

REPORT OF THE EXECUTIVE MAYOR

APPROVAL OF ANNUAL BUDGET 2026-2027

**Medium Term Revenue & Expenditure
Framework 2026/2027 – 2028/2029**

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ITEM No. K(ii) 2(06-2026)

REPORT: APPROVAL OF ANNUAL BUDGET FOR MTREF 2026/2027 – 2028/2029

COUNCIL: 18 JUNE 2026

REPORT OF THE EXECUTIVE MAYOR

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PART 1 – ANNUAL BUDGET

1.1 Mayor's report

Executive Mayor of Councillor Lucky Sele to deliver the budget speech on 25 June 2026
- speech to be circulated under separate cover at the Council meeting.

1.2 Council Resolutions

That note be taken of the following:

1.2.1 Of the report tabling the final annual budget Mogale City Local Municipality for the financial years 2026/2027 and the indicative estimates for the two projected ~~years 2027/2028 and 2028/2029~~ **years 2027/2028 after 2028/2029, with all relevant stakeholders and be tabled for approval by Council before the start of the new financial year 2026/2027.**

1.2.2 Of the report tabling of the final annual budget and its supporting documents (final tariffs schedules, reviewed and new budget related policies) for the 2026/2027 to 2028/2029 Medium Term Revenue & Expenditure Framework (MTREF) as required by section 23 (2) and 24 (1) of the Municipal Finance Management Act (MFMA) No.56 of 2003.

1.2.3 Of the final annual budget of the municipality for the financial year 2026/2027 and the multi-year and single year capital appropriations as set out in accordance with Municipal Budget and Reporting (MBRR) section 9 in the following tables be tabled for approval after consulting with all relevant stakeholders and be tabled for approval by Council before the start of the new financial year 2026/2027.

- 1.2.3.1 Schedule 1 2026/2027 Summary of Approved Revenue & Expenditure.
- 1.2.3.2 Schedule 2 (a) 2026/2027 Approved Capital Budget Project List.
- 1.2.3.3 Schedule 2 (b) 2026/2027 Out – Of – Books Capital Budget Project List
- 1.2.3.4 Schedule 3 (a) 2026/2027 Approved Rates, Service Charges Tariffs and Other User Charges.
- 1.2.3.5 Schedule 3 (b) 2026/2027 NERSA Electricity Tariffs Approved
- 1.2.3.6 Schedule 4 Rand Water Tariffs Approved
- 1.2.3.7 Schedule 5 MBRR Table A1-A10

1.2.4 In compliance with the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the following tables are submitted for consideration and approval by Council prior to the commencement of the 2026/2027 financial year:

- 1.2.4.1 Schedule 6 2026/2027 Mogale City Bursary Application Form
- 1.2.4.2 Schedule 7 2026/2027 Mogale City Mayoral Bursary Agreement
- 1.2.4.3 Schedule 8 2026/2027 Mayoral Bursary Selection Scoring Matrix
(For Selection Committee)
- 1.2.4.4 Schedule 9 2026/2027 2026/2027 Due diligence Checklist For
NGO's/NPO's
- 1.2.4.5 Schedule 10 2026/2027 2026/2027 Mogale City Funding
Agreement Template
- 1.2.4.6 Schedule 11 2026/2027 Monitoring and Evaluation Scorecard –
Funding Model For NGO's/NPO's
- 1.2.4.7 Schedule 12 MFMA Circular 131 – Funds Transferred by
Municipalities to Organisations and Bodies Outside the
Government
- 1.2.4.8 Schedule 13 MFMA Circular 133 – The Meaning of Organ Of
State as contemplated in Section 110(2)(a) of the MFMA.

1.2.5 The Salary and Wage Collective Agreement for the period 01 July 2024 to 30 June 2029 is an active agreement applicable in the new financial and outer years. Of the provision made for a 4.75% increase in the salaries of employees which was informed by the average CPI expected.

1.2.6 Of the 5% salary increase provided for in the Wage Gap Agreement entered between the municipality and Labour Unions for employees on levels 5-15, contingent on the municipality's financial recovery and sustainability. An initial 2.5% increase took effect from July 2025, with the remaining 2.5% to be implemented in the 2026/2027 financial year.

1.2.7 Of the budgeted 4% increase in the provision for remuneration of councillors to avoid under budgeting for an increase based on government gazette no. 54179 dated 20th February 2026 determined by Minister of COGTA.

1.2.8 Of the reviewed Integrated Development Plan (IDP) in which the Executive Mayor had identified and prioritized the community needs as well as recommending to the Municipal Council the strategies, programmes and services to address these priority needs.

1.2.9 That the Council of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables the following tariffs after public participation for approval:

- 1.2.9.1 The tariffs for the supply of water – as set out in Schedule 3(a).
- 1.2.9.2 The tariffs for sanitation services – as set out in Schedule 3(a).
- 1.2.9.3 The tariffs for property rates – as set out in Schedule 3(a).
- 1.2.9.4 The tariffs for solid waste removal – as set out in Schedule 3(a).
- 1.2.9.5 The tariffs for other services, as set out in Schedule 3 (a).
- 1.2.9.6 The tariffs for bulk contributions and wayleaves, as set out in Schedule 3 (a).
- 1.2.9.7 The tariffs for electricity – as set out in Schedule 3(b) approved by NERSA on the 23 May 2026.

1.2.10 That the Council of Mogale City Local Municipality, acting in terms of Section 5 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) tables the reviewed rates after public participation for approval.

1.2.11 That the Council of Mogale City Local Municipality, acting in terms of Section 6 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) tables the rates By- law to give effect to the Rates policy after public participation for approval.

1.2.12 That the Council of Mogale City Local Municipality, acting in terms of Section 98 of the Local Government: Municipal Systems Act (Act 32 of 2000) tables the Credit Control and Debt Collection By-Laws to give effect to the implementation and enforcement of Credit Control and Debt Collection Policy after public participation for approval.

1.2.13 That the Council of Mogale City Local Municipality, acting in terms of Section 75 (1) of the Local Government: Municipal Systems Act (Act 32 of 2000) tables the Tariff By-Laws to give effect to the implementation and enforcement of Tariff Policy after public participation for approval.

1.2.14 That based on the draft determination the municipality has included in the budget 4.75% cost of living adjustment of the upper limits of the total remuneration packages payable to senior managers.

1.2.15 That the following reviewed & new budget related policies for Council approval:

Annexure 1: Approved reviewed Property Rates Policy

Annexure 2: Approved reviewed Property Rates By-Law

Annexure 3: Approved reviewed Supply Chain Management Policy

Annexure 4: Approved reviewed Credit Control and Debt Collection Policy

Annexure 5: Approved Credit Control and Debt Collection By-Law

Annexure 6: Approved reviewed Financial Misconduct Policy

Annexure 7: Approved reviewed Water and Sanitation Tariff Policy

Annexure 8: Approved reviewed Electricity Tariff Policy

Annexure 9: Approved reviewed 2% Corporate Social Responsibility

Annexure 9.1 Approved Mayoral Bursary Policy as per section 5.1 of the CSR Policy

including the supporting documents **(New)**

Annexure 9.2 Approved Social Development and CSR Funding Financial Model & Policy as per section 5.2 of the 2% CSR Policy include governance tools template and MFMA Circular No. 131 **(New)**.

Annexure 10: Approved reviewed Cash Management & Investment Policy

Annexure 11: Approved reviewed Borrowing Policy

Annexure 12: Approved reviewed Funding and Reserves Policy

Annexure 13: Approved reviewed Long Term Financial Plan Policy

Annexure 14: Approved reviewed Asset Management Policy

Annexure 15: Approved reviewed Indigent Management Policy

Annexure 16: Approved reviewed Employment Equity policy

Annexure 17: Approved reviewed Recruitment Policy

Annexure 18: Approved reviewed Overtime Policy

Annexure 19: Approved reviewed Grant in Aid Policy

Annexure 20: Approved reviewed Indigent Burial Policy

Annexure 21: Approved reviewed Liquidity Policy

- Annexure 22: Approved reviewed Waste Management Service Policy
- Annexure 23: Approved reviewed Unclaimed Monies Policy
- Annexure 24: Approved reviewed Cost Containment Policy
- Annexure 25: Approved reviewed Budget Management Policy
- Annexure 26: Approved reviewed Adjustment Budget Policy
- Annexure 27: Approved reviewed Cashier Shortages and Surpluses Policy
- Annexure 29: Approved reviewed VAB Remuneration VAB Members Policy
- Annexure 30: Approved reviewed Mogale City Local Municipality By-Laws for the control of outdoor advertising Signs and Hoardings
- Annexure 31 Approved reviewed Capital project and Infrastructure investment Policy
- Annexure 32: Approved reviewed Supplier Performance Monitoring Policy
- Annexure 33: Approved reviewed Acting policy
- Annexure 34: Approved reviewed Bursary policy
- Annexure 35: Approved reviewed Unauthorised, Irregular, Fruitless & Wasteful expenditure Policy
- Annexure 36: Approved reviewed earning & development Policy
- Annexure 37: Approved Reviewed Tariff Policy
- Annexure 38: Approved reviewed Tariff By-Law
- Annexure 39: Approved reviewed Leave Policy
- Annexure 40: Approved reviewed Management Development System Policy
- Annexure 41: Approved reviewed transfer and secondment Policy
- Annexure 42: Approved reviewed Task Job Evaluation Policy
- Annexure 43: Approved Organisational Change Management Policy (**New**)
- Annexure 44 Approved reviewed Wellness Management Policy

Annexure 45 Approved reviewed Occupational Health and Safety Policy

Annexure 46 Approved Reward & Remuneration Policy **(New)**

Annexure 47 Approved Substance Abuse policy **(New)**

Annexure 48 Approved succession Planning and Career pathing Policy **(New)**

Annexure 49 Approved Internship/Learnership policy **(New)**

Annexure 50 Approved Personal Protective Equipment Policy **(New)**

Annexure 51 Approved Traveling Policy **(New)**

Annexure 52 Approved Reviewed Write Off Policy

1.2.16 That the following budget related policies be noted as were approved during the past financial years and remain in force for the 2026/2027 financial year:

- 1.2.16.1 Sports & Recreation Facilities Tariff Policy.
- 1.2.16.2 Public Safety Tariff Policy.
- 1.2.16.3 Water Services By-laws.
- 1.2.16.4 Mogale City Tree Management & Conservation Policy.
- 1.2.16.5 Mogale City Parks By-Law.
- 1.2.16.6 Fleet Management Policy.
- 1.2.16.7 Bulk Contributions Policy

1.2.17 That Council notes that the 2026/2027 Annual Budget and MTREF outer years were assessed by National Treasury and were found to be a credible and funded. **(Refer to Schedule 14 Funding assessment of Annual budget).**

1.2.18 That the report tabling the approval of annual budget of Mogale City Local Municipality for the financial years 2026/2027 and the indicative estimates for the two projected outer years for 2027/2028 and 2028/2029 be approved. **As set out in Schedule 5 MBRR Table A1-A10.**



CLLR L SELE

EXECUTIVE MAYOR

DATE: 12 JUNE 2026

1.3 Executive summary

1.3.1 Purpose of the Report

The purpose of the report is to table the Annual Budget and its Supporting Documents (approved tariffs schedules, reviewed and new budget related policies) for the 2026/2027 to 2028/2029 Medium – Term, Revenue and Expenditure Framework (MTREF) as required by section 16 (1) and 24 of the Municipal Finance Management Act No. 56 of 2003 to Council for approval.

1.3.2 National Budget Priorities

The Annual Budget is informed by the both the national and provincial priorities. Nationally, the State of the National Address (SONA) has set out three strategic priorities, namely:

- Driving inclusive growth and job creation.
- Reducing poverty and tackling high costs of living, and
- Building a capable, ethical and developmental state.

To achieve these triple priorities, the national Budget Speech has allocated money to “fund free basic services like electricity, water, affordable housing, as well as social grants for those in need.

1.3.3 Provincial Budget Priorities

The Gauteng Province has set out the following priorities for the development of the province: Water crisis; Cable theft and vandalism; non-functional traffic lights; Potholes; Mushrooming of informal settlements; Electricity load reduction in our communities; Failing infrastructure and CBDs, and Unemployment.

In the State of the Province Address, Honorable Panyaza Lesufi, Premier of Gauteng, emphasized that the province’s development agenda is centered on accelerating economic growth and job creation, expanding and maintaining critical infrastructure, and improving the quality and reliability of basic service delivery.

1.3.4 Mogale City Budget Priorities

Informed by the national and provincial imperatives, guided by the community priorities as set out in the IDP and complying out Constitutional obligations, Mogale City's Annual Budget prioritises primarily service delivery – which is supported by institutional and financial governance, namely:

- 1.3.3.1 Water and sanitation infrastructure,
- 1.3.3.2 Building and roads maintenance,
- 1.3.3.3 Environmental beautification programme (“Beautification & Greening”),
- 1.3.3.4 Supporting affordable and low-income housing,
- 1.3.3.5 Providing safety to the community (maintenance and replacement of streetlights),
- 1.3.3.6 Maintenance of environmental grass cutting throughout Mogale City
- 1.3.3.7 Stimulating economic development, and
- 1.3.3.8 Deepening institutional and financial governance.

The desired impact of the budget is to address pressing social needs by ensuring reliable access to clean water, stable electricity supply, and well-maintained roads and public infrastructure. Investing in these areas will help improve the quality of life for residents and our employees, support economic development, create a safer and more sustainable environment. Moreover, the budget prioritizes proactive maintenance and upgrades to prevent service disruptions, reduce long-term repair costs, and enhance operational efficiency across key municipal services.

1.3.5 Mogale City's Good Governance

Good governance remains a cornerstone of Mogale City's Medium-Term Revenue and Expenditure Framework (MTREF), ensuring that the three-year budget is credible, sustainable, and aligned to the municipality's long-term developmental objectives. The MTREF is prepared in compliance with the Municipal Finance Management Act (MFMA), National Treasury circulars, and mSCOA regulations, the assumption of collection rate of 90% must be realistic and attainable as this is fundamental to have a funded budget. Furthermore, the expenditure should be properly costed, and funding sources are cash-backed and

sustainable over the medium term. The intended end outcome is to have a funded budget approved by the Council.

The MTREF strengthens financial discipline by aligning operating and capital budgets to the Integrated Development Plan (IDP) priorities, while ensuring that future commitments such as bulk purchases, employee-related costs, and infrastructure maintenance are adequately provided for. Through multi-year planning, Mogale City enhances predictability in service delivery programmes, manages fiscal risks, and avoids unfunded mandates or structural deficits.

Transparency and accountability within the MTREF are reinforced through public participation processes, Council oversight, and regular in-year monitoring in terms of Section 71, Section 52 and Section 72 reporting.

In the previous financial year, Mogale City was recognised as one of only four municipalities that tabled a funded budget. For the 2026/2027 financial year, funding assessments undertaken by both National Treasury and Gauteng Provincial Treasury confirmed that Mogale City's Adopted Budget is funded, reflecting the municipality's continued commitment to fiscal discipline, budget credibility and sustainable financial management practices.

1.3.6 Background

1.3.6.1 The Municipal Finance Management Act (MFMA) No 56 of 2003 section 16(1) and section 17 stipulates that.

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

And,

“17. (1) An annual budget of a municipality must be a schedule in the prescribed format—

(a) setting out realistically anticipated revenue for the budget year from each revenue source;

(b) appropriating expenditure for the budget year under the different votes of the municipality;

(c) setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;

(d) setting out—

(i) estimated revenue and expenditure by vote for the current year; and

(ii) actual revenue and expenditure by vote for the financial year preceding the current year; and

(e) any other prescribed information.

(2) An annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed.

(3) When an annual budget is tabled in terms of section 16(2). it must be accompanied by the following documents”:

(a) Draft resolutions-

(i) approving the budget of the municipality.

(ii) imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and

(iii) approving any other matter that may (f) be prescribed.

(b) measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan.

(c) a projection of cash flow for the budget year by revenue source broken down per month.

(d) any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of section 34 of the Municipal Systems Act.

(e) any proposed amendments to the budget-related policies of the municipality:

f) particulars of the municipality's investments.

- (g) any prescribed budget information on municipal entities under shared control of the municipality.
- (h) particulars of all proposed new municipal entities which the sole or the municipality intends to establish or in which the municipality intends to participate:
- (i) particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements.
- (j) particulars of any proposed allocations or grants by the municipality to-
 - (i) other municipalities.
 - (ii) any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers:
 - (iii) any other organs of state.
 - (iv) any organisations or bodies referred to in section 67(I):
- (k) the proposed cost to the municipality for the budget year of the salary, allowances and benefits of-
 - (i) each political office-bearer of the municipality.
 - (ii) councillors of the municipality; and
 - (iii) the municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager:
- (l) the proposed cost for the budget year to a municipal entity under the sole shared control of the municipality of the salary, allowances and benefits of-
 - (i) each member of the entity's board of directors: and
 - (ii) the chief executive officer and each senior manager of the entity: and
- (m) any other supporting documentation as may be prescribed.

And,

“23 (1) When the annual budget has been tabled, the municipal council must consider any views of—

- (a) the local community; and
- (b) the National Treasury, the relevant provincial treasury and any provincial organ of state or municipality which made submissions on the budget.

(2) After considering all budget submissions, the council must give the mayor an opportunity to respond to the submissions and, if necessary, to revise the budget and table amendments for consideration by the council.

(3) The National Treasury may issue guidelines on the manner in which municipal councils should process their annual budgets, including guidelines on the formation of committees and their functions.

And,

“24((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.

- 1.3.6.2 Public Participation meetings with Mogale City communities chaired by Executive Mayor took place from 30 March to 11 May 2026. Once the Executive Mayor has considered the inputs from communities and different stakeholders, a final budget must be submitted to Council for consideration and approval a month before the start of the financial year.
- 1.3.6.3 This budget hereto presented has been compiled based on MFMA Circular No. 132 issued on 05 December 2025 and circular No.134 issued on the 20 March 2026 by National Treasury with preparation of the 2026/2027 Medium Term Revenue and Expenditure Framework (MTREF) and, as with previous annual budget circulars it should be read within that context. The key focus of this budget is the importance of tabling funded budgets as has been highlighted previously.
- 1.3.6.4 Mogale City is under pressure to generate revenue within the challenging economic environment, and this is exacerbated by the declining ability of customers to pay for rendered services, resulting in less revenue collection. Notwithstanding these challenges, Council must continue to fulfil its core mandate of providing basic services, maintain its assets and ensuring a clean environment. Consequently, continuous communication with the community and other stakeholders is necessary to strengthen public awareness, encourage active participation and ensure services rendered are paid for, to sustain the provision of basic municipal services.

1.3.7 Planning Framework/IDP Process

- 1.3.7.1 The Municipal Systems Act, act 32 of 2000, requires that local government structures prepare Integrated Development Plans (IDP's). The Integrated Development Plan enhances integrated service delivery and development and promotes sustainable, integrated communities, providing a full basket of services, as communities cannot be developed in a fragmented manner.

IDP has been prepared against the backdrop of Mogale City Local Municipality's primary objective, which is in line with the government's aim of addressing the challenges of major socio-economic issues including poverty, inequality, climate change related disasters, safety and youth unemployment in the country.

The IDP serves as a single broad strategic guide for priority needs of the community and residents of Mogale City, which government should implement in their term of Council. It also assists administration to prepare a medium-term finance framework and annual budget that seeks to allocate resources to address all these needs. The IDP community needs are linked to all National, Provincial and Local Government imperatives. The IDP is not only a local government programme but the delivery plan of entire government in a particular local space.

1.3.7.2 Mogale City's Key Performance Areas, all these KPA's are aligned to West Rand District Municipality Outcomes

| KPA | West Rand District Outcomes |
|--|--|
| KPA 1: Basic Services Delivery | Basic service delivery improvement safe communities' Healthy community's Sustainable environment Coordinated government response to community challenges: Poverty Unemployment inequality to provide basic services of water, sanitation and electricity, roads and other public amenities throughout Mogale City. |
| KPA 2: Local Economic Development | Educated communities. Build spatially integrated communities. Reduced unemployment Economic Development Supported local businesses. Localised procurement and employment creation |
| KPA 3: Good Governance and Active Participation | Socially cohesive communities' closer engagement of citizens and government Coordinated roles and capacities of districts and cities |
| KPA 4: Institutional Development and Transformation | Accountable municipal administration Good Governance Skilled, capacitated, competent and motivated workforce. Institutional planning and transformation Improved Cooperative Governance Coordinated and collaborative planning Enhance Government capacity to support municipalities monitoring and evaluation at district and local levels Balanced developmental approach between urban and rural areas Services is largely responsible for public liaison Community consultation, planning, communication, and reporting |
| KPA 5: Financial Viability | Robust financial administration, Ethical Administration, Accountable and transparent oversight over budgets and projects. Aligned budgets and plans. |

Requests for resources not in support of the abovementioned KPA's were only considered in exceptional circumstances.

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



- 1.3.7.4 The emphasis in this budget is for Mogale City to continuously over MTREF period comply with provisions of Section 18 of the MFMA to ensure that the budgets are funded from realistically anticipated revenues to be collected and any other surplus cash from prior periods.

The assumption of a collection rate of 90% must be realistic and attainable as this is fundamental to have a funded budget. **The adopted budget was assessed by both Treasuries (National and Provincial) and the outcome was a funded budget.**

1.3.8 Discussion

1.3.8.1 GDP growth is expected to average 1.8 per cent from 2026 to 2028. Medium-term growth will be underpinned by household consumption supported by further gains in real purchasing power, moderately stronger wage growth, easing inflation, wealth gains from rising asset prices, improved consumer sentiment and better credit conditions. Continued investments in renewable energy and easing structural constraints are expected to support higher investment. Key factors for achieving faster economic growth and creating much-needed jobs include greater collaboration with the private sector in energy and transport, rapid implementation of structural reforms, easing of regulatory constraints and increased infrastructure investment.

Inflation is expected to increase from 3.2 per cent in 2025 to 3.4 per cent in 2026, driven by higher food prices (particularly meat due to supply disruptions linked to foot-and-mouth disease). Inflation is forecast to ease to 3.3 per cent in 2027 and 3.2 per cent in 2028, but risks from geopolitical tensions, exchange rate volatility, administered prices and animal disease outbreaks remain elevated. The reduction of the inflation target to 3 per cent with a 1 percentage point tolerance band will structurally reduce inflation, helping to protect real income levels.

Lower and more stable inflation is anticipated to support higher levels of real economic activity over time. Reduced inflationary pressures create conditions for lower interest rates, which in turn support household consumption and private sector investment. Improved macro-economic stability is also expected to enhance business confidence and competitiveness, contributing to incremental gains in employment and economic output.



Notwithstanding these improvements, the overall economic environment remains fragile, necessitating a prudent and conservative approach to budgeting. The municipality has therefore adopted realistic revenue assumptions and disciplined expenditure controls in compiling the 2026/2027 MTREF, ensuring that the budget remains credible, funded, and sustainable in a constrained fiscal environment.

1.3.8.2 National Treasury's MFMA Circular No. 132 and 134 was used to guide the compilation of the 2026/2027 MTREF.

1.3.8.3 The main challenges experienced during the compilation of the 2026/2027 MTREF can be summarised as follows:

1.3.8.3.1 The on-going difficulties in the global, national and local economy, exacerbated by the heightened global trade tensions.

1.3.8.3.2 Aging water and sanitation, roads, and electricity infrastructure.

1.3.8.3.3 The National Energy Regulator of South Africa (NERSA) approved Eskom electricity tariff increase, enforced at municipalities, is 9,01% for local authorities (municipalities), which is 5.61% above the forecasted Consumer Price Inflation (CPI).

1.3.8.3.4 Water tariffs increase from Rand Water that is 7.3% higher than the forecasted CPI as approved by Rand Water Board at 11%.

1.3.8.3.5 High water and electricity losses the municipality is experiencing due to various factors (internal and external).

1.3.8.3.6 Unaffordability of own funded capital projects.

1.3.8.3.7 The ever-increasing informal settlements and financial pressure of providing for sanitation.

1.3.8.3.8 Curbing the consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

1.3.8.3.9 Electricity purchases from Eskom will increase by 9.01% as approved by the NERSA. The municipality has incurred electricity distribution losses amounting to approximately R150 million over the past seven (10) months, which has negatively impacted electricity revenue. The problem of bulk meters installed for Large Power Users (LPUs) being incorrectly programmed and wired has



been rectified by Energy Services and Vodacom. This error has resulted in electricity losses.

1.3.8.3.10 Mitigation for water and electricity losses are as follows:

Progress to Date on Electricity Loss Reduction Programme

Significant progress has been made in addressing electricity losses within the constraints of the approved budget allocation.

Technical Loss Reduction Initiatives Implemented;

1. Statistical Metering Programme

- Statistical (bulk balancing) meters have been procured and installation has commenced.
- Meters have already been installed at key intake points, including the Condale intake substations.
- Additional statistical meters have been ordered for installation at all twelve (12) primary substations (33/11kV and 33/6.6kV), after which the programme will be extended to switching stations and mini substations.
- This will enable accurate energy balancing, feeder performance monitoring, and identification of high-loss areas across the network.

2. Replacement of Obsolete and Non-Compliant Meters

- The municipality continues with the systematic replacement of ageing, obsolete, and malfunctioning customer meters.
- The RT29 Smart Meter Programme has already resulted in the installation of approximately 10,000 smart prepaid meters.
- Direct-connected and CT-connected meters are being progressively upgraded to improve revenue protection, reduce tampering, and enhance billing accuracy.

3. Energy Losses War Room

- An Energy Losses War Room has been established to coordinate loss reduction activities across departments.
- Regular reviews of consumption trends, feeder performance, exception reports, and revenue collection are conducted to identify interventions and track progress.

4. Network Monitoring and Data Analytics

- Weekly monitoring and reporting processes are being implemented to identify:
 - Meter communication failures.
 - Suspected tampering incidents.
 - Abnormal consumption patterns.
 - Potential technical network losses.
- Data-driven interventions are being prioritised based on identified risk areas.

5. Meter Audit Programme

- Preparatory work has been completed for the large-scale residential and non-residential meter audit programme.
- The audit programme will focus on:
 - Illegal connections.
 - Bypassed meters.
 - Incorrect customer categorisation.
 - Faulty metering installations.
 - Unmetered consumption.
- Dedicated teams have been allocated to high-risk residential, affluent, commercial, and industrial areas.

6. Infrastructure Refurbishment Planning

- Through the budgeting process, a modest increase in capital funding has been secured for the next financial year.
- This additional funding will be directed towards the refurbishment and replacement of ageing network assets that contribute to technical losses, including:
 - Overloaded transformers.
 - Deteriorated conductors.
 - Ageing switchgear.
 - Legacy 6.6kV infrastructure.
 - Network sections with excessive voltage drops and high technical losses.

7. Revenue Protection and TOU Readiness

- The municipality continues to replace outstanding CT metering installations to improve measurement accuracy and support future Time-of-Use (TOU) tariff implementation.



- o Improved metering accuracy will assist in reducing both technical and non-technical losses while strengthening revenue recovery.

Progress to Date on Water Loss Reduction Programme

- ❖ To address water losses, the municipality will develop the Water Conservation and Demand Management Strategy as a key intervention.
- ❖ Currently the municipality is embarking on Water Conservation and Demand Management (WCDM) Project: The progress is as follows:

Emergency Network Stabilisation

- Pressure Reducing Valve (PRV) assessments are 51% complete, with 81 out of 160 sites inspected, logged, and condition graded.
- The LiDAR aerial survey has been completed (100%), covering the entire 134,474-hectare service area.
- The Digital Twin model is currently 55% complete and is being developed using Autodesk, InfoWater Pro, and Info360 Insight platforms.
- A total of 100 PRVs have been assessed, and the required replacement and maintenance components have been ordered.

Kagiso / Azaadville / Swanneville

- The pipe network has been traced and incorporated into the InfoWater Pro hydraulic model.
- Ground Penetrating Radar (GPR) surveys are currently underway to locate and verify pipeline infrastructure in the vicinity of the Kagiso Reservoir.
- The survey results will be used to finalise the design of the Kagiso Bulk Meter Chamber.

Krugersdorp / Munsieville

- The broader District Metered Area (DMA) coverage assessment is in progress.
- Pressure zones and PRV locations are currently being verified to support network optimisation and pressure management interventions.

1.3.8.4 The following budget principles and guidelines directly informed the compilation of the 2026/2027 MTREF:

- 1.3.8.4.1 Alignment with the revised Integrated Development Plan (IDP).
- 1.3.8.4.2 The 2025/2026 Adjustments Budget priorities and targets.



1.3.8.4.3 The national and provincial priorities.

1.3.8.4.4 Cost Containment measures are implemented as per Municipal Cost Containment Regulations 2019 and Mogale City Cost Containment Policy.

1.3.8.4.5 Mogale City is further committed to levying affordable tariff increases that is within the projected Consumer Price Index (CPI) forecasted to be within the **2 to 4% target band** except for water and electricity which is not within the control of the city.

1.3.8.4.6 Property Rates tariffs are not increasing for the next financial year and the main reason is to provide a cushion or to lessen financial burden to the customers as the market values on properties has increased on the 2025/2030 Valuation Roll.

1.3.8.4.7 The 3.7% increase in refuse removal which is within the inflation target band, and other sundry tariffs to alleviate the burden on our customers due to higher than inflation rate tariffs increase on electricity, water, and refuse removal.

1.3.8.4.8 Electricity tariffs are to increase by 9,01% in the financial year 2026/2027 as approved by National Energy Regulator of South Africa (NERSA: the Energy Regulator). **Refer to Schedule 3(b) for more details.**

1.3.8.4.9 Water tariffs are increasing by 11% as per Rand Water approved from Department of Water and Sanitation (DWS), the tariff is made up of 10% of new tariff and 1% increment allocated for Water Demand Management Fund. This tariff increment is 7.6% above the 3.4% Consumer Price Index (CPI). **Refer to Schedule 4 for more details.**

1.3.8.4.10 Mogale City is committed to set tariffs that is affordable to all citizens and provide free basic services to all approved indigents.

1.3.8.4.11 All grant funded projects from national and provincial grants have been appropriated into the budget only when grants are reflected and have been gazetted as required by the annual Division of Revenue Act.

REPORT

1.3.8.4.12 Table 1: Changes on MTREF since Tabled budget

| 2026-2027 | APPROVED | REVENUE | & EXPENDITURE | FRAMEWORK | (MTREF) ORIGINAL BUDGET | | | | |
|---|------------------|--------------------------|---------------|-----------|--------------------------|-----------------------------|---------------|------------------|-----------|
| Description | Approved | Adjusted | | | | Approved | Changes since | | |
| | 2025/2026 Budget | 2026/2027 TABB | | | | 2026/2027 Final Budget-ORGB | Tabled Budget | | |
| Local Municipality | | | | | | | | | |
| Statement of Financial Performance | | | | | | | | | |
| Revenue | | | | | | | | | |
| Service charges - electricity revenue | | 1 763 500 806 | | | 1 922 392 229 | 1 881 756 441 | - | 40 635 788 | |
| Service charges - water revenue | | 606 786 497 | | | 673 533 012 | 673 533 012 | | - | |
| Service charges - waste water management | | 358 765 334 | | | 398 229 521 | 398 229 521 | | - | |
| Service charges - waste management | | 173 315 286 | | | 179 727 952 | 179 727 952 | | - | |
| Revenue Foregone - Indigents Subsidies | | | | | | | | - | |
| Charges Goods and Rendering of Services | | | | | | | | - | |
| Total Service | | 2902 367 923 | | | 3173 882 713 | 3133 246 925 | | 40635 788 | 26 |
| Income from agency services | | 26 042 314 | | | 27 005 880 | 53 138 852 | | 132 972 | |
| Interest | | 113 281 744 | | | 117 473 169 | 117 473 169 | | - | |
| Interest received - Outstanding debtors | | | | | | | | - | |
| Interest received - investments | | | | | | | | - | |
| Dividends received | | 171 327 316 | | | 177 666 427 | 177 666 427 | | - | |
| Rent on Land | | 20 860 000 | | | 20 860 000 | 20 860 000 | | - | |
| Rental of facilities and equipment | | | | | | | | - | |
| Exchange Revenue / Licence and permits | | | | | | | | - | |
| Exchange Revenue / Operational Revenue | | 5 550 079 | | | 5 755 432 | 5 755 432 | | - | |
| | | | | | | | | - | |
| | | 44 448 160 | | | 46 092 742 | 46 092 742 | | - | |
| Gainson disposal of PPE | | | | | | | | - | |
| Total revenue from exchange transactions | | 3283 877 536 | | | 3568 736 361 | 3554 233 545 | | 14502 816 | |
| Revenue from non - exchange transactions | | | | | | | | | |
| Taxation revenue | | | | | | | | | |
| Property Rates | | 979 736 486 | | | 979 736 486 | 979 736 486 | | - | |
| Add: Estimated Property Supplementary Valuation | | | | | | | | - | |
| Property Rates Net of Revenue Foregone | | 979 736 486 | | | 979 736 486 | 979 736 486 | | | |
| Surcharges and Taxes | | 97 746 690 | | | 101 363 318 | 121 363 318 | | - | |
| Fines and Penalties Imposed | | 1 056 165 | | | 1 095 243 | 1 095 243 | | 20 000 000 | |
| Non-Exchange Revenue / Licences or permits | | 821 660 293 | | | 847 844 293 | 847 844 293 | | - | |
| Operational grants & subsidies | | 375 895 000 | | | 235 244 000 | 235 244 000 | | - | |
| Capital grants & subsidies | | 44 850 644 | | | 46 510 118 | 46 510 118 | | - | |
| Interest | | | | | | | | - | |
| Fuel Levy | | | | | | | | - | |
| Non-Exchange Revenue / Operational Revenue | | | | | | | | - | |
| Gains on disposal of Assets | | 20 000 000 | | | 20 000 000 17 | 20 000 000 17 | | - | |
| Other Gains | | 17 153 835 | | | 153 835 | 153 835 | | - | |
| Transfersandsubsidies - capital(in-kind) | | 4 553 231 | | | | | | - | |
| Total revenue from non - exchange transactions | | 2405 832 224 5689 | | | 2293 724 828 5862 | 2313 724 828 5867 | | 20000 000 | |
| Total operating revenue | | 709 760 5313 814 | | | 461 189 5627 217 | 958 373 5632 714 | | 5497 184 | |
| Total revenue excluding capital grants | | 760 | | | 189 | 373 | | 5497 184 | |
| Expenditure | | | | | | | | | |
| Operational related costs | | | | | | | | | |
| Remuneration of Councillors | | 1 195 694 758 | | | 1 321 466 811 | 1 314 213 187 | | 7 253 624 | |
| Bulk purchases : Electricity | | 51 633 823 | | | 53 544 274 | 53 699 176 | | 154 901 | |
| Other materials & Inventory Consumed | | 1 414 057 655 | | | 1 541 464 250 | 1 541 464 250 | | - | |
| Water Inventory | | 670 495 435 | | | 745 998 545 | 745 998 545 | | - | |
| Debt impairment | | | | | | | | - | |
| Depreciation and armotisation | | 433 848 916 250 | | | 433 848 916 251 | 395 806 981 251 | | 38 041 935 | |
| Impairment loss/Reversal of impairments | | 928 023 | | | 528 023 | 528 023 | | - | |
| Finance costs | | | | | | | | - | |
| Collection costs | | 18 494 426 | | | 18 494 426 | 18 494 426 | | - | |
| Contracted services | | | | | | | | - | |
| Grants and subsidies paid | | 638 935 761 | | | 639 256 485 | 642 898 420 | | 3 641 935 | |
| Irrecoverable debts written off | | 10 685 670 | | | 10 685 670 | 36 818 642 | | 26 132 972 | |
| Operational costs | | | | | | | | - | |
| Losses on disposal of Assets | | 289 578 431 | | | 310 350 035 | 320 350 035 | | 10 000 000 | |
| Other Losses | | | | | | | | - | |
| Total Operating expenditure | | 20 400 | | | 20 400 | 20 400 | | | |
| Operating surplus/(deficit) | | 4974 373 298 | | | 5326 657 835 | 5321 292 085 | | 5365 751 | |
| Capital grants - National | | 715 336 462 | | | 535 803 354 | 546 666 289 | | 10862 935 | |
| Capital grants - Provincial | | 375395 000 | | | 233194 000 | 233194 000 | | - | |
| | | 500 000 | | | 2050 000 | 2050 000 | | - | |
| Own Funded required capital | | 267483 317 | | | 218547 897 | 224902 897 | | 6 355 000 | |
| Total capital expenditure | | 643 378 317 | | | 453791 897 | 460 146 897 | | 6355 000 | |
| Total Expenditure (opex & capex) | | 5617 751 615 | | | 5780449 732 | 5781 438 982 | | 989 249 | |
| Surplus(Deficit) | | 71 958 145 | | | 82011 457 | 86 519 392 | | 4507 935 | |

1.3.8.4.13 Table 2: 2026/2027 Alignment of budget Provision with IDP road show needs

| Department | Description | 2026/2027 | | 2027/2028 | | 2028/2029 | |
|------------------|---|---------------|--|-------------|---|-------------|---|
| | | OPEX | CAPEX | OPEX | CAPEX | OPEX | CAPEX |
| 1.Infrastructure | 1.1 Road's resurfacing and stormwater maintenance including potholes & gravel roads | R15.7 million | R10million (ownfunding) R63million (IUDG) | R16 million | R10 million (own funding) R85 million (IUDG) | R16 million | R10 million (own funding) R85 million (IUDG) |
| | 1.2 Repairs, speed-humps installation and cleaning of stormwater channels | R5 million | | R5 million | | R5 million | |
| | 1.3 Electricity: maintenance of streetlighting. | R15million | | R15 million | | R15 million | |
| | 1.4 Repairs and installation of electricity streetlight poles and High Master Lights (K13, R28 and N14) | | R8 million | | R8 million | | R8 million |
| | 1.5 Sewer spillages in Rietvallei and Munseville | | R20 million | | R18 million | | R18 million |



| Department | Description | 2026/2027 | | 2027/2028 | | 2028/2029 | |
|---------------------------------|--|--------------|--------------|--------------|-------------|--------------|-------------|
| | | OPEX | CAPEX | OPEX | CAPEX | OPEX | CAPEX |
| 2. Economic Development | 2.1 Expansion of Industrial Park in Swanneville (Phase 2) | | R15 million | | R20 million | | R20 million |
| | 2.2 Facilitate Youth skills development and training programmes | R400K | | R400K | | R400K | |
| 3. Community Development | 4.1 Refurbishment and Extension of Kagiso Ext 12 Community Hall & Community Hall Chairs | R1.4 million | R5 million | R1.4 million | R0 | R1.4 million | R0 |
| | 4.2 Sports field maintenance and machinery acquisitions | R300K | R300K | R306K | | R312K | |
| | 4.4 Acquisition of vehicles for Public Safety to enhance by-laws enforcement (15-Seater, Road-Block Bus & TLB) | | R4.7 million | | R0 | | R0 |
| Department | Description | 2026/2027 | | 2027/2028 | | 2028/2029 | |
| | | OPEX | CAPEX | OPEX | CAPEX | OPEX | CAPEX |

| | | | | | | | |
|---|---|---------------|--------------|---------------|--------------|---------------|--------------|
| 4. Integrated Environment Management | 5.1 Construction of a new cell and management of Landfill site | R35 million | R10 million | R35 million | R10 million | R35 million | R10 million |
| | Installation of Weighbridge- Luipaardsvlei Landfill | | R3 million | | R0 | | R0 |
| | Additional households 240 litres waste bins and skip bins for informal settlements. | | R1.3 million | | R1.3 million | | R1.3 million |
| | 5.2 Inner and Outer City CBD beautification, litter picking and street sweeping | R4.22 million | | R4.22 million | | R4.22 million | |



7. IDP Needs with no financial implications

Tariffs form part of the municipal budget and are incorporated into the tariff schedules, including those for water and electricity.

Rebates or discount are not applicable to electricity, they apply solely to property rates, in line with the provisions of the Municipal Property Rates Act (MPRA). Most requests were from Non- Profit Organisations (NPO).

During the IDP public participation process, communities raised concerns regarding the affordability and equity of the inclining block electricity tariff structure. In response to these concerns, the municipality reviewed its tariff structure and submitted an application to NERSA to convert from inclining block tariffs to flat-rate tariffs. The change aims to provide a simpler and more transparent tariff structure while addressing affordability concerns raised by residents and businesses. NERSA approved an average tariff increase of 9.01% for the 2026/2027 financial year.

Electricity is purchased from Eskom and resold to consumers.

Mass communication regarding municipal projects and community engagement is a non-financial requirement that will be addressed by the Marketing & Communication section as part of ongoing communication rollouts.

Once the IDP and annual budget has been approved, “In terms of Section 69(3) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), the Municipal Manager (Accounting Officer) must submit the draft Service Delivery and Budget Implementation Plan (SDBIP) to the Mayor within 14 days after the approval of the annual budget”.

Furthermore, “The Executive Mayor is required to approve the SDBIP within 28 days after the approval of the annual budget in accordance with section 53(1)(c)(ii) of the MFMA. The approved Service Delivery and Budget Implementation Plan (SDBIP) must be made public within 14 days after approval by the Mayor, in accordance with the MFMA. The publication of the SDBIP promotes transparency and accountability by informing Council, communities, and other stakeholders of the Municipality’s planned service delivery commitments, budget implementation targets, and key performance indicators for the financial year”.

1.4 Annual Budget Framework

1.4.1 Consolidated Financial Overview

Table 3: Consolidated Overview of the 2026/2027– 2028/2029 MTREF

| 2026-2027 APPROVED REVENUE & EXPENDITURE FRAMEWORK (MTREF) ORIGINAL BUDGET | | | | Schedule 1 | | | |
|--|------------------|------------------|-------------|--------------|-----------------------------|-----------------------------|-----------------------------|
| Description | Approved | Adjusted | Total | % | Approved | Approved | Approved |
| | 2025/2026 Budget | 2026/2027 Budget | Adjustments | | 2026/2027 Final Budget-ORGB | 2027/2028 Final Budget-ORGB | 2028/2029 Final Budget-ORGB |
| Statement of Financial Performance | | | | | | | |
| Total operating revenue | 5689 709 760 | 178 248 613 | 3.1% | 5867 958 373 | 6096 731 701 | 6389 328 693 | |
| Total Operating | 4974 373 298 | 346 918 787 | 7.0% | 5321 292 085 | 5493 802 280 | 5699 980 800 | |
| expenditure Operating | 715 336 462 | 168 670 173 | -23.6% | 546 666 289 | 602 929 421 | 689 347 893 | |
| surplus/(deficit) Capital | 375395 000 | 142201 000 | -37.9% | 233194 000 | 241692 000 | 249164 000 | |
| grants - National Capital | 500 000 | 1550 000 | 310.0% | 2050 000 | 2050 000 | 2050 000 | |
| grants - Provincial Own Funded Required capital | 267483 317 | 42580 420 | -15.9% | 224902 897 | 128718 729 | 127615 842 | |
| Total capital expenditure | 643 378 317 | 183 231 420 | -28.5% | 460 146 897 | 372 460 729 | 378 829 842 | |
| Total Expenditure (opex & capex) | 5617 751 615 | 163 687 367 | 2.91% | 5781 438 982 | 5866 263 009 | 6078 810 642 | |
| Surplus (Deficit) | 71 958 145 | 14 561 247 | 20% | 86 519 392 | 230 468 692 | 310 518 051 | |

- 1.4.1.1 The total revenue including funding for capital projects for 2026/2027 is budgeted at R5,9 billion, representing an increase of 3.1% or R178 million from the 2025/2026 approved adjustment budget.
- 1.4.1.2 The operating surplus for 2026/2027 has been projected at **R86,5 million indicating an improvement of R14,5 million** when compared to approved adjustment budget and increasing to R540 million respectively over MTREF period.
- 1.4.1.3 Own funded capital projects amounting to R225 million indicating a decrease of R43 million from Adjustment budget which should be covered by the operating surplus.
- 1.4.1.4 The total revenue estimates are informed by the appropriation from expected municipal internal generated revenue, the National and Provincial Treasuries for conditional and unconditional grants. Capital grant funding from National Treasury has decreased by **37.9%** compared to the 2025/2026 Adjusted Budget, while Provincial Government capital grant funding has increased by 310%, mainly attributable to allocations received for the Expanded Public Works Programme (EPWP). In addition, **own funded required capital projects have decreased by 15.9%**, resulting in a lower contribution from internal funding sources to the capital programme.

1.4.1.5 The Revenue Budget has been compiled based on projected billing, provision has been made for an 90% collection rate through the provision of funds for the impairment of debtors. **The collection rate as at 30 April 2026 was 92%**, average projection of 90% is based on vigorous implementation of credit control policy.

1.4.1.6 The implementation of converting prepaid water meters to smart conventional meters, replacement of non-functional bulk water meters to deal with high water losses and installation of digital electricity meters will continue in the new financial year to enhance revenue collections.

1.4.1.7 It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol, and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing Mogale City is managing the gap between high-cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

1.4.1.8 The electricity tariffs increases are above the projected inflation targets, given that this tariff increases are approved by NERSA. The impact of cost of the provision of services are largely outside the control of Mogale City.

1.4.1.8.1 The other tariffs increased by 3.7%, which is within the annual Consumer Price Inflation (CPI) target band as guided by National Treasury of South Africa Circular 134, issued in March 2026. The main tariff contributors are energy tariff increment at 9,01% and 11% proposed by Rand Water Board which are above CPI which result in an increase beyond the control of the municipality.

1.4.1.8.2 Mogale City is maintaining other tariff increases within our control at levels that reflect an appropriate balance between the affordability to poorer households and other consumers while ensuring the financial sustainability of the municipality hence the tariffs are below the CPI.

Table 4: The revenue budget is based on the following approved tariff increases within the control of the municipality:

| Category | 2025/26 Approved tariffs increase | Source of Approved increase | 2026/27 Approved tariffs increase |
|----------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| Property Rates | 0% | 2025/2030 General Valuation Roll | 0% |
| Sanitation | Between 0% to 4.3% | As per Rand Water Approved tariffs | 11% |
| Refuse/Solid Waste removal | 4.3% | In line with CPI | 3.7% |
| Sundry/Other tariffs | 4.3% | In line with CPI | 3.7% |

Table5: The revenue budget is based on the following approved tariff increases outside the control of the municipality:

| Category | 2025/26 Approved tariffs increase | Source of Approved increase | 2026/27 Approved tariffs increase |
|--------------------------|--|--|-----------------------------------|
| Electricity | Tariff Structure (Energy Block Tariffs) based on NERSA approved tariffs | NERSA fixed or flat approved tariffs | 9.01% |
| Water: Residential | 15.3% | Rand water Approved tariffs | 11% |
| Water: Business Consumer | 15.3% | Rand water Approved tariffs | 11% |
| Sanitation | 4.3% | Rand water Approved tariffs (relating to water consumption) | 11% |

1.4.2 Operating revenue

Mogale City faces a difficult fiscal environment like most municipalities in our country. The weak economic growth puts pressure and high cost of fuel on consumer's ability to pay for services, while transfers from national government are growing more slowly than in the past.

For Mogale City to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality.

The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices were made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

1.4.3 Operating expenditure

The 2026/2027 Medium - Term Revenue and Expenditure Framework (MTREF) for operating expenditure has been projected to be R5.3 billion, which represent an increase of 7% or R347 million. GDP growth is expected to average 1.8 per cent from 2026 to 2028. Macroeconomic performance and projections guidelines for CPI inflation growth is forecasting to **be 3.4% during 2026/2027** and for 2027/2028, 2028/2029 respectively. (**Source: MFMA Circular No.134**).

Mogale City's overall increase operating expenditure is 7% which is 3,6% above the guidelines; however, it should be noted that the overall increase is determined from various baselines, amongst others, NERSA approval of 9.01% Eskom's electricity tariff increase to municipalities, which is 5.61% above the CPI. And 11% Rand Water increase which is 7.6% above CPI.

This above inflation baseline has a material bearing on the overall increase. Therefore, it becomes important that whilst the budget is a spending plan of the IDP, proper monitoring and cost containment measures must be maintained to ensure the municipality spend in line with the approved budget and available cash. This will alleviate pressure on the cash flow.

1.4.4 Capital expenditure

Approved capital budget has been projected at R460 million, representing a decrease of R183 million when compared to 2025/26 approved adjustment budget. The capital budget will be funded from grants both National and Provincial governments to the tune of R235 million and own revenue to the value of R225 million. The MTREF allocates funds to different capital needs in line with the IDP priorities and government funding requirements.

Own generated funded capital

- 1.4.4.1 The allocation for capital projects funded from the municipality's own revenue has decreased by 15.9% (R43million) compared to the 2025/2026 Adjustment Budget. For the 2026/2027 financial year, an amount of R225 million has been provided.
- 1.4.4.2 The reduction reflects the municipality's efforts to maintain a funded and sustainable budget position, align capital spending with realistic revenue projections, and prioritise the use of conditional grants to reduce pressure on internal funding sources.

1.4.4.3 The list of approved capital projects funded through the municipality’s own revenue are as follows per department. **A detailed summary of these projects is provided in Table 12.**

| Department | Key Projects | Total per Department |
|---|---|-----------------------------|
| Infrastructure Development Services | Developer connections, Enviro Loo Toilets, Substations, Roads, Refurbishment of Traffic Centre and Licensing Centre, Upgrade Sewer Pump Stations, Installation of Digital meters, Upgrade of Streetlights, Fleet management | R136.7 million |
| Community Development Services | Acquisition of roadblock bus and TLB | R10.7 million |
| Economic Development Services | Swaneville Industrial Park, Tractor, Fibre Installation in municipal buildings | R16.2 million |
| Integrated Environmental Management | Fire Hydrants, Installation of Weighbridge and Construction of a new cell-Luipaardsvlei Landfill cell | R18.1 million |
| Financial services | Logistics Bakkie for deliveries | R1.4 million |
| Municipal Council | New laptops for incoming councillors | R2,5 million |
| Corporate support services and Operation management | Tools trade (laptops) -For newly appointed employees and the replacement of old computers that have reached an end of lifecycle | R1 million |
| Strategic Investment Programme | Housing Initiatives, Fencing, Community Hall | R38.4 million |
| Total Own Revenue Capital | | R225 million |

1.4.4 Grant funded capital (Per Division of Revenue Act – DORA)

The list of approved projects for grant-funded capital expenditure has decreased by R140 million compared to the Adjustment Budget. For the 2026/2027 financial year, the municipality has been allocated a total of R235 million in grant funding for capital projects, as approved per the Division of Revenue Act (DORA). Of this amount, R169,7 million is funded through the Integrated Urban Development Grant (IUDG), R60 million through the Water Services Infrastructure Grant (WSIG), R5,6 million through the Neighborhood Development Partnership Grant (NDGP), and R2 million through the Sports and Recreation Grant (SRAC), which will be utilized on the following projects:

Integrated Urban Development Grant (IUDG)

The Integrated Urban Development Grant amounting to R169,7 million is allocated to infrastructure upgrades, rehabilitation and urban development projects aimed at improving access, mobility and urban integration. Included in the grant is R2.1 million relating to operational cost.

1.4.4.1 Upgrade of gravel to surfaced roads and stormwater in Rietvallei Ext.5

- ❖ Focuses on upgrading gravel roads to surfaced standards and improving stormwater management.
- ❖ Budget allocation: R20 million (2026/2027), R21 million (2027/2028), and R21 million (2028/2029).

1.4.4.2 Roads Rehabilitation and Resurfacing in Rietvallei Ext.1 and Proper

- ❖ Addresses deterioration of existing road infrastructure through rehabilitation and resurfacing works.
- ❖ Budget allocation: R20 million (2026/2027), R18 million (2027/2028), and R18 million (2028/2029).

1.4.4.3 Upgrade of gravel to surfaced roads and stormwater in Kagiso Ext.13

- ❖ The initiative enhances road accessibility while improving stormwater drainage systems in previously underserved communities.
- ❖ Budget allocation: R20 million (2026/2027), R21 million (2027/2028), and R21 million (2028/2029).

1.4.4.4 Roads Rehabilitation and Resurfacing in Kagiso Drive

- ❖ Focuses on the rehabilitation of a key arterial route to improve traffic flow and road safety.
- ❖ Budget allocation: R15 million (2026/2027), R25 million (2027/2028), and R25 million (2028/2029).

1.4.4.5 Development of Heritage Manor / Munsieville South

- ❖ Supports integrated human settlement development and associated bulk and link infrastructure.
- ❖ Budget allocation: R10,6 million (2026/2027).

1.4.4.6 Percy Stewards Wastewater Treatment Works Refurbishment

- ❖ Refurbishment of wastewater treatment infrastructure to improve operational efficiency and compliance.
- ❖ Budget allocation: R10 million per annum over the MTREF period respectively.

1.4.4.7 Flip Human Wastewater Treatment Works Refurbishment

- ❖ Upgrading of wastewater treatment capacity to support growing demand and improve effluent quality.
- ❖ Budget allocation: R5 million (2026/2027), R15 million (2027/2028), and R16 million (2028/2029).

1.4.4.8 Refurbishment of Rietfontein Sewer Pumpstation

- ❖ Enhances reliability of sewer conveyance infrastructure and reduces system failures.
- ❖ Budget allocation: R10.1 million (2026/2027), R15 million (2027/2028), and R15 million (2028/2029).

1.4.4.7 Muldersdrift 15ML New Reservoir

- ❖ Construction of a new bulk water reservoir to improve storage capacity and supply security. Budget allocation: R26,6 million in 2026/2027 with no budget allocation for outer years.

1.4.4.8 Municipal Pumping and Storage Capacity

- ❖ Strengthens municipal water pumping and storage systems to support current and future demand.
- ❖ Budget allocation: R20,2 million (2026/2027), R34 million (2027/2028), and R38 million (2028/2029).

1.4.4.9 Road Rehabilitation in Rietvallei

- ❖ An amount of R26,6 million is allocated to the rehabilitation of Rietvallei Road for 2026/2027 financial year.

Water Services Infrastructure Grant (WSIG)

The Water Services Infrastructure Grant amounting to R60 million is directed towards upgrading and expanding water and wastewater infrastructure to ensure reliable service delivery and compliance with regulatory standards.

- 1.4.4.10 Funding of R30 million in 2026/2027, R34 million in 2027/2028, and R34.7 million in 2028/2029 is allocated for upgrades to the Flip Human Wastewater Treatment Works (WWTW).
- 1.4.4.11 A further R30 million (2026/2027), R34 million (2027/2028), and R34,7 million (2028/2029) is earmarked for the replacement of prepaid water and bulk meters.

Neighborhood Development Partnership Grant

- 1.4.4.12 An amount of R5,6 million (2026/27) is allocated to construction of municipal buildings with no budget allocations for outer years as per DORA.

Sports and Recreation Grant

- 1.4.4.13 An amount of R2 million grant (2026/27) as well as two outer years allocated for procurement of information services, ICT equipment, refurbishment libraries and library furniture & equipment.

The projects that are undertaken by other spheres of government called out-of-books (funds are not transferred to Mogale City by National Treasury) is attached in schedule 2(b).

2026/2027 out-of-books capital budget project list

SCHEDULE 1

2026/2027 APPROVED OUT OF BOOKS CAPITAL BUDGET

| CAPITAL BUDGET | FUNDING SOURCE | 2026/2027 | 2027/2028 | 2028/2029 |
|------------------------------------|--|-------------------|--------------------|-----------------|
| | | TOTAL BUDGET | BUDGET | BUDGET |
| Energy Services | | | | |
| Installation of Electricity Meters | Integrated National Electrification Programme (ENEP) | 10 266 000 | 200 498 000 | 8970 000 |
| Grand total | | 10 266 000 | 200 498 000 | 8970 000 |

1.4.5 PROJECTED CASH FLOW

| Description | Ref | 2022/2023 | 2023/2024 | 2024/2025 | Current Year 2025/2026 | | | 2025/26 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 | | 592 009 | 609 321 | 607 037 | 828 835 | 881 763 | 881 763 | | 891 560 | 900 740 | 929 564 |
| Service charges | | 1 791 686 | 1 907 807 | 2 163 337 | 2902 447 | 2 612 131 | 2 612 131 | | 2 851 255 | 2 976 242 | 3 177 553 |
| Other revenue | | 476 213 | 565 295 | 626 048 | 604 056 | 825 848 | 825 848 | | 639 288 | 555 867 | 616 855 |
| Transfers and Subsidies - Operational | 1 | 581 545 | 641 412 | 655 963 | 731 883 | 749 532 | 749 532 | | 847 844 | 818 834 | 831 434 |
| Transfers and Subsidies - Capital | 1 | 318 083 | 421 504 | 335 877 | 288 561 | 375 895 | 375 895 | | 235 244 | 229 593 | 230 720 |
| Inter est | | 32 702 | 48 842 | 53 063 | 192 187 | 194 175 | 194 175 | | 198 526 | 204 389 | 210 262 |
| Dividends | | 28 | 31 | 35 | | 35 | 35 | | 35 | - | - |
| Payments | | | | | | | | | | | |
| Suppliers and employees | | (3333 796) | (3672 089) | (3851 683) | (4985 244) | (4980 111) | (4980 111) | | (5050 240) | (5193 033) | (5528 170) |
| Finance charges | | (22 315) | (22 277) | (18 487) | (18 494) | (18 494) | (18 494) | | (18 494) | (18 494) | (18 494) |
| Transfers and Grants | 1 | (7 575) | (8 666) | (2 803) | (10 686) | (10 686) | (10 686) | | (36 819) | (36 819) | (36 819) |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | | 428 530 | 491 180 | 568 388 | 533 545 | 630 088 | 630 088 | - | 558 199 | 437 319 | 412 905 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Proceeds on disposal of PPE | | | | | | 20 000 | 20 000 | | 20 000 | - | - |
| Decrease (increase) in non-current receivables | | | | | | | | | - | - | - |
| Payments in non-current receivables | | | | | | | | | - | - | - |
| Disposal of assets | | (395) | (454) | (386) | (503) | (643) | (643) | | (460) | (372) | (378) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | | 169 | 476 | 048 | 455 | 762 | 762 | - | 147 | 461 | 830 |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | | (395) | (454) | (386) | (503) | (623) | (623) | - | (440) | (372) | (378) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | 169 | 476 | 048 | 455 | 762 | 762 | - | 147 | 461 | 830 |
| Receipts | | | | | | | | | | | |
| Short term loans | | | | | | | | | - | - | - |
| Borrowing long term/refinancing | | | | | | | | | - | - | - |
| Increase (decrease) in consumer deposits | | | | | | | | | - | - | - |
| Payments | | | | | | | | | | | |
| Repayment of borrowing | | (30) | (31) | (32) | (35) | (33) | (33) | | (37) | (27) | (16) |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | | 696 | 605 | 009 | 321 | 599 | 599 | - | 167 | 378 | 097 |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | | (30) | (31) | (32) | (35) | (33) | (33) | - | (37) | (27) | (16) |
| NET INCREASE/ (DECREASE) IN CASH HELD | | 2065 | 5050 | 099 | 32130 | 529273 | 529273 | - | 46285 | 37480 | 49379 |
| Cash/cash equivalents at the year begin: | 2 | 141 837 | 144 508 | 331 | 149 | 144 | 144 | | 117 235 | 198 120 | 235 601 |
| Cash/cash equivalents at the year end: | 2 | 144 502 | 149 606 | 149 | 608 | 508 | 508 | | 198 120 | 235 601 | 253 579 |
| | | | | 608 | 144 | 117 | 117 | | | | |
| | | | | 299 | 377 | 235 | 235 | | | | |

1.4.5.1 The assumption of collection rate of 90% must be realistic and attainable to be able to fund the budget.

1.4.5.2 The municipality has received the two-thirds tranche of Eskom debt relief, totalling R144 million written off by National Treasury in February 2025 and April 2026. It anticipates that the remaining one-thirds (R72 million) will also be written off, further alleviating historical debt burdens.

1.4.5.3 The projected cash and cash equivalent at year end indicates a surplus of R198 million during 2026/2027 and increases to R488 million over MTREF period.

1.4.6 FINANCIAL IMPLICATIONS

Financial resources allocation as per approved budget for 2026/2027 and two outer years.

Table 6: Approved Operating Annual Revenue

| Description | 2026-2027 APPROVED REVENUE & EXPENDITURE FRAMEWORK (MTREF) ORIGINAL | | | BUDGET | | Schedule 1 | |
|--|---|-----------------|--------------------|--------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | Approved 2025/2026 Budget | Adjusted Budget | Total Adjustments | % | Approved 2026/2027 Final Budget-ORGB | Approved 2027/2028 Final Budget-ORGB | Approved 2028/2029 Final Budget-ORGB |
| Statement of Financial Performance | | | | | | | |
| Revenue | | | | | | | |
| Service charges - electricity revenue | | | | | | | |
| Service charges - water revenue | 1 763 500 806 | | 118 255 635 | 6.71% | 1 881 756 441 | 2 051 302 696 | 2 236 125 069 |
| Service charges - waste water management | 606 786 497 | | 66 746 515 | 11.0% | 673 533 012 | 695 759 601 | 718 023 908 |
| Service charges - waste management | 358 765 334 | | 39 464 187 | 11.0% | 398 229 521 | 411 371 095 | 424 534 970 |
| Revenue - Indigents Subsidies | 173 315 286 | | 6 412 666 | 3.7% | 179 727 952 | 185 658 974 | 191 600 061 |
| Revenue - Rendering of Services | - | | - | 0% | - | - | - |
| Income from agency services | 2902 367 923 | | 230 879 002 | 8.0% | 3133 246 925 | 3344 092 366 | 3570 284 008 |
| Interest | 26 042 314 | | 27 096 538 | 104.0% | 53 138 852 | 54 892 434 | 56 648 992 |
| Interest received - Outstanding debtors | 113 281 744 | | 4 191 425 | 3.7% | 117 473 169 | 121 349 783 | 125 232 976 |
| Interest received - investments | - | | - | 0% | - | - | - |
| Dividends received | - | | - | 0% | - | - | - |
| Rent on Land | 171 327 316 | | 6 339 111 | 3.7% | 177 666 427 | 183 529 419 | 189 402 360 |
| Rental of facilities and equipment | 20 860 000 | | - | 0.0% | 20 860 000 | 20 860 000 | 20 860 000 |
| Exchange Revenue / Licence and permits | - | | - | 0% | - | - | - |
| Exchange Revenue / Operational Revenue | 5 550 079 | | 205 353 | 3.7% | 5 755 432 | 5 945 361 | 6 135 613 |
| | - | | - | 0% | - | - | - |
| | 44 448 160 | | 1 644 582 | 3.7% | 46 092 742 | 47 613 802 | 49 137 444 |
| Gainson disposal of PPE | - | | - | 0% | - | - | - |
| Total revenue from exchange transactions | 3283 877 536 | | 270 356 009 | 8.2% | 3554 233 545 | 3778 283 165 | 4017 701 393 |
| Revenue from non - exchange transactions | | | | | | | |
| Taxation revenue | | | | | | | |
| Property Rates | 979 736 486 | | - | 0.0% | 979 736 486 | 1 012 067 790 | 1 044 453 959 |
| Add: Estimated Property Supplementary Valuati | - | | - | 0% | - | - | - |
| Property Rates Net of Revenue Foregone | 979 736 486 | | - | 0.0% | 979 736 486 | 1012 067 790 | 1044 453 959 |
| Surcharges and Taxes | 97 746 690 | | 1 597 656 | 3.7% | 121 363 318 | 125 368 307 | 129 380 093 |
| Fines and Penalties Imposed | 1 056 165 | | 23 616 628 | 24.2% | 1 095 243 | 1 131 386 | 1 167 590 |
| Non-Exchange Revenue / Licences or permits | 821 660 293 | | 39 078 | 3.7% | 847 844 293 | 818 834 072 | 831 434 072 |
| Operational grants & subsidies | 375 895 000 | | 26 184 000 | 3.2% | 235 244 000 | 229 593 000 | 230 720 000 |
| Capital grants & subsidies | 44 850 644 | | -140 651 000 | -37.4% | 46 510 118 | 48 044 952 | 49 582 390 |
| Interest | - | | 1 659 474 | 3.7% | - | - | - |
| Fuel Levy | - | | - | 0% | - | - | - |
| Non-Exchange Revenue / Operational Revenue | - | | - | 0% | - | - | - |
| Gains on disposal of Assets | 20 000 000 | | - | 0.0% | 20 000 000 | 20 000 000 | 20 000 000 |
| Other Gains | 17 153 835 | | - | 0.0% | 17 153 835 | 17 153 835 | 17 153 835 |
| Transfers and subsidies - capital (in-kind) | 4 553 231 | | -4 553 231 | -100.0% | - | - | - |
| Total revenue from non - exchange transaction | 2405 832 224 | | -92 107 396 | -3.8% | 2313 724 828 | 2318 448 536 | 2371 627 300 |
| Total operating revenue | 5689 709 760 | | 178 248 613 | 3.1% | 5867 958 373 | 6096 731 701 | 6389 328 693 |

The table above is a high-level summary of the 2026/2027 budget and MTREF (classified per main type of operating revenue).

Revenue from exchange transactions

The following are key main areas of increase:

1.4.6.1 Sale of electricity and impact of tariff increases

1.4.6.1.1 Electricity Sales Projection Based on Energy Flat Rate Tariff Structure

Electricity revenue is projected to increase by 6,71%, amounting to R118 million, from the 2025/26 Adjusted Budget to the 2026/27 Original Budget. The increase is mainly driven by the 9.01% electricity tariff increase approved by NERSA and projected electricity consumption trends rather than assuming a direct correlation between the tariff increase and revenue growth.

The percentage increase in electricity revenue should therefore not be interpreted as a direct reflection of the NERSA-approved tariff increase, as the revenue projection is also influenced by the migration from an IBT structure to a flat-rate tariff structure and the resulting changes in the tariff yield.

The Municipality acknowledges and appreciates the valuable input received from residents during the consultation process. After consideration of the community inputs, Municipality revised tariffs as follows:

- **The discontinuation of the Inclined Block Tariff (IBT) structure and its replacement with a single tariff rate (c/kWh), initially based on the second block of the IBT structure. The transition away from the IBT structure will proceed; however, the revised tariff will now be calculated based on the first block of the IBT structure, making it more affordable for consumers.**
- **And furthermore, upon consultation with NERSA, the implementation of the Generator Capacity Charge and Legacy Charge has been suspended for the 2026/2027 financial year, pending further analysis to determine the most appropriate approach.**

The municipality submitted its tariff application supported by the Cost of Supply (CoS) study to National Energy Regulator of South Africa (NERSA) on 20 April 2026, and the tariffs was subsequently approved on 23 May 2026. The increase is aligned with the approved Eskom bulk electricity tariff approval by NERSA for the 2026/2027 municipal financial year.

(Refer to Schedule 4 (b): NERSA Tariffs Approval to Eskom for local authorities (municipalities) for details.)

1.4.6.2 Sale of water and impact of tariff increases

The Board of Rand Water is proposing a bulk water tariff increase of 11% for the 2026/2027 financial year which comprises of 10% of new tariff and 1% increment allocated for Water Demand Management Fund. This tariff increment is 7.3% above the 3.7% Consumer Price Index (CPI). **(Refer to Schedule 4 (c): Rand Water Tariffs Approved for details.)** This increase places additional financial pressure on the municipality's water trading service.

Currently, the municipality's water tariffs are not fully cost-reflective, largely due to historical under-recovery and the impact of water distribution losses (non-revenue water). Water losses increase the effective cost of water sold, as the municipality pays for bulk water purchased but does not fully recover revenue on water supplied to consumers.

The approved bulk increase of 11%, combined with existing distribution losses, necessitates a structured review of the water tariff framework to progressively move towards cost-reflective tariffs.

Failure to address the current imbalance between bulk water purchase costs and revenue recovery may result in increased pressure on municipal cash flow, continued growth in the water trading deficit, unintended cross-subsidisation from other revenue sources, and a reduced ability to adequately fund infrastructure maintenance and refurbishment.

The municipality propose to therefore implement a phased approach aimed at gradually aligning tariffs towards cost-reflective levels, while simultaneously prioritising the reduction of non-revenue water through targeted infrastructure upgrades and strengthened water demand management initiatives.

The structure of water tariffs is as follows:

- a) Water tariffs are designed to safeguard access to basic services and ensure the provision of free basic water to registered indigent households. These households will continue to receive 6 kilolitres of water per month at no cost.
- b) Tariffs are structured to promote efficient and sustainable water use higher consumption results in higher charges, encouraging conservation.
- c) The overall tariff increase, as reflected in the table above, is 11%, excluding revenue foregone due to water losses.
- d) The approved tariff increases are largely driven by the water augmentation plan aimed at ensuring long-term water security. This includes upgrades and expansions to wastewater treatment plants, implementation of water demand management initiatives, and improved asset management. The increases also support the ongoing maintenance of infrastructure, compliance with service standards, and the delivery of water and sanitation services at

acceptable levels of capacity, skills, and responsiveness. Special attention is being given to ageing water and sewer infrastructure.

1.4.6.3 Sanitation and impact of tariff increases

The municipality proposes a sanitation tariff increase of 11%, effective from 1 July 2026, applicable specifically to sanitation charges linked to water consumption. The approved increase is informed by the rising cost of service provision and the need to ensure the financial sustainability of the sanitation trading service.

The primary cost drivers impacting sanitation services include employee-related costs, escalating prices of treatment chemicals, the provision and servicing of sanitation facilities in informal settlements, and the ongoing maintenance of pump stations and reticulation infrastructure to ensure compliance with environmental and regulatory standards.

Free basic sanitation will continue to be provided to registered indigent households in line with the municipality's indigent support policy.

1.4.6.4 Refuse removal and impact of tariffs increases

Refuse removal and landfill site tariffs are proposed to increase by 3.7%, effective 1 July 2026, in line with the projected Consumer Price Index (CPI) within the 2–4% target band. The moderate increase reflects the municipality's commitment to maintaining affordable basic services while ensuring the continued sustainability of solid waste management

For detailed information on the policy framework and the approved refuse removal tariffs, kindly refer to Annexure 22 (Waste Management Service Policy) and Schedule 3(a).

The primary cost drivers influencing the refuse removal service include the contracted refuse collection services, landfill disposal costs, rental of earth-moving equipment for landfill operations, fuel (petrol and diesel), and employee-related remuneration expenses. The approved increase seeks to ensure that operational costs are adequately funded while maintaining service delivery standards and regulatory compliance.

1.4.6.5 Rental of facilities

Rental tariffs for municipal facilities are approved to increase by 3.7% for the 2026/2027 financial year. The adjustment is aligned with the projected Consumer Price Index (CPI) within the 2–4% target band and is intended to ensure that the municipality recovers operational and maintenance costs associated with the use of its facilities.

Municipal facilities include community halls, sports grounds, civic centres, and other rentable municipal properties. The increase considers key cost drivers such as maintenance and repairs, utilities, cleaning services, security, and employee-related costs.

1.4.6.6 Agency Services Revenue

Agency Services Revenue will remain aligned with the adjusted budget and will not be increased by CPI, as it is mainly driven by the volume of driving license applications rather than tariff adjustments. The designation of the Kagiso Traffic Office as the application centre for the West Rand region is expected to maintain current revenue levels.

Although Kagiso DLTC has been operational since 2019 without negatively affecting revenue at the Krugersdorp DLTC, recent developments have begun to impact municipal revenue. Since around 2023, the Gauteng Department of Roads and Transport (GDRT) has introduced Smart Centres at malls, such as Mphakathi Mall in Randfontein, and authorised additional service points including Post Offices, banks, and retail stores (e.g., Spar and Pick n Pay) to process motor vehicle license and disc renewals. These services, which previously generated significant municipal revenue, are now diverting customers away from municipal licensing centres.

Furthermore, municipalities do not issue operating permits for services such as taxis and scholar patrols, as these are issued directly by the Department of Roads and Transport. Due to these challenges, the Licensing Division requested that the 2026/2027 revenue target should not be increased, noting that the previous year's targets were not achieved because of the shifting service delivery environment.

1.4.6.7 Operational revenue

Operational revenue mainly relating to bulk and small connections amongst others is increasing by 3,2% when compared to approved adjustment budget.

1.4.6.8 Sale of Goods and Rendering of Services

The increase of R27 million under Sale of Goods and Rendering of Services is largely made up of Municipality's Social Responsibility Programme. In terms of the programme, suppliers appointed from outside the Mogale City jurisdiction are required to allocate 2% of the contract value towards community development initiatives and projects that benefit local residents.

Revenue from non-exchange transactions

1.4.6.9 Property Rates

For the 2026/2027 financial year, no increase in property rates is proposed. This represents the final year without an increase. The municipality will continue to apply the current rate-in-the-land as approved following the implementation of the General Valuation Roll for the period 2025–2030.

The 2025 General Valuation Roll was implemented on 1 July 2025 in accordance with the Municipal Property Rates Act (Act 6 of 2004), as amended, and remains valid for the five-year cycle ending 30 June 2030. The valuation roll reflects market-related property values to ensure equitable rating across all property categories within the jurisdiction of Mogale City Local Municipality.

The decision not to increase property rates for the 2026/2027 financial year reflects the municipality's commitment to affordability and to providing economic support to residents and businesses. At the same time, the municipality will continue to strengthen revenue collection efficiency and financial sustainability through improved billing accuracy and enhanced credit control measures.

Revenue growth for the year is therefore expected to arise primarily from improvements in collection rates and supplementary valuations processed during the financial year, rather than from tariff increases.

1.4.6.9.1 Measures to Alleviate Financial Impact on Ratepayers:

To mitigate the financial impact on MogaleCity ratepayers resulting from increased property values following the implementation of the General Valuation Roll (2025–2030), the municipality proposes the following relief measures for the 2026/2027 financial year:

1.4.6.9.1.1 No Increase in Property Rates

A **0% increase in property rates tariffs** is proposed for the 2026/2027 financial year.

Property rates will therefore remain at **2025/2026 tariff levels**. This measure is intended to cushion residents and businesses from the potential financial impact associated with increased property valuations.

1.4.6.9.1.2 Residential Property Rebate

An **additional rebate of R285,000 on residential property values** was approved during the **2025/2026 financial year**, increasing the **total residential rebate threshold to R300,000**. This rebate structure includes:

- A **primary rebate of R15,000** on residential properties; and
- A **45% tariff rebate on qualifying residential properties**.

These rebates aim to provide direct financial relief to homeowners and support housing affordability within the municipality.

1.4.6.9.1.3 Pensioners' Rebates

A **100% property rates rebate** will be granted to pensioners **aged 70 years and older**, subject to the following conditions:

- The property must be **valued at R1.5 million or less**; and
- The applicant must **meet all qualifying criteria** as set out in **Clause 9.1(b) of the Municipal Property Rates Policy**.

Applications will be **considered upon receipt by the Revenue Division**, and approved rebates will **apply from the date of application**.

1.4.6.10 Transfer recognised -operational

1.4.6.10.1 Unconditional grant

Transfer recognised on operational income (Equitable Shares) is increasing by 6% based on the gazetted figures from National Fiscus.

1.4.6.10.2 Conditional grant

Transfer recognised on operational income which is Sports Recreation & Culture (SRAC) grant, 5% of Integrated Urban Development Grant, Local Government Financial Management Grant (FMG) and Expanded Public Works Programme Integrated Grant is decreasing by 20% based on the gazetted figures from National Fiscus. Changes to municipal allocations are set out in the Division of Revenue Amendment Bill, 2024. These include local government equitable share formula.

1.4.6.11 Transfer recognised Capital

Municipality is receiving the Capital grant which is Integrated Urban Development Grant (IUDG), Water Services Infrastructure Grant (WSIG), Neighbourhood Development Partnership Grant, Sports and Recreation Grant amounting to R237 million.

1.4.6.12 Fines and Penalties imposed

Fines and penalties for the 2026/2027 financial year have increased by 24.2% or R24 million from 2025/2026 Adjustment budget. Traffic fine tariffs are legislatively prescribed and fall outside the direct control of the municipality. Traffic fines are determined by the relevant judicial authorities. The municipality has re-introduced speed cameras and implemented roadblocks, which have improved compliance with traffic laws and strengthened revenue collection from traffic fines. These measures ensure that traffic enforcement contributes to both road safety and the financial sustainability of the municipality.

Disconnection fees relating to water and electricity services have been increased in line with the projected Consumer Price Index (CPI) to ensure cost recovery and maintain the sustainability of service delivery. This revenue category therefore comprises traffic fines (no increase) and service disconnection charges (CPI-linked increase).

1.4.6.12 Gains on disposal of Assets

The municipality projects revenue of R20 million for the 2026/2027 financial year from the sale of municipal land and movable assets. The proceeds from land sales relate to properties previously auctioned, which are expected to be received from auctioneers and attorneys upon finalization of ownership transfers at the Deeds Office.

In addition, the municipality anticipates revenue from the disposal of movable assets, including old fleet vehicles. This revenue will contribute to funding of capital projects and service delivery priorities.

Table 7: Approved Operating Annual Expenditure

| 2026-2027 APPROVED REVENUE & EXPENDITURE FRAMEWORK (MTREF) | | | | ORIGINAL BUDGET | | Schedule 1 |
|--|---------------------------------------|----------------------|--------|---|---|--|
| Description | Approved Adjusted 2025/2026 Budget | Total Adjustments | % | Approved 2026/2027 Final Budget-ORGB | Approved 2027/2028 Final Budget-ORGB | Approved 2028/2029 Final Budget-ORGB |
| Statement of Financial Performance | | | | | | |
| Expenditure | | | | | | |
| Expenditure related costs | | | | | | |
| Remuneration of Councillors | 1 195 694 758 | 118 518 429 | 9.9% | 1 314 213 187 | 1 357 464 412 | 1 400 789 033 |
| Bulk purchases : Electricity | 51 633 823 | 2 065 353 | 4.0% | 53 699 176 | 55 471 249 | 57 246 329 |
| Other materials & Inventory Consumed | 1 414 057 655 | 127 406 595 | 9.01% | 1 541 464 250 | 1 680 350 179 | 1 831 749 730 |
| Water Inventory | 670 495 435 | 75 503 110 | 11.3% | 745 998 545 | 745 988 545 | 745 988 545 |
| Debt impairment | - | - | 0% | - | - | - |
| Depreciation and amortisation | 433 848 916 | 38 041 935 | -8.8% | 395 806 981 | 395 806 981 | 395 806 981 |
| Impairment loss/Reversal of impairments | 250 928 023 | 600 000 | 0.2% | 251 528 023 | 251 428 023 | 251 428 023 |
| Finance costs | - | - | 0% | - | - | - |
| Collection costs | - | - | 0.0% | - | - | - |
| Contracted services | 18 494 426 | - | 0% | 18 494 426 | 18 494 426 | 18 494 426 |
| Grants and subsidies paid | - | - | 0.6% | - | - | - |
| Irrecoverable debts written off | 638 935 761 | 3 962 659 | 244.6% | 642 898 420 | 636 013 389 | 645 692 657 |
| Operational costs | 10 685 670 | 26 132 972 | 0% | 36 818 642 | 36 818 642 | 36 818 642 |
| Losses on disposal of Assets | - | - | 10.6% | - | - | - |
| Other Losses | 289 578 431 | 30 771 604 | 0% | 320 350 035 | 315 946 035 | 315 946 035 |
| | - | - | 0.0% | - | - | - |
| | 20 400 | - | 7.0% | 20 400 | 20 400 | 20 400 |
| Total Operating expenditure | 4 974 373 298 | 346 918 787 | | 5 321 292 085 | 5 493 802 280 | 5 699 980 800 |

The operating expenditure for the 2026/2027 financial year is budgeted at R5.3 billion, reflecting a 7% increase compared to the 2025/2026 approved adjustment budget.

1.4.6.13 This budget includes the following key cost increases:

- 1.4.6.12.1 A 9.9% provision for salary increases.
- 1.4.6.12.2 A 9.01% provision for purchase of bulk electricity from Eskom.
- 1.4.6.12.3 A 11.3% increase on other materials including water inventory (11%)
- 1.4.6.12.4 A 10.6% increase in operational costs; and
- 1.4.6.12.5 A 0.6% increase in contracted services.

The approved expenditure budget makes provision of the following:

1.4.6.14 Employee-related cost

Employees salaries reflect an overall increase of 9.9%, which is attributed to the following key factors:

- 1.4.6.14.1 The Budget and Treasury Division applied a zero-based budgeting approach, resulting in a salary increase aligned with the average Consumer Price Index (CPI) for the period 1 February 2026 to 31 January 2027, plus an additional 0.75% totalling to 4.75%, in accordance with the Salary and

Wage Collective Agreement signed by the South African Local Government Bargaining Council (SALGBC).

- 1.4.6.14.3 A 5% salary increase, as stipulated in the Wage Gap Agreement between the municipality and recognized labour unions for employees on salary levels 5–15, was approved in the prior financial year. The increase was structured over two phases and made conditional on the municipality's financial recovery and sustainability.

An initial 2.5% increase was implemented with effect from 1 July 2025, while the remaining 2.5% increase is budgeted for implementation in the 2026/2027 financial year, subject to the municipality's continued financial viability amounting to R21 million.

- 1.4.6.14.4 Provision amounting to R43 million has been made in the 2026/2027 financial year to cater for vacant positions, primarily relating to the replacement of existing employees (R22 million) and new positions (R21 million). This provision allows the municipality to fill critical vacancies as they arise during the financial year while ensuring that service delivery functions are not compromised. The allocation mainly provides for the replacement of employees who may exit the organisation due to retirement, resignation, or other forms of attrition. The approach supports workforce continuity while maintaining prudent management of employee-related costs within the municipality's approved budget framework.

According to MFMA Circular 71, the recommended norm for remuneration as a percentage of total operating expenditure is between 25% and 40%. Mogale City's proposed budget reflects a ratio of 25%, which is well within the acceptable range and demonstrates prudent financial management.

1.4.6.15 Remuneration of councillors

The cost of councilor's remuneration is determined by the Minister of Cooperative Governance and Traditional Affairs, in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998). To prevent under-budgeting, the municipality has provided for a 4% increase in councillor's remuneration, based on the government gazette no 54179 dated 20th February 2026.



1.4.6.16 Bulk purchases

Bulk purchases have been increased as follows:

1.4.6.16.1 Water purchases from Rand Water have increased by 11%. Bulk water purchases are now budgeted for and accounted for as inventory, in accordance with GRAP 12, paragraph 12.

1.4.6.16.2 Electricity purchases are expected to increase by 9.01%, driven by tariff increase approved by National Energy Regulator of South Africa for Eskom, an anticipated rise in consumer demand and consumption patterns.

1.4.6.17 Depreciation and impairment

Depreciation and impairment of assets for the 2026/2027 financial year are based on the approved adjustment budget for 2025/2026, and include additional assets scheduled for depreciation. The budget appropriation for depreciation totals R252 million, representing 4.7% of the total operating expenditure.

It is essential that depreciation costs are factored into the calculation of cost-reflective tariffs to ensure full cost recovery for the services rendered. Failure to do so may result in depreciation not being cash-backed, which could compromise the municipality's long-term financial sustainability and asset renewal capacity.

1.4.6.18 Debt impairment

The provision for debt impairment relating to consumer debtors, including traffic fines, is projected to decrease by R38 million compared to the 2025/26 Adjusted Budget. The decrease is attributable to improved revenue collection rates and enhanced credit control and debt collection measures, resulting in a lower estimated risk of non-recovery of outstanding debt.

Mogale City continues to operate in a challenging fiscal environment, with weak economic growth placing pressure on consumers' ability to pay for municipal services. This situation is further compounded by significant water losses.



To address this, the municipality will intensify revenue collection efforts particularly targeting large users, businesses, and households with arrears exceeding 60 days and the financial capacity to pay. Credit control measures will be strictly enforced, including the continued implementation of the Mogale Ya Tima campaign, which focuses on disconnecting services to non-paying large users and defaulting households.

The installation of smart electricity meters through the National Treasury Transversal Contract (RT29) is expected to significantly enhance revenue collection and improve billing accuracy.

1.4.6.19 Finance Costs

Finance costs are projected to decrease due to reduced loan repayments as the loan nears completion. In the earlier years of the loan term, the municipality made higher capital repayments, which has led to a lower outstanding balance and, consequently, reduced interest payments in the final years of the agreement.

1.4.6.20 Contracted services

Contracted services are projected to increase by 0.6%, amounting to R643 million in the 2026/2027 MTREF, compared to the 2025/2026 adjusted budget. The budget is primarily driven by key allocations that support critical service delivery, infrastructure maintenance, and operational efficiency, and includes, among others:

1.4.6.20.1 Wastewater network materials and infrastructure maintenance

Provision has been made of R30,5 million for critical wastewater infrastructure interventions, including the following:

1.4.6.20.1.1 Wastewater Treatment Works – Flip Human: R7 million allocated for maintenance and operational requirements.

1.4.6.20.1.2 Wastewater Treatment Works - Percy Stewart amounting to R7 million.

14.6.20.1.3 Maintenance of all other Wastewater Network amounting to R16 million.

1.4.6.20.1.4 A reduction of R30 million is projected for the rental of chemical toilets in the 2026/2027 financial year. This is due to the anticipated completion of 280 Enviro-Loo units by the end of the 2026/2027 financial year, which will reduce the need for maintenance of hired or temporary units.

The total budget provision in the 2026/2027 MTREF for rental of chemical toilet is R40 million, reflecting both the reduced rental requirements and ongoing support for sanitation services in areas where temporary facilities are still required.

1.4.6.20.2 Water Network Materials

1.4.6.20.2.1 An increase of R4.1 million is projected for maintenance and materials for the municipal water distribution network, bringing the 2026/2027 budget to R15 million to support the repair of pipe bursts, procurement of essential materials, and supply and replacement of pressure-reducing valves, aiming to improve network reliability, reduce water losses, and ensure sustainable water delivery to residents.

1.4.6.20.3 Electricity network materials and maintenance

The total budget for electricity network materials for the MTREF period is **R48,6 million**. The allocation is planned as follows:

- 1.4.6.20.3.1** Maintenance of Low-Voltage Network: R6.3 million, ensuring reliable distribution to residential and commercial users.
- 1.4.6.20.3.2** Streetlights: R11 million, reflecting an increase of R2.9 million from the adjustment budget to maintain public lighting infrastructure.
- 1.4.6.20.3.3** Maintenance of 33 kV Bulk Metering System: R20 million, representing an increase of R16,2 million from adjustment budget to enhance network performance.



- 1.4.6.20.3.4** Maintenance of 11/66 kV System: R12.2 million, an increase of R5 million from adjustment budget aimed at sustaining high-voltage network reliability.

1.4.6.20.4 Road infrastructure network materials

An amount of R20 million has been allocated for the maintenance of aging road infrastructure and surface drainage systems. Of this allocation, R14 million is earmarked for the maintenance of road infrastructure, R5 million is allocated to the maintenance of the municipal gravel road network, and R1 million has been set aside for the maintenance of gravel roads within informal settlements.

Other material contracted services are as follows:

- 1.4.6.20.5 A total budget of R10 million, has been made for the implementation of an electronic system for electronic building Plans and Land Development application submission system.**
- 1.4.6.20.6 An amount of R35 million has been allocated for landfill site management to enable the municipality to utilise the RandWest City Local Municipality's Landfill Site or alternative waste disposal facilities, as the old Luipaardsvlei Landfill Site has reached its full operational capacity. This allocation will ensure the continued provision of waste disposal services while maintaining compliance with applicable constitutional, environmental, and waste management legislation.
- 1.4.6.20.7 The budget for Refuse Removal is set at R52.8 million for the MTREF period, ensuring continued waste collection services, maintaining environmental hygiene, and supporting the municipality's waste management objectives.
- 1.4.6.20.8 A budget of R9.5 million has been allocated to address uncontrollable vandalism affecting the municipality's electrical infrastructure.
- 1.4.6.20.9 A total of R10 million has been allocated for the Integrated Infrastructure Master Plan.



1.4.6.20.10 A total of R174 million has been allocated for Security Services, ensuring the safety and protection of municipal assets, facilities, and personnel.

1.4.6.20.11 The budget for Consultant Fees has decreased by R33 million to R15 million from 2025/2026 Adjustment Budget. The allocation of budget is largely provided for compliance under sanitation.

1.4.6.20.12 A portion of the Repairs and Maintenance budget is allocated to Building and Civil Infrastructure maintenance. An amount of R32.5 million has been provided for the maintenance of municipal buildings and civil infrastructure across all facilities, including community halls, libraries, and other public amenities.

Repairs and Maintenance expenditure represents approximately 9.7% of the total asset base over the MTREF period. This reflects the municipality's commitment to addressing aging infrastructure, improving asset sustainability, and safeguarding future revenue generation.

1.4.6.20.13 Legal cost budgeted at R40,1 million.

1.4.6.20.14 Debt collectors is budgeted R9 million.

1.4.6.20.15 Grass cutting budgeted at R9 million.



The table below indicates the largest cost drivers for contracted services:

Table 8: Largest Cost drivers (Contracted Services)

| Row Labels | Sum of Forecast 1_(2025_2026 Adjment Budget) | Sum of Total Inputs | Sum of Approved ORGB 2026/2027 Budget | Sum of Approved ORGB 2027/2028 Budget | Sum of Approved ORGB 2028/2029 Budget |
|--|--|---------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| 1215 02558 00049938099_REFUSE REMOVAL_02558 | 51 838 203 | 1 036 764 | 52 874 967 | 53 932 466 | 55 011 116 |
| 1215 02905 00049938099_MANAGEMENT: LUIPAARDSVLEI LANDFILL SITE_02905 | 5 020 000 | 30 022 335 | 35 042 335 | 35 743 182 | 36 458 045 |
| 1220 03058 00049937899_GRASS CUTTING_03058 | 5 406 543 | 108 131 | 5 514 674 | 5 624 967 | 5 737 467 |
| 1319 02652 00049936199_ELECTRONIC BUIDING PLANS AND LAND DEV | 5 000 000 | 5 000 000 | 10 000 000 | 15 000 000 | 15 000 000 |
| 1405 Integrated Infrastructure Master Plan | - | 10 000 | 10 000 000 | - | - |
| 1409 03069 00069947399_NETWORK: MATERIAL_03069_ELECTRICITY | 7 075 | 000 4 141 | 11 217 104 | 11 441 446 | 11 670 275 |
| 1409 03069 00069947499_NETWORK: MATERIAL_03069_ELECTRICITY | 592 3 | 516 255 692 | 20 000 000 | 20 400 000 | 20 808 000 |
| 1409 03069 00069947799_NETWORK: MATERIAL_03069_ELECTRICITY | 744 308 | 2 962 737 | 11 099 601 | 11 321 593 | 11 548 025 |
| 1409 03069 00069948199_NETWORK: MATERIAL_03069_ELECTRICITY | 8 136 | 124 879 | 6 368 832 | 6 496 209 | 6 626 133 |
| 1410 03051 00249905999_MAINTENANCE BUILDINGS & LAND_03051 | 2 064 600 | 12 454 134 | 32 564 734 | 33 216 029 | 33 880 349 |
| 1439 03072 00069948399_ELECTRICAL INFRASTRUCTURE: UNCONTROLABLE VANDALISM_03072 1450 03069 00289906999_NETWORK: MATERIAL_03069_WATER | 9 408 503 6 | 188 190 | 9 597 693 | 9 789 647 | 9 985 440 |
| 1460 03069 00049941999_NETWORK: MATERIAL_03069_ROADS | 792 267 | 4 235 845 | 11 028 112 | 11 248 675 | 11 473 648 |
| 1460 03069 00249907599_NETWORK: MATERIAL_03069_ROADS | 14 399 883 | (9 112 002) | 5 287 881 | 5 393 638 | 5 501 511 |
| 1470 02792 00249983599_RENTAL: TOILETS_02792 | 4 916 896 | 9 498 338 | 14 415 234 | 14 703 539 | 14 997 609 |
| 1470 03069 00059948799_NETWORK: MATERIAL_03069_SANITATION | 70 000 000 | (30 000 000) | 40 000 000 | 31 400 000 | 29 328 000 |
| 1470 03069 00059948999_NETWORK: MATERIAL_03069_SANITATION | - | 7 000 | 7 000 000 7 | 7 140 000 7 | 7 282 800 |
| 1470 03069 00289947999_NETWORK: MATERIAL_03069_SANITATION | 1 126 | 000 6 | 148 928 | 291 907 | 7 437 745 |
| 1501 LAND AUDIT | 400 8 | 022 528 | 13 270 925 | 13 536 344 | 13 807 071 |
| 1614 02616 00049929499_UPGRADING OF FINANCIAL SYSTEM_02616 | 010 711 | 5 260 | 5 079 900 | 5 181 498 | 5 285 128 |
| 1630 02687 00049929799_LEGAL COST_02687 | 24 500 000 | (92 000 000) | 15 300 000 | 15 606 000 | 15 918 120 |
| 1710 02838 00049903499_DEBT COLLECTORS_02838 | 40 000 658 | 334 900 | 40 177 658 | 40 981 211 | 41 800 835 |
| 1729 02085 00049934899_MAINTENANCE OF ASSET REGISTER_02085 | 26 865 344 | (17 865 344) | 9 000 000 5 | 9 180 000 5 | 9 363 600 |
| 1805 02799 00249923899_SECURITY SERVICES_02799 | 5 068 136 | 101 363 | 169 499 | 272 889 | 5 378 346 |
| 1805 02805 00249923899_SECURITY SERVICES-UNPLANNED_02805 | 150 741 | 3 014 836 | 153 756 | 156 831 | 159 968 |
| OTHER CONTRACTED SERVICES BELOW R5 MILLION | 783 20 109 | 402 198 | 619 20 512 | 751 20 922 | 386 21 340 |
| TOTAL | 912 142 | (51 024 590) | 110 91 471 | 352 88 358 | 799 90 084 |
| | 496 204 | 3 962 659 | 614 642 | 047 636 | 208 645 |
| | 638 935 | | 898 420 | 013 389 | 692 657 |
| | 761 | | | | |

1.4.6.21 Grant and subsidies paid

Grants and subsidies paid are projected to increase by R26 million in the 2026/27 financial year compared to the 2025/26 Adjusted Budget. Of this increase, R22 million has been allocated to job creation initiatives, while R4 million has been earmarked for the Mayor's Bursary Programme, intended for educational assistance.

The municipality's Job Creation Programme aims to empower locally based emerging contractors and entrepreneurs by providing a structured, hand-on development platform. The programme seeks to equip these enterprises with administrative, financial, technical and entrepreneurial competencies required to compete in the open market after the three-year development period. Beyond enterprise development, the programme also intends to stimulate job creation by linking emerging businesses to funded work packages managed with the Municipality.

1.4.6.22 Operational Cost

Operational costs are projected to increase by R30 million (10,6%) in the 2026/2027 financial year compared to the 2025/2026 Adjusted Budget. The increase is mainly attributable to the following allocations:

- 1.4.6.22.1 Water and electricity cut-off management – increased by R7 million to strengthen credit control and revenue collection measures.
- 1.4.6.22.2 Vehicle tracking services – increased by R1.5 million due to the procurement of additional fleet and municipal vehicles requiring tracking services. This provision supports effective fleet oversight, asset safeguarding and improved operational performance.
- 1.4.6.22.3 Indigent Incentives - increased by R2.6 million to fund the appointment of temporary personnel for the implementation of a community outreach and verification process. The objective is to strengthen internal controls over the indigent register and ensure that support is granted only to qualifying households in accordance with the approved Indigent Support Policy.
- 1.4.6.22.4 The oil and fuel budget has increased by R10 million mainly due to rising fuel prices pressure.

CAPITAL EXPENDITURE

Approved capital budget has been projected to be R460 million, a decrease of R183 million when compared to 2025/26 approved adjustment budget. The capital budget will be funded from grants both National and Provincial governments to the tune of R237 million and own revenue to the value of R225 million. The MTREF allocates funds to different capital needs in line with the IDP priorities and government funding requirements.

Grant funded capital (Per Division of Revenue Act – DORA)

Table 10: Approved Capital Budget per Source of Funding

| Funding source description | Approved Final 2025/2026 Budget | Total Adjustments | Approved Adjustment 2025/2026 Budget | Approved Adjustment 2026/2027 Budget | Approved Adjustment 2027/2028 Budget |
|---|---------------------------------------|----------------------|---|---|---|
| Human Settlement Development Grant | - | - | - | - | - |
| Integrated National Electrification Programme Grant | - | - | - | 14 633 000 | 15 294 000 |
| Integrated Urban Development Grant | 154 895 000 | 12 668 000 | 167 563 000 | 159 331 000 | 164 354 000 |
| Local Government Financial Management Grant | - | - | - | - | - |
| Neighbourhood Development Partnership Grant | 148 000 000 | -142 369 000 | 5 631 000 | - | - |
| Sports and Recreation Grant | 500 000 | 1 550 000 | 2 050 000 | 2 050 000 | 2 050 000 |
| Water Services Infrastructure Grant | 72 500 000 | - 12 500 000 | 60 000 000 | 67 728 000 | 69 516 000 |
| Transfer from Operational Revenue | 267 483 317 | - 42 580 420 | 224 902 897 | 128 718 729 | 127 615 842 |
| Total | 643 378 317 | -183 231 420 | 460 146 897 | 372 460 729 | 378 829 842 |

Table 11: Approved Capital Budget per municipal votes

| Department | Approved Final 2025/2026 Budget | TotalInputs | Approved ORGB 2026/2027 Budget | Approved ORGB 2028/2029 Budget | Approved ORGB 2028/2029 Budget |
|-------------------------------------|------------------------------------|---------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Community Development Services | 13 370 733 | - 255 855 | 13 114 878 | 2 250 000 | 2 250 000 |
| Corporate Support Services | 12 142 000 | - 11497 000 | 645 000 | 25 000 | 25 000 |
| Economic Development Services | 170 100 913 | - 148171 026 | 21 929 887 | 21 102 887 | 20 000 000 |
| Financial Mangement Services | 2 355 355 | - 927 321 | 1 428 034 | 233 843 | 233 843 |
| Infrastructure Development Services | 354 007 556 | - 1260 979 | 352 746 577 | 317 652 459 | 325 124 459 |
| Intergrated Environmental Magement | 23 564 776 | - 5458 236 | 18 106 540 | 13 966 540 | 13 966 540 |
| Internal Audit | 184 159 | - 184 159 | - | - | - |
| Municipal Council | 1 779 138 | 750 862 | 2 530 000 | 2 230 000 | 2 230 000 |
| Operations Management | 1 070 000 | - 499 820 | 570 180 | - | - |
| Strategic Investment Programme | 64 705 687 | - 15629 886 | 49 075 801 | 15 000 000 | 15 000 000 |
| Municipal Manager | 98 000 | - 98 000 | - | - | - |
| Total | 643 378 317 | - 183231 420 | 460 146 897 | 372 460 729 | 378 829 842 |

1.4.6.22 The approved capital budget is projected at R460 million, representing a decrease of R183 million compared to the 2025/2026 approved adjustment budget.

1.4.6.23 The capital budget will be funded through a combination of sources, including R235 million from national government grants, R2 million from provincial government grants, and R225 million from the municipality's own funding.

Table 12: Approved capital project per own funding

| Segment | Approved ORGB 2026/2027 Budget | Approved ORGB 2027/2028 Budget | Approved ORGB 2028/2029 Budget | Department |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|
| WIP 43_Brickvale Housing Initiative | 20 500 000 | 5 000 000 | 5 000 000 | Strategic Investment Programme |
| WIP 37_IDS-CHAMDOR SUBSTATION REFURBISHMENT | 16 300 000 | - | - | Infrastructure Development Services |
| WIP 14_SWANEVILLE INDUSTRIAL PARK | 15 000 000 | 20 000 000 | 20 000 000 | Economic Development Services |
| WIP 72_REFURBISHMENT TRAFFIC CENTRE | 12 000 000 | - | - | Infrastructure Development Services |
| WIP 45-CAP140_IDS-ENVIRO LOO TOILETS | 11 000 000 | 11 000 000 | 11 000 000 | Infrastructure Development |
| 1470 Refurbishment of Sewer Pumpstation | 10 515 177 | 10 515 177 | 10 515 177 | Services 10 515 177 |
| 1460 CAP_IDS:Roads Rehabilitation And Resurfacing | 10 000 000 | 10 000 000 | 10 000 000 | Development Services 10 000 |
| WIP 65_Luipaardsvlei Landfill Site Phase 5 | 10 000 000 | 10 000 000 | 10 000 000 | Infrastructure Development Services |
| WIP 57_INSTALLATION OF STREETLIGHTS | 8 000 000 | 8 000 000 | 8 000 000 | Infrastructure Development Services |
| WIP 71_REFURBISHMENT DELPORTON LICENSING | 8 000 000 | - | - | Infrastructure Development Services |
| WIP 3102_Electricity SMALL CONNETION | 7 455 282 | - | - | Infrastructure Development |
| WIP 3101_Electricity BULK CONNECTIONS | 6 106 919 | 7 455 | 7 455 282 | Infrastructure Development |
| WIP 40_SIP-Dr Motlana Housing Development HS | 5 000 000 | 282 6 | 282 6 | Services 6 106 919 |
| WIP 39_SIP-Dr Sefularo Housing Development HS | 5 000 000 | 106 919 | 106 919 | Development Services 5 000 |
| WIP 32_IDS- Smart Conventional Water Meter | 5 000 000 | 5 000 | 5 000 | Strategic Investment Programme |
| Refurbishment and Extension of Kagiso Ext 12 Community Hall | | 000 5 | 5 000 | Strategic Investment Programme |
| 14099027300329982799_CAP021_IDS- Analog To Digital Meter | 5 000 000 | 000 000 | 000 000 | Community Development Services |
| Rep(Bulk supply) WIP 69_Fencing: Ga Mogale Flats | 4 673 081 | 4 673 081 | 4 673 081 | Infrastructure Development Services |
| 1450 90277 0025991039_IDS-TLB | 4 200 000 | 000 0 | 000 0 | Strategic Investment Programme |
| WIP 38_IDS-REFURBISHMENT OF LABORATORY | 3 400 | - | - | Infrastructure Development |
| WIP 2971_Analog To Digital Meter Replacement(small connection) | 000 3 | - | - | Development Services |
| WIP 2_Installation of Electricity Meters - Indigents | 000 000 | 3 000 | 3 000 | Infrastructure Development |
| SMALL MECHANICAL EQUIPMENT (OHS) WWTW | 3 000 | 000 3 | 000 3 | Services 3 000 |
| WIP 59_Installtion of Weighbridge-Luipaardsvlei | 000 3 | 000 000 | 000 000 | Development Services 3 000 |
| ACCESS CONTROL AND GUARD HOUSE WASTE WATER | 000 000 | 3 000 | 3 000 | Infrastructure Development |
| EDS_PANEL VANS x 4 | 3 000 | 000 - | 000 - | Services Management Infrastructure |
| 2 x BY CREW CAP 4 TON TRUCKS | 000 3 | - | - | Development Services |
| 1409902750025991035_CAP123_IDS-ELECTRICAL TESTING | 000 000 | - | - | Infrastructure Development |
| EQUIPMENT | 2 904 | 2 010 | 2 010 | Services Infrastructure Development |
| TRAFFIC CALMING & ROAD SAFETY MEASURES | 882 2 | 000 2 | 000 2 | Services Development Services |
| 1802 90276 00259999099_CDS-Purchasing of Road block Bus for traffic fines_90 | 800 000 | 000 000 | 000 000 | Development Services |
| _CAP339_IDS-Acquisition of Municipal Transport Infrustructur | 000 2 | - | - | Services Infrastructure |
| 1470 Crane Truck | 010 000 | - | - | Development Services |
| WIP 67_Fencing: Van Riebeck Old Age Home | 2 180 000 | 0 | 0 | Infrastructure Development |
| WIP 68_Fencing: Pioneer Old Age Home | 000 2 | - | - | Services Strategic Investment |
| OTHER PROJECTS BELOW R1.8 MILLION | 21 425 000 | 7 958 270.00 | 6 855 383.00 | Programme Strategic |
| TOTAL | 224 902 800 | 128 718 729.00 | 127 615 842.00 | Investment Programme |

1.4.6.24 The allocation for capital projects funded from the municipality's own revenue has decreased by 15.9% (R43 million) compared to the 2025/2026 Adjustment Budget. For the 2026/2027 financial year, an amount of R225 million has been provided.

1.4.6.25 The reduction reflects the municipality's efforts to maintain a funded and sustainable budget position, align capital spending with realistic revenue projections, and prioritise the use of conditional grants to reduce pressure on internal funding sources.



1.4.6.26 The list of proposed capital projects funded through the municipality's own revenue are as follows;

Department of Infrastructure Development Services

1.4.6.26.1 Developer Bulk and Small Connections – R13,5 million charged as part of the development tariffs, this contribution supports infrastructure expansion in areas under the jurisdiction of Mogale City Local Municipality.

1.4.6.26.2 The Enviro Loo Toilets Programme is allocated R11 million in the 2026/2027 MTREF for the construction of 560 toilets, aimed at improving sanitation services and enhancing community health and dignity.

1.4.6.26.3 Refurbishment of Chamdor Substation – R16,3 million.

1.4.6.26.4 A total of R2.9 million has been allocated for Access Control and Guard House related to the Wastewater facilities, supporting security measures, controlled access, and the protection of critical wastewater infrastructure.

1.4.6.26.5 A total of R2,8 million has been allocated for the procurement of panel vans and R2,4 million for two (2) crew cap 4-ton trucks for Department of Infrastructure Development Services.

1.4.6.26.6 A total of R10.5 million has been allocated for the refurbishment of sewer pump stations.

1.4.6.26.7 A total of R10 million has been allocated for roads rehabilitation and resurfacing.

1.4.6.26.8 Refurbishment of Traffic Centre: R12 million allocated for refurbishment to improve operational efficiency and service delivery.

1.4.6.26.9 Refurbishment of Delporton Licensing Centre: R8 million allocated for refurbishment to improve service delivery, accessibility, and operational efficiency.

1.4.6.26.10 An amount of R4.6 million has been allocated for the replacement of analog meters with digital meters for bulk supply, in addition to R3 million allocated for the replacement of analog meters for small connections.

1.4.6.26.11 Installation of streetlights amounting to R8 million.

1.4.6.26.12 Smart Conventional Water Meters: An amount of R5 million has been allocated for the implementation of smart conventional water meters to aiming to reduce water losses and strengthen revenue management.



1.4.6.26.13 The municipality has allocated R3.4 million for the purchase of two TLBs to support water and sanitation services.

Department of Community Development Services

1.4.6.26.14 A total of R2 million has been allocated for the purchasing of a roadblock bus to support traffic enforcement.

1.4.6.26.15 An allocation of R1.7 million has been made for the purchase of a TLB to address illegal mining activities.

1.4.6.26.16 R5 million for the refurbishment and extension of Kagiso Ext 12 Community Hall.

Department of Economic Development Services

1.4.6.26.17 Swaneville Industrial Park – R15 million. A dedicated provision has been made to support this economic development initiative.

1.4.6.26.18 A total of R1,1 million has been allocated for the procurement of a tractor under the Economic and Development Services.

1.4.6.26.19 An amount of R2 million has been allocated in the 2026/2027 MTREF for fibre installation.

Department of Integrated Environmental Management

1.4.6.26.20 Installation of fire hydrants and weighbridge amounting to R3,5 million.

1.4.6.26.21 The construction of a new cell at the Luipaardsvlei Landfill Site is proposed, as the existing cell has reached full capacity. The allocation of R10 million will fund the development of the new cell, including site preparation, engineered lining, leachate collection, drainage systems, and compliance with environmental standards. This investment ensures the continued provision of safe and reliable waste disposal services to the municipality, preventing service interruptions and supporting sustainable waste management practices.



Department of Strategic Investment Programme

1.4.6.26.22 The Brickvale Housing Initiative is allocated at R20,5 million.

1.4.6.26.23 An allocation of R5 million each has been provided for Internal Services for the Dr. Motlana and Dr. Sefularo Housing Projects.

1.4.6.26.24 An amount of R4.2 million has been allocated for fencing projects at Ga Mogale Flats, R1,8 million each for Van Riebeck Old Age Home Pioneer and Old Age Home.

1.5 LEGISLATIVE IMPLICATIONS

Compliance with Municipal Finance Management Act 56 of 2003 and the related Budget Regulations, the Municipal Structures Act 117 of 1998 and Municipal Systems Act 32 of 2000.

BUSINESS RISK IMPLICATIONS

1.6 Meeting financial obligations and services delivery mandate.

STAKEHOLDERS CONSULTED

1.7 Accounting Officer
Internal Departments
Senior Management Team
Joint Finance and Corporate Support Services

PART 2 – SUPPORTING DOCUMENTATION

2.1 Overview of the annual budget process

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

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

The primary aim of the Budget Steering Committee is to ensure:

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

2.2 Overview of the annual budget process

In terms of section 21 of the MFMA, the Mayor is required to table in Council ten months before the start of the new financial year (i.e., in August 2025) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Executive Mayor tabled in Council the required IDP and budget time schedule in August 2025. Key dates applicable to the process were:

| ACTIVITIES | RESPONSIBLE | DATES |
|--|---------------------|-----------------|
| PLANNING PROCESS | | |
| Preparation for Revised IDP process plan | IDP | Jul 2025 |
| Approval of the 2025/26 SDBIP | Executive Mayor | July 2025 |
| Compilation and tabling of the 2024/25 Annual report | PM&E | July – Aug 2025 |
| Tabling of the 2026/27 IDP/Budget Process Plan to EXCO/Budget Committee for recommendation for approval | IDP | Aug 2025 |
| Adoption of IDP/ Budget Process Plan for 2026/2027 IDP/Budget. | Council | Aug 2025 |
| MCLM inputs in the District. | IDP | July 2026 |
| Public notice of the adopted IDP/Budget Process Plan for 2026/27 IDP/Budget | IDP | Aug 2025 |
| Review | IDP | Aug 2025 |
| Submission of the IDP Process Plan to MEC for Local Government, National & Provincial Treasury Departments | | |
| STATUS ANALYSIS PHASE | | |
| Demographic & Service Delivery data analysis | IDP | September 2025 |
| Socio-Economic data analysis | IDS, EDS, CDS & IDP | Sept/Oct 2025 |
| Institutional data analysis | FM, CDS & IDP | Sept/Oct 2025 |
| Spatial data analysis | EDS & IDP | Oct/Nov 2025 |



| | | |
|--|---|--------------|
| Environmental sustainability data analysis | DIEM & IDP | Oct/Nov 2025 |
| IDP Technical Forum meeting | IDP/Budget Internal departments | Oct/Nov 2025 |
| IDP Steering Committee meeting with the Mayor | Stakeholder engagement | Oct/Nov 2025 |
| IDP Sector & Cluster meeting | IDP, Public participation office, CC & CC | Nov/Dec 2025 |
| REVIEW OF PUBLIC CONSULTATION PHASE | | |
| 1. List of community priority needs prepared for Departments | IDP | Dec 2025 |
| 2. Prioritised of community needs with departments. | | |
| STRATEGIC ALIGNMENT PHASE | | |
| Review Municipal Strategies, Goals and Objectives | | |
| Priority Programme and Project Identification | All Departments | Feb/Mar 2026 |
| IDP | All Departments | Jan/Feb 2026 |
| PERFORMANCE AND BUDGET REVIEW PHASE | | |
| Submission of Mid-year performance report | | |
| Mid-year budget and performance assessment visits | M&E | Jan/Feb 2026 |
| Budget adjustment | All Departments | Jan/Feb 2026 |
| | FM | Jan/Feb 2026 |
| PROGRAMME AND PROJECTS PHASE | | |
| Priority Programmes and Projects | All Departments | Feb 2026 |
| CAPEX and OPEX Review | BTO | Mar 2026 |
| <ul style="list-style-type: none"> Agreement on changes proposed by Executive Mayor and Councillors on IDP/Budget | BTO | March 2026 |
| ALIGNMENT OF NATIONAL & PROVINCIAL PROGRAMMES PHASE | | |

| | | |
|---|---|-----------------|
| Consideration and ensuring that MEC comments are addressed | IDP | March 2026 |
| Integration and Alignment of sectoral plans into the IDP | IDP | March 2026 |
| Integration and Alignment of operational plans into the IDP | All Departments | March 2026 |
| FINAL CONSULTATION AND APPROVAL | | |
| • Tabling of the draft IDP/Budget | IDP/Budget | March 2026 |
| • IDP Technical Forum meeting | IDP/Internal departments | March 2026 |
| • IDP Steering Committee meeting with Mayors office | IDP Steering Committee | May 2026 |
| • Public Participation - IDP | IDP, Public participation office, CC & CC | April/May 2026 |
| • IDP Analysis Report. | IDP office | April/May 2026 |
| • Budget and Benchmark Assessments | All Departments | April/May 2026 |
| • Prioritisation of the community inputs | All Service Delivery departments | May 2026 |
| • Community inputs incorporate in the budget. | IDP & Budget | May 2026 |
| • Tabling of Annual IDP/Budget/SDBIP for consideration/ adoption. | Council | • May 2026 |
| • Submission of the approved IDP to the MEC of Local Government | IDP Division | • May/June 2026 |

Activities, Responsibilities and Timeframe for IDP Process Plan

2.3 Overview of budget related policies

2.3.1 Various policies approved by Council underpin governance and the financial functioning of the municipality and are relevant to the budget process. The purpose of this section of the Budget Report is to indicate the key policies in this regard and to seek approval for any new or amended policies by Council. All the additions and amendments are highlighted in red. There are 8 new policies as listed below.

2.3.2 The following budget related policies that was approved by Council has been amended and new ones recommended be tabled for public participation and reviewed highlighted in red from Annexure 1 to 53.

Annexure 1: Approved reviewed Property Rates Policy

Annexure 2: Approved reviewed Property Rates By-Laws

Annexure 3: Approved reviewed Supply Chain Management

Annexure 4: Approved reviewed Credit Control and Debt Collection Policy

Annexure 4 Approved Schedule 4) Registration of dispute in terms of MSA section 102

Annexure 5: Approved Credit Control and Debt Collection By-Laws

Annexure 6: Approved reviewed Financial Misconduct Policy

Annexure 7: Approved reviewed Water and Sanitation Tariff Policy

Annexure 8: Approved reviewed Electricity Tariff Policy

Annexure 9: Approved reviewed 2% Corporate Social Responsibility

Annexure 9.1 Approved Mayoral Bursary Policy as per section 5.1 of the CSR Policy

including the supporting documents **(New)**

Annexure 9.2 Approved Social Development and CSR Funding Financial Model &

Policy as per section 5.2 of the 2% CSR Policy include

governance tools template and MFMA Circular No. 131 **(New)**.

Annexure 10: Approved reviewed Cash Management & Investment Policy

Annexure 11: Approved reviewed Borrowing Policy

Annexure 12: Approved reviewed Funding and reserves

Annexure 13: Approved reviewed Long Term Financial Plan Policy

- Annexure 14: Approved reviewed Asset Management Policy
- Annexure 15: Approved reviewed Indigent Management Policy
- Annexure 16: Approved reviewed Employment Equity policy
- Annexure 17: Approved reviewed Recruitment Policy
- Annexure 18: Approved reviewed Overtime Policy
- Annexure 19: Approved reviewed Grant in Aid Policy
- Annexure 20: Approved reviewed Indigent Burial Policy
- Annexure 21: Approved reviewed Liquidity Policy
- Annexure 22: Approved reviewed Waste Management Service Policy
- Annexure 23: Approved reviewed Unclaimed Monies Policy
- Annexure 24: Approved reviewed Cost Containment Policy
- Annexure 25: Approved reviewed Budget Management Policy
- Annexure 26: Approved reviewed Adjustment Budget Policy
- Annexure 27: Approved reviewed Virement Policy
- Annexure 28: Approved reviewed Cashier Shortages and Surpluses
- Annexure 29: Approved reviewed VAB Remuneration Policy VAB Members
- Annexure 30: Approved reviewed Mogale City Local Municipality By-Laws for the control of outdoor advertising Signs and Hoardings
- Annexure 31: Approved reviewed Capital project and Infrastructure investment policy
- Annexure 32: Approved reviewed Supplier Performance Monitoring Policy
- Annexure 33: Approved reviewed Acting policy
- Annexure 34: Approved reviewed Bursary policy
- Annexure 35: Approved reviewed Unauthorised, Irregular, Fruitless & Wasteful expenditure Policy
- Annexure 36: Approved reviewed learning & development policy
- Annexure 37: Approved Reviewed Tariff Policy
- Annexure 38: Approved reviewed Tariff By-Laws

Annexure 39: Approved reviewed Leave Policy

Annexure 40: Approved reviewed Management Development System Policy

Annexure 41: Approved reviewed transfer and secondment Policy

Annexure 42: Approved reviewed Task Job Evaluation Policy

Annexure 43: Approved Organisational Change Management Policy **(New)**

Annexure 44 Approved reviewed Wellness Management Policy 2025-2026

Annexure 45 Approved reviewed Occupational Health and Safety policy **(new)**

Annexure 46 Approved Reward & Remuneration Policy **(New)**

Annexure 47 Approved Substance Abuse policy **(New)**

Annexure 48 Approved succession Planning and Career pathing Policy **(New)**

Annexure 49 Approved Internship/Learnership policy **(New)**

Annexure 50 Approved Personal Protective Equipment Policy **(New)**

Annexure 51 Approved Traveling Policy **(New)**

Annexure 52 Approved Reviewed Write Off Policy

2.4 Overview of budget assumptions

2.4.1 External factors

2.4.1.1 The budget policy framework for the 2026/2027 MTREF has been developed within a highly constrained and uncertain macro-economic environment, as outlined in MFMA Circular No. 132 issued by National Treasury. The framework seeks to manage fiscal risk, maintain financial sustainability, and support economic recovery, while aligning with the objectives of the National Development Plan (NDP).

2.4.1.2 According to MFMA Circular No. 132, **South Africa's economic growth outlook remains muted, constrained by structural challenges such as electricity supply constraints, logistics bottlenecks, weak private investment, and elevated unemployment levels** anticipated over the medium term, growth remains insufficient to materially improve municipal revenue bases.

2.4.1.3 Inflation is projected to remain within the South African Reserve Bank's target band of 3 to 6 per cent, but remains subject to risks arising from fuel prices, administered tariffs, exchange rate volatility, and global economic uncertainty. These pressures continue to affect household affordability, limiting municipalities' ability to significantly increase tariffs and rates without negatively impacting revenue collection.

2.4.1.4 **MFMA Circular No. 132 and Circular No. 134** further cautions municipalities to adopt conservative and realistic revenue assumptions, strengthen cash flow management, and ensure that expenditure growth particularly employee-related and contracted services costs is strictly aligned with affordability and funding availability.

2.4.1.5 The budget policy framework for the next three years is designed to manage risk in a constrained fiscal environment, while building a foundation for economic growth which is supported by the implementation of the National Development Plan (NDP).



2.4.2 Mogale City must table a funded budget to remain financially viable.

For municipality to table funded budget and to have financial sustainability the plan is to reduce the following expenditures:

- 2.4.2.1 Contracted services especially security costs, maintenance of chemical toilets, all unnecessary allowances to employees, normal overtime & emergency, and petrol & diesel whereby all departments must analyse this expenditure to determine value for money.
- 2.4.2.2 Non-essential expenditures must be eliminated.
- 2.4.2.3 Interest charged on overdue accounts for bulk service providers constitutes fruitless and wasteful expenditure. However, the municipality has maintained a good payment record with Eskom and Rand Water by settling accounts within the required payment terms. As a result, no interest charges have been incurred during the current or prior financial years.

2.4.3 General inflation outlook and its impact on the municipal activities

Nine key factors that have been taken into consideration in the compilation of the 2026/2027 MTREF:

- 2.4.3.1 Improving the effectiveness of revenue management processes and procedures.
- 2.4.3.2 Cost containment measures are implemented as per Municipal Cost Containment Regulations read with MFMA Circular No. 82.
- 2.4.3.3 Ensuring value for money through the procurement process by improving internal controls and monitoring all service providers performance.
- 2.4.3.4 The affordability of providing free basic services to all households.
- 2.4.3.5 Guard against taking further unfunded mandates.
- 2.4.3.6 Strictly control the use of delivering water to informal settlements through our water tankers and fix the water infrastructure to enable the sustainable provision of water.
- 2.4.3.7 Automate business services where possible to increase efficiencies and lower customer costs.

- 2.4.3.8 Prioritise the alternative method of providing sanitation to informal settlements by implementing dignified method.
- 2.4.3.9 Curbing the consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

The projected economic indicators used as basis of the budget are reflected hereunder:

Table 8: Macroeconomic performance and projections, 2023-2029

| Fiscal year | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|---------------|---------|----------|----------|---------|---------|
| | Actual | Estimate | Forecast | | |
| CPI Inflation | 4.4% | 3.2% | 3.4% | 3.3% | 3.2% |

Source: National Treasury Budget Review 2026.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

2.4.4 Collection rate for service charges revenue

The rate of revenue collection is currently expressed as a percentage (90%) of annual billings. No provision has been made for collection of arrears due to the historic trends showing that the collection of long outstanding arrears is very low. The revenue enhancement strategy and programmes to curb the increasing debt book to improve collection from all consumers that were put in place will continue to be implemented.

2.4.5 Salary Increases

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.

2.4.6 Funding measurements

- 2.4.6.1 Cash flow statement is the first measurement in determining if the budget is funded or unfunded.
- 2.4.6.2 It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
- 2.4.6.3 The assumption of collection rate of 90% must be realistic and attainable to be able to fund the budget.

2.5 Legislation compliance status

2.5.1 Compliance with the MFMA implementation requirements have been adhered to through the following activities:

a) In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has been submitted in time.

b) Internship programme

Mogale City is participating in the Municipal Financial Management Internship programme since March 2004 to date, currently Mogale City have 3 interns undergo training in various divisions of the Financial Services, Risk Management, and Internal Audit.

c) Budget and Treasury Office

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

d) Audit Committee

Mogale City rescinded the 29 January 2014 decision to participate in a Regional Audit Committee and has appointed its own audit and performance committee.

e) Service Delivery and Implementation Plan

The SDBIP content is based on the reviewed IDP, strategic plan objectives outlined.

f) Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

g) Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette No 37922 on 18 August 2014. The ratios as prescribed in the Regulations have been complied with.

h) mSCOA Implementation

The implementation of the project is still currently on course; Mogale City have tabled the budget in the mSCOA format since 2018/2019 financial year. mSCOA requires that each item of expenditure be linked to a project, this is at the core of planning. As we implement the project, we are effectively moving away from item-based budgeting to project driven budgeting.

2.6 Municipal manager's quality certificate



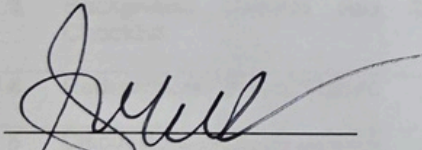
The Office of the Municipal Manager

P.O Box 94
Cnr Commissioner
and Market Street
Krugersdorp
Mogale City
1740

Municipal Manager's quality certificate

I Makhosana Msezana, Municipal Manager of Mogale City, hereby certify that the 2026-2027 Annual Budget Report & Two Outer Years and supporting documentation for Approval have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Municipal Manager of Mogale City Local Municipality (GT481)



Makhosana Msezana
Municipal Manager
MM@mogalecity.gov.za
+2711 951 2013
Mogale City Local Municipality

Date: 08/06/2026

PART 3 – SCHEDULES TO THE BUDGET

- 3.1 Schedule 1 2026/2027 proposed revenue & expenditure budget
- 3.2 Schedule 2(a) 2026/2027 capital budget project list
- 3.3 Schedule 2(b) 2026/2027 out-of-books capital budget project list
- 3.4 Schedule 3 (a) 2026/2027 proposed rates, service charges tariffs and other user charges
- 3.5 Schedule 3 (b) 2026/2027 Electricity Tariffs Approved by NERSA
- 3.6 Schedule 4 Approved Rand Water Tariffs
- 3.7 Schedule 5 MBRR Table A1-A10

PART 4 – REVISED IDP

- 4.1 2026/2027 Revised Integrated Development Plan of 2022/2023-2026/2027

See separate report.

PART 5 - ANNEXURES: BUDGET RELATED POLICIES

PART 6 SUPPORTING SCHEDULES FOR THE MAYORAL BURSARY AND NGO/NPO FUNDING PROGRAMME

- 1.2.4.1 Schedule 6 2026/2027 Mogale City Bursary Application Form
- 1.2.4.2 Schedule 7 2026/2027 Mogale City Mayoral Bursary Agreement
- 1.2.4.3 Schedule 8 2026/2027 Mayoral Bursary Selection Scoring Matrix (For Selection Committee)
- 1.2.4.4 Schedule 9 2026/2027 2026/2027 Due diligence Checklist For NGO's/NPO's
- 1.2.4.5 Schedule 10 2026/2027 2026/2027 Mogale City Funding Agreement Template
- 1.2.4.6 Schedule 11 2026/2027 Monitoring and Evaluation Scorecard – Funding Model For NGO's/NPO's
- 1.2.4.7 Schedule 12 MFMA Circular 131 – Funds Transferred by Municipalities to Organisations and Bodies Outside the Government
- 1.2.4.8 Schedule 13 MFMA Circular 133 – The Meaning of Organ of State as contemplated in Section 110(2)(a) of the MFMA.

PART 7 -Schedule 14 Funding assessment of Annual budget