MFMA Budget circular No.132, municipalities are required to justify all increases more than the projected inflation target for 2026/27 in their budget narratives and pay careful attention to the differential incidence of tariff increases across all consumer groups.

The operating expenditure for 2026/27 is budgeted at R986 million (a decrease of 1.5% from the 2025/26 adjusted budget). This includes a provision for salary increases of 7.2%, increase in repairs and maintenance expenditure of 4.1%, while operating costs decreased by 5.8% and contracted services of 31.2%. Electricity Bulk purchases have been provisionally increased by 9.01%, which is subject to final confirmation of NERSA.

The capital amount proposed for 2026/27 amounts to R112 million. Mkhondo local municipality mainly spends its capital expenditure on infrastructure services and for the 2026/27 financial year (100%) of the capital budget is allocated to Technical Services department.

2. Council Resolution

The Executive Mayor of Mkhondo Local Municipality will deliver her 2026/27 Draft Annual Budget speech in Council Chamber before and/or on 31 March 2026, for Council to approve the 2026/27 Draft Annual Budget. The Council item will outline the following in terms of section 24 of the Municipal Financial Management Act;

- 2026/27 Draft Budget Report
- 2026/27 Draft tariffs Schedule
- 2026/27 Reviewed Budget Related Policies

3.1 Budget assumption

According to the latest release of the MFMA Budget circular No.132 stipulated that the CPI is at 4.4%. Revenue estimates have been pegged on 6.0% whilst expenditure estimates are at 4.4% for the year 2026/27 budget compilation. The bulk purchase from Eskom will be approved at 9.01% or municipal bulk energy purchases.

National Treasury urges municipalities to continue and improve cost curtailment measures and improve ways of rendering service delivery whilst keeping operational/ running costs at minimum. Revenue Enhancement Strategy was established to create revenue collection capacity in the municipality in order to improve their cash liquidity but also to improve their debt recovery and cash-backed investments. This has led to municipality to have a revenue enhancement steering committee which will be functional towards achieving revenue protection goals.

3.2 Executive summary

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Mkhondo Local Municipality has embarked 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.

National Treasury's MFMA Circular No. 132 was consulted to guide the compilation of the 2026/27 MTREF

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

- The ongoing economic challenges in the national and local environment;
- Aging water, roads and electricity infrastructure;
- The increased cost of bulk electricity purchase (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents.
- Growing demand for formalization of townships and backlogs for providing sites which will in turn will require basic services from the municipality.
- Other costs of doing business including repairs and maintenance of fleet operations.

Recommendations and Comments from other stakeholders including Provincial Treasury in terms of section 22 of the MFMA on 2026/27 Mid-year Budget Assessment were follows;

The Municipal Finance Management Act, (Act 56 of 2003), section 22 requires the Accounting Officer (Municipal Manager) to submit a draft budget to, amongst others, the Provincial Treasury immediately after tabling the final budget in Council. In turn, the Provincial Treasury must provide views and comments on the draft budget and any budget-related policies and documentation, which must then be considered by council when tabling the annual budget (Section 23). The mid-year budget assessment engagement with PT had the following comments and recommendations for the Municipality to take note;

- I. Develops mitigating strategies to reduce water and electricity losses and perform a cost-benefit analysis of the forestry operations to establish profitability.
- II. Reconciles the supplementary valuation roll against the billing system must be maintained on a monthly basis to ensure credible property rates billing.
- III. Explores the government debt forum which is conducted by Provincial Treasury to resolve disputes with owing Provincial Department. It should also ensure that correct invoices are sent timeously to the departments.
- IV. Continues to engage the system vendor regarding the cash flow mapping challenge and other system related challenges to ensure mSCOA compliance.
- V. Develops the road map which must clearly articulate how the municipality will address challenges with the integration of 3rd party sub-systems.
- VI. Must ensure that the mSCOA steering committee is functional and that the progress against the mSCOA implementation road map is monitored closely to address implementation challenges.
- VII. Services the current Eskom and DWS accounts to avoid being terminated from the debt relief programme and comply with the other conditions as set out in the MFMA Circular 124 and the approval letter from Eskom and DWS. Must ensure that the planned budget adjustment does not increase the unfunded status of the budget and complies with Section 18 of the MFMA.
- VIII. Must ensure that all managers should activate their user access on the web-based system to ensure that updates are done on regular basis.
- IX. Internal Audit Unit should evaluate and confirm implementation of the corrective action with evidence.
- X. Must report progress made on the implementation of corrective actions to the

oversight structures such as the Audit Committee.

XI. Heads of Business Unit should report regularly in Management meetings on progress made to address findings relating to their Units.

XII. Needs to support the work of MPAC in investigating the historical reported cases of Irregular Expenditures amounting to R3 142 793.00.

XIII. Develops and implements the SCM compliance checklists to guard against incurring irregular expenditures due to SCM non-compliance

3. Operating Revenue Framework

Total operating revenue for 2026/27 financial year is R1 076 billion, when compared to the 2025/26 Adjustment Budget of R1 047 million. For the two outer years, operational revenue will increase by 4.5% for 2026/27 and 4.7% for 2027/28.

Table1 – Revenue High Level Summary A4

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Table1 – Revenue High Level Summary A4

Description R thousand	### 1	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
Revenue											
Exchange Revenue											
Service charges - Electricity	2	150 870	171 966	145 263	263 785	263 785	263 785	105 704	303 353	348 856	401 185
Service charges - Water	2	25 449	24 580	19 678	30 472	30 472	30 472	13 189	32 326	33 392	34 460
Service charges - Waste Water Management	2	12 290	12 921	10 483	17 156	17 156	17 156	7 366	18 199	18 782	19 383
Service charges - Waste Management	2	14 301	15 002	12 596	17 040	17 040	17 040	9 210	18 077	18 673	19 271
Sale of Goods and Rendering of Services	2	1 944	2 251	4 339	3 226	4 506	4 506	(1 240)	4 770	4 942	5 085
Agency services	2	-	-	-	-	-	-	-	-	-	-
Interest		0	-	-	-	-	-	-	-	-	-
Interest earned from Receivables	2	35 869	45 695	43 289	55 512	50 423	50 423	21 876	53 482	55 174	57 013
Interest earned from Current and Non Current Assets	2	1 262	2 758	1 727	3 513	3 513	3 513	1 006	3 727	3 853	3 973
Dividends	2	-	-	-	-	-	-	-	-	-	-
Rent on Land	2	-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets	2	1 114	1 237	1 160	1 614	1 919	1 919	984	2 036	2 105	2 170
Licence and permits	2	-	-	1	65	65	65	-	69	81	74
Special rating levies	2	-	-	-	-	-	-	-	-	-	-
Construction Contract Revenue	2	9 930	8 486	12 311	-	43 478	43 478	-	-	-	-
Development Charges	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	1 205	328	896	1 930	2 739	2 739	626	2 917	3 036	3 110
Non-Exchange Revenue											
Property rates	2	80 031	82 804	89 068	102 743	142 065	142 065	81 842	150 710	155 680	160 662
Surcharges and Taxes	2	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	2	6 144	6 869	7 626	6 490	6 490	6 490	1 141	6 885	7 119	7 340
Licences or permits	2	191	135	567	1 070	1 070	1 070	326	1 135	1 174	1 210
Transfer and subsidies - Operational	2	321 215	391 446	370 239	381 310	381 310	381 310	278 349	387 081	396 395	412 225
Interest	2	11 746	14 560	13 599	30 639	20 639	20 639	9 136	21 895	22 617	23 340
Fuel Levy	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	-	-	51 942	60 989	60 989	60 989	41 432	69 899	80 050	91 681
Gains on disposal of Fixed and Intangible Assets	2	95	(368)	-	-	-	-	-	-	-	-
Other Gains	2	348	112	52	-	100	100	46	104	107	111
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		674 005	780 783	784 837	977 555	1 047 760	1 047 760	570 993	1 076 664	1 152 037	1 242 292

Total operating revenue for the 2026/27 financial year has been appropriated at R1 076 billion. The total operating grants of R387 million includes the equitable share of R375 million. The two outer years are calculated from the CPI estimation by NT MFMA circular no 132.

4. Municipal Tariffs

a. Property Rates

The current valuation roll will expire on 30 June 2030 after which a new valuation roll will be implemented. In between, the Municipality has been updating its valuation through Supplementary rolls and this has brought the roll to be up to date with any changes in new property developments. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 132 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative governance and Traditional Affairs. 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 6.0% property rate tariffs increase for 2026/27 financial year will see a revenue projection of R150 million as compared to the R142 million in 2025/26 adjustment.

b. Sale of Electricity and impact of tariffs increase

Electricity is provisionally projected to increase by 15% on the municipal electricity tariff for 2026/27 annual budget compilation. However, it should be noted that Mkhondo Local Municipality will be charging the NERSA approved final tariff after all the relevant consultations have been concluded. This will be in addition to measures in place to reduce the distribution losses both technical and non-technical energy losses. The tariffs will be effective in the new financial billing starting on the 01st of July 2026.

Mkhondo local municipality has an indigent register that is guided by the municipality's indigent policy however, more efforts will be envisaged to reach out to more deserving members of the community to register on the indigent subsidy. Indigent households will receive free basic electricity supply of up to 50KWh which is funded from the equitable share and that this allocation will continue in the 2026/27 financial year.

c. The tariff increase is divided into two categories mainly;

- Repair and Maintenance and other general services - 4.9%
- Electricity Consumption KWh - 15%
- Bulk Purchases (Eskom) - 9.01%

d. Sales of Water and Impact of tariff increase

South Africa is one of the countries with worst droughts and a call for water preservations were a call to each and every south African to utilize water sparingly and the worst hit were agricultural sector and communities in terms of water supply. Some municipal areas were declared as disaster areas seeking water supply through tankering services and other non-profit organizations offering a support. 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 expansions;
- 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.

The above-mentioned proposal, if implemented successfully will yield the municipality a revenue water sale of above R2.6 million per month, which will equal to R32 million per annum. The municipality will have to install prepaid water meters linked customers' rates, water and sanitation and refuse removal on monthly basis.

It is recommended that the registered owner of a property should bear the costs where a water meter measuring system is installed by Council. These costs will constitute the said measuring unit, general maintenance and installation expenses incurred by the Council in relation to the meter installation.

e. Sanitation and Impact of tariffs increase

Tariff increase of 6.0% to be implemented as of 01 July 2026. This is based on the cost assumptions related to sanitation.

The following factors also contributed to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged
- Free sanitation of 6kℓ water will be applicable to registered indigents
- New sewer connection fees will be split into town/urban and townships

f. Refuse removal and Impact of tariffs increase

In respect of the refuse removal charges, Mkhondo Local Municipality will approve 6.0% tariff on all categories of in terms of their classifications and waste bins.

5. Operating Expenditure Framework

Table 8 – EXPENDITURE HIGH LEVEL SUMMARY

Description R thousand	### 1	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
Expenditure											
Employee related costs	2	234 561	248 361	264 123	282 241	283 188	283 188	(170 775)	305 844	312 506	321 959
Remuneration of councillors	2	15 832	18 676	19 764	21 353	21 353	21 353	(10 476)	22 143	22 874	23 605
Bulk purchases - electricity	2	146 655	182 082	206 582	214 387	214 387	214 387	(140 398)	233 703	254 760	277 714
Inventory consumed	2,8	34 726	54 919	88 908	21 873	44 490	44 490	(30 878)	27 008	27 896	28 786
Debt impairment	2,3	106 395	105 170	(65 937)	117 654	97 654	97 654	-	106 452	109 967	113 484
Depreciation, amortisation and impairment	2	86 097	77 285	80 076	92 328	78 069	78 069	(52 088)	80 957	83 629	86 305
Interest, Dividends and Rent on Land	2	54 644	42 943	32 327	18 177	34 177	34 177	(27 701)	35 442	36 611	37 783
Contracted services	2	102 239	147 716	146 698	83 548	157 118	157 118	(89 746)	108 010	111 564	115 154
Transfers and subsidies	2	9 612	10 645	677	-	-	-	-	-	-	-
Irrecoverable debts written off	2	-	-	211 956	5 000	1 400	1 400	-	1 452	1 500	1 548
Operational costs	2	80 814	86 494	86 494	65 318	69 529	69 529	(35 955)	65 271	67 321	63 806
Disposal of Fixed and Intangible Assets	2	8 839	6 001	7 276	-	-	-	-	-	-	-
Other Losses	2	6 742	4 556	8 239	-	200	200	(110)	207	214	220
Total Expenditure		887 157	984 849	1 087 183	921 879	1 001 565	1 001 565	(558 127)	986 490	1 028 841	1 070 365

The budget allocation for employee related costs for the 2026/27 financial year totals R305 million, which equals 30.9 percent of the total operating expenditure. Salaries will increase by 7.2 %. The departmental heads are strictly reminded to control and manage their departmental employee costs particularly on overtime, standby and shift allowances.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). Councillors remuneration has been projected at an increase of 4.5%.

Finance charges consist primarily the Eskom account and repayment of interest on arrear accounts. Bulk purchases of R233.7 million are largely informed by the purchase of bulk electricity.

Other materials comprise of amongst others the purchase of fuel, materials for repairs & maintenance, cleaning materials and water treatment chemicals. In line with the municipality’s repairs and maintenance plan on existing infrastructures, this group of expenditure has been prioritized to ensure sustainability of the service delivery.

6. Grants Allocation

GRANTS	26/27	27/28	28/29
National Government:			
Equitable Share	R375 180 000.00	R386 528 000.00	R402 141 000.00
Expanded Public Works Programme Integrated Grant	R2 251 000.00	R0.00	R0.00
Local Government Financial Management Grant	R3 000 000.00	R3 100 000.00	R3 100 000.00
Municipal Disaster Recovery Grant	R0.00	R0.00	R0.00
Municipal Infrastructure Grant	R104 925 000.00	R106 340 000.00	R109 750 000.00
Energy Efficiency and Demand-Side Management Grant	R0.00	R0.00	R0.00
Water Services Infrastructure Grant	R10 000 000.00	R10 000 000.00	R10 449 000.00
Integrated National Electrification Programme (Municipal Grant)	R19 907 000.00	R11 316 000.00	R7 647 000.00
TOTAL GRANTS	R515 263 000.00	R517 284 000.00	R533 087 000.00

The municipality received conditional grants various grants from the National Revenue Fund through Division of Revenue Act (DoRA) allocation to an amount of R515 million and part of that includes R375 million for Equitable Share. The rest of the conditional grants are FMG, EPWP and PMU admin which is 5% of MIG allocation. Capital grants are MIG, WSIG and INEP totaling an amount of R140 million.

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7. Grant expenditure

8.1 Municipal Infrastructure grant

Project Description	Project type		Project Value	Proposed Budget 2026/27FY	Proposed Budget 2027/28FY	Proposed Budget 2028/29FY
		Project Status				
PMU Management	PMU Admin	Operational	R0.00	R5 246 250.00	R5 317 000.00	R5 487 500.00
Planning, Design and construction supervision of eThandakukhanya bulk sewer outfall upgrade	Sanitation	Existing	R49 649 167.30	R6 430 832.00	R0.00	R0.00
Construction of Oxidation Ponds in eThandakukhanya	Sanitation	New	R48 043 724.03	R37 192 625.00	R7 161 851.00	R0.00
Eradication of water backlog drilling, equipping and electrification of boreholes in rural villages of Mkhondo Local Municipality	Water	New	R72 406 730.40	R14 797 156.00	R18 596 137.00	R0.00
Installation of Pour Flush Toilets in rural areas of Mkhondo LM	Sanitation	New	R38 984 377.07	R8 000 000.00	R0.00	R0.00
Construction of Amsterdam Sewer Pump Station	Water	Existing	R29 964 940.50	R31 134 037.00	R0.00	R0.00
Refurbishment of Amsterdam Sports Facility	Sports Facility	Existing	R10 020 584.00	R2 124 100.00	R7 896 484.00	R0.00
Construction of Box Culvert Bridge in Amsterdam	Road	New	R20 316 631.11	R0.00	R20 316 631.11	
Construction of 1.9km Bus and taxi route at Oosloop	Road	New	R24 845 647.25	R0.00	R24 845 647.25	
Construction of 2.6km Bus and Taxi Route at eThembalabasha	Roads	New	R34 181 449.51	R0.00	R22 206 249.51	R11 975 200.00
Construction of 2km Bus and Taxi Route at Harmony Park	Roads	New	R21 903 683.89	R0.00	R0.00	R21 903 683.89
Construction of Piet Retief Local Taxi Rank	Taxi Rank	New	R19 607 528.78	R0.00	R0.00	R19 607 528.78
Construction of Harmony Park MPCC	Community Facility	New	R35 788 069.53	-	-	R31 868 078
Construction of Mkhondo Cemetery Phase 2	Community Facility	Existing	R9 533 636.80	-	-	R9 533 637
Planning, Design and construction supervision of Iswepe WWTW	Sanitation	New	R37 685 661.00	-	-	R9 374 372
Total				104 925 000	106 340 000	109 750 000

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For 2026/27 an amount of R104.9 million has been appropriated towards the MIG capital budget for development of infrastructure within the Mkhondo Local municipality jurisdiction. New projects have been prioritized within MIG. An amount of R19.9 million is appropriated with respect to INEP Projects for the Upgrade of and Amsterdam Substation. An amount of R10 million has been allocated for upgrading of Amsterdam Wastewater Treatment Works under WSIG

An amount of R1.2 million has been set aside for the acquisition of furniture and computers. This will be internally funded.

8. Overview of Budget related – Policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

- Supply Chain Management policy
- Investment policy
- Budget policy
- Fund Transfer policy
- Credit & Debit Control policy
- Subsistence & Travelling policy
- Asset Management Policy
- Tariff policy
- Banking and Cash Management policy
- Indigent Policy
- Rates policy
- Fleet Management policy
- Asset Disposal policy
- Assets management policy
- Borrowing policy
- Cash management policy
- Donation policy
- Free basic services policy
- Funding and reserves policy
- Long Term Financial Planning policy
- Petty cash policy
- Cost Containment Policy
- Cell phone and Data Policy

The above-mentioned budget related policies have been implemented over the previous year and the most recent changes will be workshopped and policy statements will be debated and reviewed as part of the final submission of the 2026/27 Budget Report. These policies will be effective as from 1 July 2026.

MBRR Table A1 – Budget Summary 1.

1. 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).
2. The table provides an overview of the amounts approved 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.
3. 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:
 - a. The operating surplus/deficit (when taking offset depreciation into account) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - I. Transfers recognized is reflected on the Financial Performance Budget;
 - II. (ii) New Borrowing (HP agreements for vehicles) is incorporated in the net cash from financing on the Cash Flow Budget
 - III. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality did not have all reserves cash-backed due to the economic recession.

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5. 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.

MBRR Table A2 – Budgeted Financial Performance (revenue and expenditure by standard classification)

Mpumalanga: Mkhondo (MP303) - Table A2 Budgeted Financial Performance

Functional Classification Description R thousand	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
Revenue – Functional									
Governance and administration	491 801	433 162	436 225	501 996	532 770	532 770	552 006	569 205	590 546
Executive and council	299 205	325 789	331 488	358 366	358 366	358 366	367 183	378 267	393 616
Finance and administration	192 596	107 373	104 737	143 630	174 405	174 405	184 823	190 938	196 930
Internal audit	-	-	-	-	-	-	-	-	-
Community and public safety	7 377	7 891	8 907	6 531	6 727	6 727	7 136	7 383	7 608
Community and social services	1 233	216	297	259	409	409	434	452	463
Sport and recreation	9	25	20	21	37	37	40	41	42
Public safety	6 135	6 977	7 609	6 251	6 281	6 281	6 663	6 889	7 103
Housing	0	673	981	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
Economic and environmental services	8 707	102 502	116 538	116 926	166 383	166 383	10 521	8 460	8 710
Planning and development	5 004	92 699	91 068	96 864	96 321	96 321	7 278	7 429	7 654
Road transport	3 703	9 803	25 470	20 061	70 061	70 061	3 242	1 031	1 057
Environmental protection	-	-	-	-	-	-	-	-	-
Trading services	277 594	335 111	356 323	491 704	530 112	530 112	505 230	565 148	633 540
Energy sources	179 120	251 815	255 133	361 590	361 610	361 610	397 394	453 847	518 635
Water management	60 628	41 202	58 126	73 145	73 055	73 055	52 706	54 356	56 155
Waste water management	16 326	17 947	25 529	25 014	68 493	68 493	26 536	27 397	28 268
Waste management	21 520	24 147	17 535	31 954	26 954	26 954	28 595	29 548	30 483
Other	-	2 380	2 288	300	1 669	1 669	1 771	1 841	1 887
Total Revenue – Functional	785 479	881 046	920 280	1 117 456	1 237 662	1 237 662	1 076 664	1 152 037	1 242 292
Expenditure – Functional									
Governance and administration	284 907	279 358	469 866	326 800	348 513	348 513	362 434	373 919	382 131
Executive and council	66 848	69 548	62 854	50 862	59 855	59 855	57 930	59 777	60 760
Finance and administration	218 059	209 795	406 816	275 165	288 115	288 115	303 841	313 465	320 711
Internal audit	-	14	196	773	543	543	662	677	660
Community and public safety	78 044	93 957	47 403	61 533	75 785	75 785	80 573	83 061	85 383
Community and social services	33 314	49 611	6 458	17 704	30 880	30 880	32 524	33 579	34 581
Sport and recreation	12 959	8 143	7 138	8 468	8 149	8 149	8 249	8 494	8 720
Public safety	31 771	36 203	33 807	35 361	36 757	36 757	39 801	40 988	42 081
Housing	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
Economic and environmental services	66 590	66 040	59 987	64 189	58 917	58 917	63 027	62 646	63 955
Planning and development	18 651	18 308	15 793	20 304	20 096	20 096	22 029	20 381	20 702
Road transport	47 939	47 732	44 194	43 886	38 821	38 821	40 998	42 264	43 253
Environmental protection	-	-	-	-	-	-	-	-	-
Trading services	467 358	525 775	514 242	455 464	505 895	505 895	466 911	495 262	524 822
Energy sources	235 805	311 520	294 508	297 560	291 925	291 925	303 751	327 043	352 027
Water management	142 298	137 877	109 506	110 847	121 818	121 818	114 803	118 348	121 818
Waste water management	36 071	35 180	86 042	14 232	58 234	58 234	12 583	12 993	13 200
Waste management	53 184	41 199	24 185	32 824	33 918	33 918	35 773	36 878	37 777
Other	(2 771)	18 231	41 443	18 713	17 266	17 266	18 543	19 124	19 508
Total Expenditure – Functional	894 127	983 361	1 132 941	926 699	1 006 376	1 006 376	991 488	1 034 011	1 075 799
Surplus/(Deficit) for the year	(108 648)	(102 314)	(212 661)	190 757	231 285	231 285	85 176	118 026	166 492

MKHONDO LOCAL MUNICIPALITY 2026/27 MTREF DRAFT BUDGET

MBRR Table A4 – Budgeted Financial Performance (revenue and expenditure) by Source
Mpumalanga: Mkhondo (MP303) - Table A4 Budgeted Financial Performance

Description R thousand	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
Revenue										
Exchange Revenue										
Service charges - Electricity	150 870	171 966	145 263	263 785	263 785	263 785	105 704	303 353	348 856	401 185
Service charges - Water	25 449	24 580	19 678	30 472	30 472	30 472	13 189	32 326	33 392	34 460
Service charges - Waste Water Management	12 290	12 921	10 483	17 156	17 156	17 156	7 366	18 199	18 782	19 383
Service charges - Waste Management	14 301	15 002	12 596	17 040	17 040	17 040	9 210	18 077	18 673	19 271
Sale of Goods and Rendering of Services	1 944	2 251	4 339	3 226	4 506	4 506	(1 240)	4 770	4 942	5 085
Agency services	-	-	-	-	-	-	-	-	-	-
Interest	0	-	-	-	-	-	-	-	-	-
Interest earned from Receivables	35 869	45 695	43 289	55 512	50 423	50 423	21 876	53 482	55 174	57 013
Interest earned from Current and Non Current Assets	1 262	2 758	1 727	3 513	3 513	3 513	1 006	3 727	3 853	3 973
Dividends	-	-	-	-	-	-	-	-	-	-
Rent on Land	-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets	1 114	1 237	1 160	1 614	1 919	1 919	984	2 036	2 105	2 170
Licence and permits	-	-	1	65	65	65	-	69	81	74
Special rating levies	-	-	-	-	-	-	-	-	-	-
Construction Contract Revenue	9 930	8 486	12 311	-	43 478	43 478	-	-	-	-
Development Charges	-	-	-	-	-	-	-	-	-	-
Operational Revenue	1 205	328	896	1 930	2 739	2 739	626	2 917	3 036	3 110
Non-Exchange Revenue										
Property rates	80 031	82 804	89 068	102 743	142 065	142 065	81 842	150 710	155 680	160 662
Surcharges and Taxes	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	6 144	6 869	7 626	6 490	6 490	6 490	1 141	6 885	7 119	7 340
Licences or permits	191	135	567	1 070	1 070	1 070	326	1 135	1 174	1 210
Transfer and subsidies - Operational	321 215	391 446	370 239	381 310	381 310	381 310	278 349	387 081	396 395	412 225
Interest	11 746	14 560	13 599	30 639	20 639	20 639	9 136	21 895	22 617	23 340
Fuel Levy	-	-	-	-	-	-	-	-	-	-
Operational Revenue	-	-	51 942	60 989	60 989	60 989	41 432	69 899	80 050	91 681
Gains on disposal of Fixed and Intangible Assets	95	(368)	-	-	-	-	-	-	-	-
Other Gains	348	112	52	-	100	100	46	104	107	111
Discontinued Operations	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	674 005	780 783	784 837	977 555	1 047 760	1 047 760	570 993	1 076 664	1 152 037	1 242 292
Expenditure										
Employee related costs	234 561	248 361	264 123	282 241	283 188	283 188	(170 775)	305 844	312 506	321 959
Remuneration of councillors	15 832	18 676	19 764	21 353	21 353	21 353	(10 476)	22 143	22 874	23 605
Bulk purchases - electricity	146 655	182 082	206 582	214 387	214 387	214 387	(140 398)	233 703	254 760	277 714
Inventory consumed	34 726	54 919	88 908	21 873	44 490	44 490	(30 878)	27 008	27 896	28 786
Debt impairment	106 395	105 170	(65 937)	117 654	97 654	97 654	-	106 452	109 967	113 484
Depreciation, amortisation and impairment	86 097	77 285	80 076	92 328	78 069	78 069	(52 088)	80 957	83 629	86 305
Interest, Dividends and Rent on Land	54 644	42 943	32 327	18 177	34 177	34 177	(27 701)	35 442	36 611	37 783
Contracted services	102 239	147 716	146 698	83 548	157 118	157 118	(89 746)	108 010	111 564	115 154
Transfers and subsidies	9 612	10 645	677	-	-	-	-	-	-	-
Irrecoverable debts written off	-	-	211 956	5 000	1 400	1 400	-	1 452	1 500	1 548
Operational costs	80 814	86 494	86 494	65 318	69 529	69 529	(35 955)	65 271	67 321	63 806
Disposal of Fixed and Intangible Assets	8 839	6 001	7 276	-	-	-	-	-	-	-
Other Losses	6 742	4 556	8 239	-	200	200	(110)	207	214	220
Total Expenditure	887 157	984 849	1 087 183	921 879	1 001 565	1 001 565	(558 127)	986 490	1 028 841	1 070 365
Surplus/(Deficit)	(213 152)	(204 066)	(302 347)	55 676	46 195	46 195	1 129	90 175	123 196	171 927
Transfers and subsidies - capital (monetary allocations)	106 408	96 204	132 771	139 902	189 902	189 902	120 80 630	129 586	122 339	101 460
Transfers and subsidies - capital (in-kind)	2 624	1 612	2 620	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(104 120)	(106 250)	(166 956)	195 578	236 097	236 097	1 209 750	219 760	245 535	273 388
Income Tax	-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Joint Venture Share of	-	-	-	-	-	-	-	-	-	-
Surplus/Deficit attributable to Minorities	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	(104 120)	(106 250)	(166 956)	195 578	236 097	236 097	1 209 750	219 760	245 535	273 388
Share of Surplus/Deficit attributable to Associate Intercompany/Parent subsidiary transactions	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(104 120)	(106 250)	(166 956)	195 578	236 097	236 097	1 209 750	219 760	245 535	273 388

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

1. This table provides a summary of the revenue and expenditure expected over the MTREF period.
2. It distinguishes between operating revenue and capital revenue. Capital revenue is recognized as revenue in the Statement of Financial Position but it is utilized for capital funding and not operations.

Table 15 MBRR Table A5 – Budgeted Capital Expenditure by vote, standard classification and funding source

Mpumalanga: Mkhondo (MP303) - Table A5 Budgeted Capital Expenditure

Vote Description R thousand	### 1	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
Capital Expenditure - Functional											
Governance and administration		1 937	7 244	4 320	1 759	1 250	1 250	735	4 527	1 339	1 382
Executive and council		1 584	1 128	-	909	-	-	-	909	-	-
Finance and administration		352	6 115	4 320	850	1 250	1 250	735	3 618	1 339	1 382
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		-	-	311	303	350	350	-	2 630	6 867	53 052
Community and social services		-	-	-	-	-	-	-	-	-	53 052
Sport and recreation		-	-	311	303	-	-	-	2 150	6 867	-
Public safety		-	-	-	-	350	350	-	480	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		27 678	42 660	60 304	29 190	66 644	66 644	13 518	450	58 581	29 460
Planning and development		-	-	-	-	450	450	-	450	-	-
Road transport		27 678	42 660	60 304	29 190	66 194	66 194	13 518	-	58 581	29 460
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		69 954	45 279	79 206	94 585	101 802	101 802	43 936	112 957	40 934	23 887
Energy sources		0	5 314	33 764	9 605	16 996	16 996	6 101	18 220	9 840	6 650
Water management		10 317	1 090	18 590	56 746	18 300	18 300	11 779	13 776	16 171	-
Waste water management		54 842	35 628	26 852	27 931	66 506	66 506	26 055	80 659	14 923	17 238
Waste management		4 795	3 246	-	303	-	-	-	303	-	-
Other		-	-	-	1 635	-	-	-	1 385	-	-
Total Capital Expenditure - Functional	3	99 569	95 182	144 141	127 472	170 046	170 046	58 189	121 950	107 721	107 781
Funded by:											
National Government Provincial Government District Municipality		90 992 3 761 1 500	80 934 -	112 852 -	121 654 -	166 178 -	166 178 -	57 454 -	112 683 -	106 382 -	106 399 -
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	96 253	80 934	112 852	121 654	166 178	166 178	57 454	112 683	106 382	106 399
Borrowing Internally generated funds	6	- 2 371	- 11 846	- 28 480	- 5 819	- 3 868	- 3 868	- 735	- 9 267	- 1 339	- 1 382
Total Capital Funding	7	98 624	92 780	141 332	127 472	170 046	170 046	58 189	121 950	107 721	107 781

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

1. Table A5 is a breakdown of the capital program in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); 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.
6. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations.
7. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools 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.
3. The capital program is funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses.

MKHONDO LOCAL MUNICIPALITY 2026/27 MTREF DRAFT BUDGET

MBRR Table A6 – Budgeted Financial Position

Mpumalanga: Mkhondo (MP303) - Table A6 Budgeted Financial Position

Description	###	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
ASSETS											
Current assets											
Cash and cash equivalents	1	11 043	8 816	7 738	15 357	6 099	6 099	101 796	661 307	676 668	714 718
Short term Investments	2	-	-	-	-	-	-	-	-	-	-
Trade and other receivables from exchange transactions	3	55 395	61 075	24 553	68 909	27 225	27 225	90 427	347 058	238 470	270 210
Receivables from non-exchange transactions	3	22 075	30 142	28 756	78 949	41 942	41 942	64 302	261 517	246 807	263 770
Current portion of non-current receivables	4	-	-	-	-	-	-	-	-	-	-
Inventory	5	25 309	21 738	26 759	62 315	67 312	67 312	35 730	64 553	(2 846)	(2 933)
VAT Receivable	6	396 226	99 298	117 749	381 335	104 953	104 953	166 222	21 955	-	-
Other current assets	7	192	851	859	872	999	999	860	956	-	-
Total current assets		510 240	221 920	206 414	607 736	248 529	248 529	459 338	1 357 346	1 159 099	1 245 764
Non current assets											
Investments	8	530	561	610	613	668	668	610	668	-	-
Investment property	9	132 723	132 226	131 732	131 353	131 185	131 185	131 402	130 964	(585)	(604)
Property, plant and equipment	10	1 772 655	1 779 949	1 777 497	1 834 262	1 862 201	1 862 201	1 783 928	1 898 762	19 508	16 645
Biological assets	11	94 237	96 553	111 090	96 553	111 099	111 099	111 090	111 090	-	-
Living resources	12	-	-	-	-	-	-	-	-	-	-
Heritage assets	13	2 916	2 916	2 916	2 916	2 916	2 916	2 916	2 916	-	-
Intangible assets	14	-	-	-	-	-	-	-	-	-	-
Trade and other receivables from exchange transactions	15	16	-	-	-	-	-	-	-	-	-
Non-current receivables from non-exchange transactions	15	-	-	-	1 100	-	-	-	-	-	-
Other non-current assets	16	-	-	-	-	-	-	-	-	-	-
Total non current assets		2 003 076	2 012 206	2 023 846	2 066 797	2 108 071	2 108 071	2 029 947	2 144 401	18 922	16 041
TOTAL ASSETS		2 513 316	2 234 126	2 230 260	2 674 533	2 356 600	2 356 600	2 489 286	3 501 747	1 178 022	1 261 805
LIABILITIES											
Current liabilities											
Bank overdraft	17	-	-	-	-	-	-	-	-	-	-
Financial liabilities	18	-	-	-	-	-	-	-	-	-	-
Consumer deposits	19	4 144	4 204	4 277	4 892	4 385	(4 385)	(4 353)	4 385	-	-
Trade and other payables from exchange transactions	20	827 306	944 342	1 170 365	646 361	1 042 097	(1 042 097)	(1 111 217)	2 002 766	934 431	969 627
Trade and other payables from non-exchange transactions	21	379 306	71 533	49 588	352 299	64 547	(64 547)	(219 405)	0	0	20 898
Provision	22	1 688	2 962	1 739	2 053	1 295	(1 295)	(1 739)	-	-	-
VAT Payable	23	-	-	-	-	-	-	-	-	-	-
Other current liabilities	24	-	-	-	-	-	-	-	1 295	-	-
Total current liabilities		1 212 444	1 023 041	1 225 970	1 005 605	1 112 323	(1 112 323)	(1 336 714)	2 008 446	934 431	990 525
Non current liabilities											
Financial liabilities	25	-	-	-	-	-	-	-	-	-	-
Provision	26	42 155	40 637	46 274	43 876	46 272	(46 272)	(46 274)	34 437	2 031	2 096
Long term portion of trade payables	27	-	-	-	-	-	-	-	-	-	-
Other non-current liabilities	28	8 534	8 821	9 051	13 617	12 018	(12 018)	(9 051)	26 980	1 194	1 231
Total non current liabilities		50 689	49 458	55 325	57 493	58 290	(58 290)	(55 325)	61 417	3 225	3 327
TOTAL LIABILITIES		1 263 133	1 072 499	1 281 294	1 063 098	1 170 613	(1 170 613)	(1 392 038)	2 069 863	937 656	993 852
NET ASSETS		1 250 182	1 161 626	948 966	1 611 436	1 185 986	3 527 213	3 881 324	1 431 884	240 365	267 953
COMMUNITY WEALTH/EQUITY											
Accumulated surplus/(deficit)	29	1 250 182	1 161 626	947 906	1 611 436	1 185 986	(1 185 986)	(1 097 068)	1 431 884	240 365	267 953
Reserves and funds	30	-	-	-	-	-	-	-	-	-	-
Other	31	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	32	1 250 182	1 161 626	947 906	1 611 436	1 185 986	(1 185 986)	(1 097 068)	1 431 884	240 365	267 953

Explanatory notes to Table A6 – Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

2. 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” 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.

8. Table A6 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:

- Call investments deposits;
- Consumer debtors;
- Property, plant and equipment;
- Trade and other payables;
- Provisions non-current;
- Changes in net assets; and
- Reserves

4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

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

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MBRR Table A7 – Budgeted Cash Flow Statement

Mpumalanga: Mkhondo (MP303) - Table A7 Budgeted Cash Flows

Description R thousand	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
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates	63 878	64 815	80 614	113 811	144 561	144 561	144 561	126 217	145 150	166 922
Service charges	88 266	98 320	188 552	395 336	395 336	395 336	395 336	9 427	9 787	10 050
Other revenue	5 688	7 996	26 168	55 827	108 426	108 426	108 426	387 081	396 395	412 225
Transfers and Subsidies - Operational	106 957	114 777	26 332	381 310	381 310	381 310	381 310	129 586	122 339	122 358
Transfers and Subsidies - Capital	129 482	118 799	151 453	139 902	189 902	189 902	189 902	3 727	3 853	3 973
Interest	152	308	4 973	15 846	12 189	12 189	12 189	-	-	-
Dividends	-	-	-	-	-	-	-	(830)	(857)	(811)
Payments										
Suppliers and employees	(577 048)	(511 979)	(356 860)	(942 816)	(1 040 420)	(1 040 420)	(1 040 420)	-	-	-
Finance charges	-	-	-	-	(25 881)	420	420	-	-	-
Transfers and Subsidies	-	-	-	-	-	(25 881)	(25 881)	-	-	-
	-	-	-	(16 281)	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	(182 625)	(106 963)	121 231	142 935	165 423	165 423	165 423	655 208	676 668	714 718
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	19 - 33 -	1 588 - 31	1 - 51 -	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-
Insurance Refund - Capital Interest on Short Term Investment (Greater than 90 days) and Long Term Investments	(112 258)	(107 027)	(166 847)	(138 686)	(187 244)	(187 244)	(187 244)	-	-	-
Payments										
Capital assets Retention (Capital)	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) INVESTING ACTIVITIES	(112 206)	(105 408)	(166 795)	(138 686)	(187 244)	(187 244)	(187 244)	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	5	0	346	108	108	108	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-
Payments										
Repayment of borrowing	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	5	0	346	108	108	108	-	-	-
NET INCREASE/(DECREASE) IN CASH HELD	(294 830)	(212 366)	(45 563)	4 595	(21 714)	(21 714)	(21 714)	655 208	676 668	714 718
Cash/cash equivalents at the year begin:	4 233	10 886	8 821	10 762	7 680	7 680	7 680	6 099	661 307	1 337 975
Cash/cash equivalents at the year end:	(290 597)	(201 480)	(36 742)	15 357	(14 034)	(14 034)	(14 034)	661 307	1 337 975	2 052 693

MKHONDO LOCAL MUNICIPALITY 2026/27 MTREF DRAFT BUDGET

Explanatory notes to Table A7 – Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

MBRR Table A8 – Cash Backed Reserves/Accumulated Surplus Reconciliation

Mpumalanga: Mkhondo (MP303) - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description R thousand	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
	Audited	Audited	Audited	Original Budget	Adjusted	Full Year	Pre-audit	Budget Year	Budget Year +1	Budget Year +2
Cash and investments available	(290 597) - 530	(201 480) - 561	(36 742) - 610	15 357 - 613	(14 034) - 668	(14 034) - 668	(14 034) - 610	661 307 - 668	1 337 975	2 052 693
Cash/cash equivalents at the year end Other current investments > 90 days Non current Investments	-	-	-	-	-	-	-	-	-	-
Cash and investments available:	(290 068)	(200 919)	(36 132)	15 971	(13 365)	(13 365)	(13 423)	661 976	1 337 975	2 052 693
Application of cash and investments										
Unspent conditional transfers Unspent borrowing Statutory requirements	7 318 (64 994)	15 009 (67 632)	(0) (86 011)	- (29 036)	- (40 406)	- (40 406)	(121 063) 85 731	0 (84 317)	0	20 898
Other working capital requirements Other provisions Long term investments committed Reserves to be backed by cash/investments	810 559 1 688 - -	924 004 2 962 - -	1 155 960 1 739 - -	584 995 2 053 - -	1 014 304 1 295 - -	(1 069 890) 1 295 - -	(1 224 384) (1 739) - -	1 867 069 - - -	822 509 - - -	842 519 - - -
Total Application of cash and investments:	754 571	874 343	1 071 689	558 012	975 193	(1 109 001)	(1 261 456)	1 782 753	822 509	863 417
Surplus(shortfall) - Excluding Non-Current Creditors Trf to Debt Relief Benefits	(1 044 639)	(1 075 262)	(1 107 820)	(542 042)	(988 558)	1 095 635	1 248 032	(1 120 777)	515 466	1 189 276
Creditors transferred to Debt Relief - Non-Current portion	-	-	-	-	-	-	-	-	-	-
Surplus(shortfall) - Including Non-Current Creditors Trf to Debt Relief Benefits	(1 044 639)	(1 075 262)	(1 107 820)	(542 042)	(988 558)	1 095 635	1 248 032	(1 120 777)	515 466	1 189 276

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence 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.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of noncompliance with the MFMA requirements that the municipality’s budget must be “funded”.
4. From the table it can be seen that the budget is funded over the MTREF period.

Explanatory notes to Table A9 – Asset Management

1. 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.

Municipal Manager's Quality Certificate

**QUALITY CERTIFICATE
2026/27**

I, Mthandeni Mkhonza, Municipal Manager of **Mkhondo Local Municipality**, hereby certify that the 2026/27 draft budget report and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act, and that the draft budget report and supporting documents are consistent with the Integrated Development Plan of the municipality.


MTHANDENI MKHONZA
MUNICIPAL MANAGER

OF

**MKHONDO LOCAL MUNICIPALITY
MP303**

27 MARCH 2026