

REPORT OF THE EXECUTIVE MAYOR

TABLED MARCH 2026

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

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ITEM No : K(ii) 02(03/026)
 REPORT : DRAFT ANNUAL BUDGET FOR MTREF 2026/2027 – 2028/2029
 COUNCIL : 25 MARCH 2026
 REPORT OF THE DEPARTMENT OF FINANCE

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PART 1 – DRAFT ANNUAL BUDGET

1.1 Mayor's report

Executive Mayor, Councilor Lucky Sele to deliver the annual draft budget on 25th March 2026.

1.2 Council Resolutions

That note be taken of the following:

- 1.2.1 Of the report tabling the annual tabled budget 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 being tabled to present these proposals to stakeholders for consultation.
- 1.2.2 Of the report tabling the annual tabled budget and its supporting documents (draft 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 16 (2) and 17(3) of the Municipal Finance Management Act (MFMA) No.56 of 2003.
- 1.2.3 Of the annual tabled 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 considered and be tabled for public participation:
 - 1.2.3.1 Schedule 1 2026/2027 Summary of Proposed Revenue & Expenditure.
 - 1.2.3.2 Schedule 2 (a) 2026/2027 Proposed 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 Proposed Rates, Service Charges Tariffs and Other User Charges.
- 1.2.3.5 Schedule 3 (b) 2026/2027 proposed electricity tariffs for application for approval by NERSA.
- 1.2.3.6 Schedule 4 (a) Notification on revised municipal tariff determination timelines for FY2026/27 following court judgement and approval of Eskom Retail Tariff Structural Adjustment (ERTSA).
- 1.2.3.7 Schedule 4(b) Stamped Court Order Mogale City – NERSA vs Afriforum
- 1.2.3.8 Schedule 4 (c) Proposed Rand Water Tariffs
- 1.2.3.9 Schedule 5 Electricity Cost Of Supply (COS)-In progress
- 1.2.3.10 Schedule 6 Revenue Management Assessment Tool
- 1.2.3.11 Schedule 7 MBRR Table A1-A10
- 1.2.3.12 Schedule 8 Proposed SDBIP top layer and operational layer
- 1.2.3.13 Schedule 9 2026/2027 Mogale City Bursary Application Form
- 1.2.3.14 Schedule 10 2026/2027 Mogale City Mayoral Bursary Agreement
- 1.2.3.15 Schedule 11 2026/2027 Mayoral Bursary Selection Scoring Matrix (For Selection Committee)
- 1.2.3.16 Schedule 12 2026/2027 2026/2027 Due diligence Checklist For NGO's/NPO's
- 1.2.3.17 Schedule 13 2026/2027 2026/2027 Mogale City Funding Agreement Template
- 1.2.3.18 Schedule 14 2026/2027 Monitoring and Evaluation Scorecard – Funding Model For NGO's/NPO's
- 1.2.3.19 Schedule 15 MFMA Circular 131 – Funds Transferred by Municipalities to Organisations and Bodies Outside the Government
- 1.2.3.20 Schedule 16 MFMA Circular 133 – The Meaning of Organ Of State as contemplated in Section 110(2)(a) of the MFMA

1.2.4 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.

1.2.5 Of the 5% salary increase provided for in the Wage Gap Agreement entered into between the municipality and recognised Labour Unions for employees on salary levels 5–15, and which is contingent on the municipality’s financial recovery and sustainability, an initial 2.5% increase was implemented with effect from July 2025.

The remaining 2.5% salary increase is provided for in the 2026/2027 financial year, subject to the municipality’s financial viability and affordability. The phased implementation of the Wage Gap Agreement reflects the municipality’s commitment to balancing employee remuneration obligations with the need to maintain financial sustainability.

The finalization of the Wage Gap Agreement therefore remains dependent on the municipality’s financial position.

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

1.2.7 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.

1.2.8 That cognizance be taken of the draft Service Delivery and Budget Implementation Plan (SDBIP) which the Executive Mayor defines as the key

performance indicators to evaluate progress in the implementation of the strategies, programmes and services.

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

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) that will be submitted to NERSA on the 31 March 2026 as part of tariff application for public participation to be concluded by NERSA on the 21 April 2026.

1.2.10 That the Executive Mayor 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 for public participation.

1.2.11 That the Executive Mayor 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 for public participation.

1.2.12 That the Executive Mayor 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 for public participation.

1.2.13 That the Executive Mayor 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 for public participation.

1.2.14 That based on the draft determination the municipality has included in the budget 4% 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 and draft SDBIP be tabled for public participation and comments:

Annexure 1: Draft reviewed Property Rates Policy

Annexure 2: Draft reviewed Property Rates By-Law

Annexure 3: Draft reviewed Supply Chain Management Policy

Annexure 4: Draft reviewed Credit Control and Debt Collection Policy

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

Annexure 6: Draft reviewed Financial Misconduct Policy

Annexure 7: Draft reviewed Water and Sanitation Tariff Policy

Annexure 8: Draft reviewed Electricity Tariff Policy

Annexure 9: Draft reviewed 2% Corporate Social Responsibility

Annexure 9.1 Draft Mayoral Bursary Policy as per section 5.1 of the CSR Policy including the supporting documents **(New)**

Annexure 9.2 Draft 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: Draft reviewed Cash Management & Investment Policy
- Annexure 11: Draft reviewed Borrowing Policy
- Annexure 12: Draft reviewed Funding and Reserves Policy
- Annexure 13: Draft reviewed Long Term Financial Plan Policy
- Annexure 14: Draft reviewed Asset Management Policy
- Annexure 15: Draft reviewed Indigent Management Policy
- Annexure 16: Draft reviewed Employment Equity policy
- Annexure 17: Draft reviewed Recruitment Policy
- Annexure 18: Draft reviewed Overtime Policy
- Annexure 19: Draft reviewed Grant in Aid Policy
- Annexure 20: Draft reviewed Indigent Burial Policy
- Annexure 21: Draft reviewed Liquidity Policy
- Annexure 22: Draft reviewed Waste Management Service Policy
- Annexure 23: Draft reviewed Unclaimed Monies Policy
- Annexure 24: Draft reviewed Cost Containment Policy
- Annexure 25: Draft reviewed Budget Management Policy
- Annexure 26: Draft reviewed Adjustment Budget Policy
- Annexure 27: Draft reviewed Virement Policy
- Annexure 28: Draft reviewed Cashier Shortages and Surpluses Policy
- Annexure 29: Draft reviewed VAB Remuneration VAB Members Policy
- Annexure 30: Draft reviewed Mogale City Local Municipality By-Laws for the control of outdoor advertising Signs and Hoardings
- Annexure 31 Draft reviewed Capital project and Infrastructure investment Policy
- Annexure 32: Draft reviewed Supplier Performance Monitoring Policy
- Annexure 33: Draft reviewed Acting policy

Annexure 34: Draft reviewed Bursary policy

Annexure 35: Draft reviewed Unauthorised, Irregular, Fruitless & Wasteful expenditure Policy

Annexure 36: Draft reviewed earning & development Policy

Annexure 37: Draft Reviewed Tariff Policy

Annexure 38: Draft reviewed Tariff By-Law

Annexure 39: Draft reviewed Leave Policy

Annexure 40: Draft reviewed Management Development System Policy

Annexure 41: Draft reviewed transfer and secondment Policy

Annexure 42: Draft reviewed Task Job Evaluation Policy

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

Annexure 44 Draft reviewed Wellness Management Policy

Annexure 45 Draft reviewed Occupational Health and Safety Policy

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

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

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

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

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

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

Annexure 52 Draft 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.

1.2.18 That the report tabling the draft 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 noted for public participation. **As set out in Schedule 5 MBRR Table A1-A10 be Noted.**

CLLR L. SELE

EXECUTIVE MAYOR

DATE: _____

1.3 Executive summary

1.3.1 Purpose of the Report

The purpose of the report is to table before Council the Draft Annual Budget and its Supporting Documents (draft 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 (2) and 17(3) of the Municipal Finance Management Act No. 56 of 2003 to Council.

1.3.2 National Budget Priorities

The Draft 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 Draft Annual Budget prioritises primarily service delivery – which is supported by institutional and financial governance, namely:

- 1.3.4.1 Water and sanitation infrastructure,
- 1.3.4.2 Building and roads maintenance,
- 1.3.4.3 Environmental beautification programme (“Beautification & Greening”),
- 1.3.4.4 Supporting affordable and low-income housing,
- 1.3.4.5 Providing safety to the community (maintenance and replacement of streetlights),
- 1.3.4.6 Maintenance of environmental grass cutting throughout Mogale City
- 1.3.4.7 Stimulating economic development, and
- 1.3.4.8 Deepening institutional and financial governance.

The desired impact of the budget is addressing 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.

The interim assessment was conducted by National Treasury for the 2025/2026 Adjustment Budget in February 2026 and indicated that Mogale City's budget is funded.

1.3.2 Background

1.3.2.1 The Municipal Finance Management Act (MFMA) No 56 of 2003 section 16(1)(2) and section 17(3) 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.”

“16. (2) In order for a municipality to comply with subsection (1). the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year”.

And,

“17. (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.

1.3.2.2 Public Participation meetings with Mogale City communities chaired by Executive Mayor will take place from 26 March to 15 April 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. In order to comply with the court directives issued on 04 December 2025 and 20 February 2025 for the submission of Tariff application to NERSA, the municipality is anticipating the IDP budget process to be implemented earlier than usual.

1.3.2.3 After the budget being tabled, it should be made available for public consultation. Once the Executive Mayor have 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.

- 1.3.2.4 This budget hereto presented has been compiled based on MFMA Circular No. 132 issued on 05 December 2025 by National Treasury with their 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.

Discussion

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

- 1.3.2.5 Mogale City is under pressure to generate revenue because of the economic landscape, Council must ensure that basic services are rendered, maintain its assets and a clean environment. Furthermore, there must be continuous communication with the community and other stakeholders to strengthen awareness and participation and to improve the municipality's reputation and reduce increase in key cost drivers to provide basic municipal services.
- 1.3.2.6 Aging water and sanitation, roads, and electricity infrastructure.
- 1.3.2.7 Challenge of curbing, reducing, or limiting the overall expenditure while maintain its core mandate and functions.
- 1.3.2.8 As of the end of January 2026, water losses stand at 36.19%, amounting to approximately R134 million. These losses are primarily due to factors such as aging infrastructure, leaks, unauthorized consumption including by illegal miners and residents and metering inaccuracies. Addressing these challenges remains a key priority to improve water conservation efforts and enhance the municipality's financial sustainability.
- 1.3.2.9 Electricity purchases from Eskom will increase by 9.01% as approved by the National Energy Regulator of South Africa. The municipality has incurred electricity distribution losses amounting to approximately R111,5 million over the past seven (7) months, which has negatively impacted electricity revenue. The problem of bulk meters installed for Large Power Users (LPUs) being incorrectly

programmed and wired is currently being rectified by Energy Services and Vodacom. This error has resulted in electricity losses.

1.3.2.10 Mitigation for water and electricity losses are as follows:

- ❖ To address water losses, the municipality will develop the Water Conservation and Demand Management Strategy as a key intervention. This includes developing business plans to secure external funding, improving response times to burst pipes and other reported water disruptions, and replacing non-functional bulk and residential water meters. Additional measures include metering municipal facilities and informal settlements, installing check meters at reservoirs and bulk supply take-off points from Rand Water and Joburg Water, implementing a pressure management plan, repairing leaking reservoirs, and replacing aging water pipes to improve system efficiency and reduce physical losses.
- ❖ With regard to electricity losses, corrective measures focus on both non-technical and technical losses. Non-technical losses will be addressed through daily inspections to identify faulty meters and unmetered supplies, replacing these through the operational budget, and taking corrective action against tampered meters used for electricity theft, including issuing fines. The municipality has also initiated an Analogue to Digital Meter Project to replace dysfunctional and outdated meters that record inaccurate usage. Illegal connections, particularly in informal settlements, will be reduced by formalising electricity supply where possible. Technical losses, mainly caused by heat dissipation during distribution and reticulation, will be mitigated through refurbishment and upgrading of the electrical network infrastructure.

1.3.3 Planning Framework/IDP Process

1.3.3.1 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.

1.3.3.2 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 Strengthen 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.

1.3.3.3 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.

1.3.3.4 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 collection rate of 90% must be realistic and attainable as this is a fundamental to have a funded budget. **The adjustment budget was assessed by National Treasury, and the outcome was a funded budget.**

1.3.4 DISCUSSIONS

1.3.4.1 South Africa's economy is expected to experience modest growth during the 2026/2027 financial year, reflecting ongoing structural constraints and a gradual recovery trajectory. Economic growth remains below pre-pandemic levels, limiting the pace at which revenue bases expand across all spheres of government. Over the medium term, real GDP growth is forecast to strengthen and average approximately 1.8 per cent, supported by a gradual recovery in fixed investment, improved infrastructure delivery, and the continued implementation of economic reforms.

Headline inflation moderated during the latter part of the previous financial year, resulting in average inflation of approximately 4.4 per cent. Consumer price inflation is projected to remain contained, averaging around 3.7 per cent in the 2026/2027 financial year, remaining within the South African Reserve Bank's target band. This inflation outlook is expected to provide some relief to households through improved real disposable income and a gradual easing of borrowing costs.

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.

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

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

- 1.3.4.3.1 The on-going difficulties in the global, national and local economy, exacerbated by the heightened global trade tensions.
- 1.3.4.3.2 Aging water and sanitation, roads, and electricity infrastructure.
- 1.3.4.3.3 The proposed Eskom electricity tariff increase, enforced at municipalities, is 9,01 percentage (%) for local authorities (municipalities), which is 5.31 percentage points above the Consumer Price Inflation (CPI).
- 1.3.4.3.4 Water tariffs increase from Rand Water that is 7.3% higher than the CPI as proposed by Rand Water Board at 11%.
- 1.3.4.3.5 High water and electricity losses the municipality is experiencing due to various factors (internal and external).
- 1.3.4.3.6 Unaffordability of own funded capital projects.
- 1.3.4.3.7 The ever-increasing informal settlements and financial pressure of providing for sanitation.
- 1.3.4.3.8 Curbing the consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

1.3.4.3.9 The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality **(see Table 1 below)**. Deterioration can be attributed to the following:

1.3.4.3.9.1 During the 2025/2026 Adjustment Budget, electricity and water revenue fell below the original budget due to a misalignment between the bulk tariffs approved by Eskom and Rand Water and the tariffs levied by the municipality. At the same time, the increased cost of bulk water and electricity driven by Eskom and Rand Water tariff hikes, the problem of bulk meters installed for Large Power Users (LPUs) being incorrectly programmed and wired, as well as other inflationary and service delivery pressures further strained the municipality's funding position and,

Table 1: Funding position analysis

2025/2026 MTREF

Affordability Threshold Indicator for Restructuring of Trade Payables				
Both cash & funding position should be positive and remain stable or improve over the MTREF to support a sustainable repayment plan				
	2024/25	2025/26	2026/27	2027/28
Cash and cash equivalents - Table A7	533 264	922 116	1 384 064	1 925 909
Funding Position - Table A8	353 071	778 993	1 225 976	1 755 725
Affordability of restructuring: Cash flow	Yes	Yes	Yes	Yes
Affordability of restructuring: Funding position	Yes	Yes	Yes	Yes

2025/2026 Adjustment Budget

Affordability Threshold Indicator for Restructuring of Trade Payables	
Both cash & funding position should be positive and remain stable or improve over the MTREF to support a sustainable repayment plan	
	2025/26
Cash and cash equivalents - Table A7	366 002
Funding Position - Table A8	172 946
Affordability of restructuring: Cash flow	Yes
Affordability of restructuring: Funding position	Yes

It is imperative that it be noted that when the original budget was assessed, the funding of the budget amounted to an amount of R 778 993 000. The adjustment budget is funded by an amount of R 172 946 000. The deterioration in the funding of the budget is an amount of R 603 047 000. And furthermore, this municipal position arises despite the improvement of working capital as at 30 June 2025.

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

- 1.3.4.4.1 Alignment with the revised Integrated Development Plan (IDP).
- 1.3.4.4.2 The 2025/2026 Adjustments Budget priorities and targets.
- 1.3.4.4.3 The national and provincial priorities.
- 1.3.4.4.4 Cost Containment measures are implemented as per Municipal Cost Containment Regulations 2019 and Mogale City Cost Containment Policy.
- 1.3.4.4.5 Mogale City is further committed to levying affordable tariff increases that is within the projected Consumer Price Index (CPI) forecasted to be within the 3 to 6% target band except for water and electricity which is not within the control of the city.
- 1.3.4.4.6 Property Rates tariffs are not increasing for the next financial year 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.



- 1.3.4.4.7 Consumer price index (CPI) related increase of 3.7% increase in refuse removal, and other sundry tariffs to alleviate the burden on our customers due to higher than inflation rate tariffs increase on electricity and water.
- 1.3.4.4.8** Electricity tariffs are proposed 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 4(a) for more details.**
- 1.3.4.4.9 Municipality's electricity tariffs are approved by NERSA not the Council of Mogale City. NERSA has developed a new model of cost of supply (COS). Increase of electricity tariffs is based on the results of cost of supply as advertised by NERSA.
- 1.3.4.4.10 The 2026/2027 proposed electricity tariffs will be considered for approval after the tariff application has been submitted to the National Energy Regulator of South Africa (NERSA), following the conclusion of the public participation process.
- 1.3.4.4.11 Water tariffs are increasing by 11% as per Rand Water proposed 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 7.3% above the 3.7% Consumer Price Index (CPI). **Refer to Schedule 4(c) for more details.**
- 1.3.4.4.12 Mogale City is committed to set tariffs that is affordable to all citizens and provide free basic services to all approved indigents.
- 1.3.4.4.13 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.

1.4 Annual budget framework

1.4.1 Consolidated Financial Overview

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

2026-2027 PROPOSED MID-TERM REVENUE & EXPENDITURE FRAMEWORK (MTREF) ADJUSTMENT BUDGET										Schedule 1
Description	mSCOA code 6.8	6 months Actuals - Approved		Adjusted	Total Adjustments	%	Proposed			
		31 Dec 2025	2025/2026 Budget				Proposed 2026/2027 Tabled Budget-TABB	Proposed 2027/2028 Tabled Budget-TABB	2028/2029 Tabled Budget-TABB	
Statement of Financial Performance										
Total operating revenue		2 742 429 918	5 689 709 760	172 751 429	3.0%	5 862 461 189	6 093 373 414	6 388 436 600		
Total Operating expenditure		2 198 021 482	4 974 373 298	352 284 537	7.1%	5 326 657 835	5 499 329 450	5 705 668 329		
Operating surplus/(deficit)		544 408 435	715 336 462	- 179 533 108	-25.1%	535 803 354	594 043 964	682 768 271		
Capital grants - National	2010	149 934 430	375 395 000	- 142 201 000	-37.9%	233 194 000	241 692 000	249 164 000		
Capital grants - Provincial	2020	-	500 000	1 550 000	310.0%	2 050 000	2 050 000	2 050 000		
Own Funded required capital	2080	50 893 967	267 483 317	- 48 935 420	-18.3%	218 547 897	127 018 729	125 921 842		
Total capital expenditure		200 828 397	643 378 317	- 189 586 420	-29.5%	453 791 897	370 760 729	377 135 842		
Total Expenditure (opex & capex)		2 398 849 879	5 617 751 615	162 698 117	2.90%	5 780 449 732	5 870 090 179	6 082 804 171		
Surplus(Deficit)		343 580 038	71 958 145	10 053 312	14%	82 011 457	223 283 235	305 632 429		

- 1.4.1.1 The operating revenue including funding for capital projects for 2026/2027 is budgeted at R5,8 billion an increase of 3% or R172,7 million from the 2025/2026 approved adjustment budget.
- 1.4.1.2 The operating surplus for 2026/2027 has been projected at **R82 million indicating an improvement of R10 million** when compared to approved adjustment budget and increasing by R528,9 million respectively over MTREF period.
- 1.4.1.3 Own funded capital projects amounting to R218 million indicating a decrease of R49 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. The allocation towards capital grants have been decreased by 37.9% from National Treasury and an increase of 310% approved adjustment budget, which amongst others include EPWP funding, and a **decrease of 18.3% relating to own funded required capital projects** which is a cause for concern and may place pressure on the municipality's financial sustainability.
- 1.4.1.5 Equitable Share has increased by R 43,6 million or 6% for Mogale City.

- 1.4.1.6 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 28 February 2026 is 93%**, average projection of 90% is based on vigorous implementation of credit control policy.
- 1.4.1.7 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.
- 1.4.1.8 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.
- 1.4.1.9 The electricity tariffs increases are above the projected inflation targets, given that this tariff increases are approved by external agencies (NERSA). The impact of cost of the provision of services are largely outside the control of Mogale City.
- 1.4.1.9.1 The other tariffs increased by 3.7%, which is within the annual Consumer Price Inflation (CPI) as guided by National Treasury of South Africa Circular 132, issued in December 2025. 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.
- 1.4.1.9.2 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 proposed tariff increases within the control of the municipality:

Category	2025/26 Approved tariffs increase	Source of Proposed increase	2026/27 Proposed tariffs increase
Property Rates	0%	2025/2030 General Valuation Roll	0%
Sanitation	Between 0% to 4.3%	As per Rand Water Proposed 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%

Table 5: The revenue budget is based on the following proposed/approved tariff increases outside the control of the municipality:

Category	2025/26 Approved tariffs increase	Source of Proposed increase	2026/27 Proposed tariffs increase
Electricity	Tariff Structure (Energy Block Tariffs) based on NERSA approved tariffs	NERSA Energy Block tariffs increase based on COS and tariff application approval	Refer to paragraph 1.4.5.1 below
Water: Residential	15.3%	Rand water proposed tariffs	11%
Water: Business Consumer	15.3%	Rand water proposed tariffs	11%
Sanitation	4.3%	Rand water proposed 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 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 R352 million. Macroeconomic performance and projections guidelines for GDP growth is forecasting to be 3.7% during 2026/2027 and for 2027/2028, 2028/2029 will be 3.3% and 3.2 % respectively. (**Source: MFMA Circular No.132**).

Mogale City's overall increase operating expenditure is 7% which is 3.3% 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 5.31% above the CPI. And 11% Rand Water increase which is 7.3% 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

Proposed capital budget has been projected to be R453 million, a decrease of R190 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 R218 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 18.3% (R49 million) compared to the 2025/2026 Adjustment Budget. For the 2026/2027 financial year, an amount of R218 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 proposed capital projects funded through the municipality's own revenue are as follows per department.

Department	Key Projects	Total per Department
Infrastructure Development Services	Developer connections, Enviro Loo Toilets, Substations, Roads, Traffic Centre, Licensing Centre, Sewer Pump Stations, Digital meters, Streetlights, Fleet	R103.1 million
Community Development Services	Roadblock bus and TLB	R2 million
Economic Development Services	Swaneville Industrial Park, Tractor, Fibre Installation	R18.1 million
Integrated Environmental Management	Fire Hydrants, Installation of Weighbridge and Expansion of Luipaardsvlei Landfill cell	R13.5 million
Strategic Investment Programme	Housing Initiatives, Fencing, Community Hall	R37.3 million
Total Own Revenue Capital		R218 million

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 R237 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).

1.4.4.29 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).

1.4.4.30 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).

1.4.4.31 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).

1.4.4.32 Development of Heritage Manor / Munsieville South

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

1.4.4.33 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.

1.4.4.34 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).

1.4.4.35 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).

1.4.4.36 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.

1.4.4.37 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).

1.4.4.38 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.

1.4.4.39 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).

1.4.4.40 A further R30 million (2026/2027), R34 million (2027/2028), and R34,7 million (2028/2029) is earmarked for the replacement of water meters.

Neighborhood Development Partnership Grant

1.4.4.41 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

1.4.4.42 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 TOTAL BUDGET	2027/2028 TOTAL BUDGET	2028/2029 TOTAL BUDGET
Energy Services				
Installation of Electricity Meters	Integrated National Electrification Programme (Eskom) Grant	10 266 000	20 349 000	8 370 000
Grand total		10 266 000	20 349 000	8 370 000

1.4.3 PROJECTED CASH FLOW

Description	Ref	2022/2023	2023/2024	2024/2025	Current Year 2025/2026				2026/27 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		592 009	609 321	607 037	828 835	828 835	828 835	410 151	862 168	900 740	940 009
Service charges		1 791 636	1 907 807	2 163 337	2 902 447	2 902 447	2 902 447	1 396 203	2 793 017	3 015 667	3 256 715
Other revenue		476 213	565 295	626 048	604 056	604 056	604 056	474 287	592 206	509 562	571 474
Transfers and Subsidies - Operational	1	581 545	641 412	655 963	731 883	731 883	731 883	549 272	847 844	818 834	831 434
Transfers and Subsidies - Capital	1	318 083	421 504	335 877	288 561	374 447	374 447	230 783	235 244	229 593	230 720
Interest		32 702	48 842	53 063	192 187	192 187	192 187	34 303	174 703	181 907	189 236
Dividends		28	31	35					-	-	-
Payments											
Suppliers and employees		(3 333 796)	(3 672 089)	(3 851 683)	(4 985 244)	(4 985 244)	(4 985 244)	(2 792 186)	(4 948 697)	(5 186 652)	(5 521 948)
Finance charges		(22 315)	(22 277)	(18 487)	(18 494)	(18 494)	(18 494)	(6 416)	(18 494)	(18 494)	(18 494)
Transfers and Grants	1	(7 575)	(8 666)	(2 803)	(10 686)	(10 686)	(10 686)	(1 594)	(10 686)	(10 686)	(10 686)
NET CASH FROM/(USED) OPERATING ACTIVITIES		428 530	491 180	568 388	533 545	619 431	619 431	294 804	527 305	440 471	468 459
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE						-	-		20 000	-	-
Decrease (increase) in non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets		(395 169)	(454 476)	(386 048)	(503 455)	(589 341)	(589 341)	(329 514)	(453 792)	(370 761)	(377 136)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(395 169)	(454 476)	(386 048)	(503 455)	(589 341)	(589 341)	(329 514)	(433 792)	(370 761)	(377 136)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing		(30 696)	(31 605)	(32 009)	(35 321)	(35 321)	(35 321)	(20 377)	(37 167)	(27 378)	(16 097)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(30 696)	(31 605)	(32 009)	(35 321)	(35 321)	(35 321)	(20 377)	(37 167)	(27 378)	(16 097)
NET INCREASE/ (DECREASE) IN CASH HELD		2 665	5 098	150 331	(5 230)	(5 230)	(5 230)	(55 087)	56 346	42 332	75 227
Cash/cash equivalents at the year begin:	2	141 837	144 508	149 608	149 608	149 608	149 608	299 900	299 939	356 285	398 617
Cash/cash equivalents at the year end:	2	144 502	149 606	299 939	144 377	144 377	144 377	244 813	356 285	398 617	473 844

- 1.4.4.1 The assumption of collection rate of 90% must be realistic and attainable to be able to fund the budget.
- 1.4.4.2 The municipality received the first tranche of Eskom debt relief, with R72 million written off by National Treasury in February 2025. It anticipates that the remaining two-thirds (R144 million) will also be written off, further alleviating historical debt burdens. In alignment with the approved municipal debt agreement with Treasury, the proposed cash flow excludes the payment of this R144 million.
- 1.4.4.3 The projected cash and cash equivalent at year end indicates a surplus of R356 million during 2026/2027 and increases to R872 million over MTREF period.

1.4.5 FINANCIAL IMPLICATIONS

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

Table 6: Proposed Operating Annual Revenue

2026-2027 PROPOSED MID-TERM REVENUE & EXPENDITURE FRAMEWORK (MTREF)				ADJUSTMENT	BUDGET	Schedule 1		
Description	mSCOA code 6.8	6 months Actuals - 31 Dec 2025	Approved Adjusted 2025/2026 Budget	Total Adjustments	%	Proposed 2026/2027 Tabled Budget-TABB	Proposed 2027/2028 Tabled Budget-TABB	Proposed 2028/2029 Tabled Budget-TABB
Statement of Financial Performance								
Revenue								
Service charges - electricity revenue	0300	832 726 913	1 763 500 806	158 891 423	9.01%	1 922 392 229	2 095 599 768	2 284 413 308
Service charges - water revenue	0400	251 946 857	606 786 497	66 746 515	11.0%	673 533 012	695 759 601	718 023 908
Service charges - waste water management	0500	174 111 733	358 765 334	39 464 187	11.0%	398 229 521	411 371 095	424 534 970
Service charges - waste management	0600	86 657 643	173 315 286	6 412 666	3.7%	179 727 952	185 658 974	191 600 061
Total Service Charges		1 345 443 147	2 902 367 923	271 514 790	9.4%	3 173 882 713	3 388 389 438	3 618 572 247
Sale of Goods and Rendering of Services	0700	14 716 155	26 042 314	963 566	3.7%	27 005 880	27 897 074	28 789 780
Income from agency services	0800	56 640 872	113 281 744	4 191 425	3.7%	117 473 169	121 349 783	125 232 976
Interest received - Outstanding debtors	1000	71 760 627	171 327 316	6 339 111	3.7%	177 666 427	183 529 419	189 402 360
Interest received - investments	1100	10 065 043	20 860 000	-	0.0%	20 860 000	20 860 000	20 860 000
Rental of facilities and equipment	1400	2 870 897	5 550 079	205 353	3.7%	5 755 432	5 945 361	6 135 613
Exchange Revenue / Licence and permits	1500	-	-	-	0%	-	-	-
Exchange Revenue / Operational Revenue	1600	34 922 268	44 448 160	1 644 582	3.7%	46 092 742	47 613 802	49 137 444
Gains on disposal of PPE	1601	-	-	-	0%	-	-	-
Total revenue from exchange transactions		1 536 419 009	3 283 877 536	284 858 825	8.7%	3 568 736 361	3 795 584 877	4 038 130 420
Revenue from non - exchange transactions								
Taxation revenue								
Property Rates	1800	437 422 525	979 736 486	-	0.0%	979 736 486	1 012 067 790	1 044 453 959
Add: Estimated Property Supplementary Value	1801	-	-	-	0%	-	-	-
Property Rates Net of Revenue Foregone		437 422 525	979 736 486	-	0.0%	979 736 486	1 012 067 790	1 044 453 959
Surcharges and Taxes	1900	314 652	43 179 880	1 597 656	3.7%	44 777 536	46 255 194	47 735 360
Fines and Penalties Imposed	2000	30 539 732	97 746 690	3 616 628	3.7%	101 363 318	104 708 307	108 058 973
Non-Exchange Revenue / Licences or permits	2100	11 756	1 056 165	39 078	3.7%	1 095 243	1 131 386	1 167 590
Operational grants & subsidies	2200	541 267 328	821 660 293	26 184 000	3.2%	847 844 293	818 834 072	831 434 072
Capital grants & subsidies	4600	172 424 595	375 895 000	- 140 651 000	-37.4%	235 244 000	229 593 000	230 720 000
Interest	2300	23 840 277	44 850 644	1 659 474	3.7%	46 510 118	48 044 952	49 582 390
Gains on disposal of Assets	2600	1 000	20 000 000	-	0.0%	20 000 000	20 000 000	20 000 000
Other Gains	2700	189 043	17 153 835	-	0.0%	17 153 835	17 153 835	17 153 835
Transfers and subsidies - capital (in-kind)	4700	-	4 553 231	- 4 553 231	-100.0%	-	-	-
Total revenue from non - exchange transactions		1 206 010 908	2 405 832 224	- 112 107 396	-4.7%	2 293 724 828	2 297 788 536	2 350 306 180
Total operating revenue		2 742 429 918	5 689 709 760	172 751 429	3.0%	5 862 461 189	6 093 373 414	6 388 436 600

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:

1.4.5.1 Sale of energy tariff increases

1.4.5.1.1 Electricity Sales Projection Based on Energy Block Tariff Structure

NERSA has introduced a new tariff structure based on energy charges, replacing the previous inclining block tariff (IBT) system. **(Refer to schedule 3(b) for more details).**

The municipality is supposed to submit its Cost of Supply (CoS) study to NERSA on 31 March 2026 as per Court directives on matter of AfriForum vs NERSA, however based on the issue of instability our Attorneys went to Court to ask for deviation on the ruling of 04 December and we were granted deviation on the 17 March 2026 (more details on the Court directive date **17 March 2026: Schedule 4(b)**).

The submission of the CoS study is intended to support tariff sustainability, cost reflectivity, and regulatory compliance, and will inform future electricity tariff structures and revenue projections. **Preliminary results of the CoS indicate a required tariff increase of 12.2%, which exceeds the 9.01% guideline increase issued by National Energy Regulator of South Africa to Eskom.** While the guideline serves as a benchmark, municipalities are not required to strictly apply this increase, as electricity tariffs must be cost-reflective. In this regard, the higher increase is driven by underlying cost pressures, ***including newly introduced and restructured tariff components from Eskom, such as legacy charges and generator-related charges. (Refer to Schedule 3(b) for more information)***

These cost components were not previously explicitly provided for in the municipal tariff structure and have now been incorporated to ensure alignment with Eskom's evolving tariff framework. ***Despite the proposed tariff increase of 12.2%, the adjustment does not fully recover the total cost of electricity supply, as the Cost of Supply (CoS) analysis indicates that an increase of approximately 30% would be required for full cost reflectivity.***

Accordingly, where the Cost of Supply demonstrates higher costs of service delivery, the municipality may apply for a tariff increase above the guideline, subject to approval by National Energy Regulator of South Africa. **Mogale City is currently engaging with NERSA to review the CoS outcomes prior to final submission. (Refer to Schedule 3(b) and Schedule 5 (COS) for further details relating to proposed 9.01% and 12.2% tariff increase) for public consultations.**

NERSA is responsible for regulating and approving Eskom's bulk electricity prices, which have consistently increased at rates exceeding inflation in recent years. Given Eskom's ongoing financial constraints and operational challenges, the utility continues to apply for higher-than-inflation tariff increases in outer financial years to recover its allowable revenue requirements. **(Refer to Schedule 4 (b): NERSA Tariffs Approval to Eskom for local authorities (municipalities) for details.)**

The Multi-Year Price Determination (MYPD) methodology, developed by NERSA, governs the regulation of Eskom's revenue requirements. It serves as the framework through which NERSA evaluates Eskom's tariff adjustment applications.

1.4.5.2 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 Proposed 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.

1.4.5.3 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 proposed 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.

1.4.5.4 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 3–6% target band. The moderate increase reflects the municipality's commitment to maintaining affordable basic services while ensuring the continued sustainability of solid waste management operations. ***For detailed information on the policy framework and the proposed 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 proposed increase seeks to ensure that operational costs are adequately funded while maintaining service delivery standards and regulatory compliance.

1.4.5.5 Rental of facilities

Rental tariffs for municipal facilities are proposed to increase by 3.7% for the 2026/2027 financial year. The adjustment is aligned with the projected Consumer Price Index (CPI) within the 3–6% 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.

1.4.5.6 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 licence 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 licence 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.

1.4.5.7 Operational revenue

Operational revenue mainly relating to bulk and small connections amongst others is increasing by 3.7% when compared to approved adjustment budget.

Revenue from non-exchange transactions

1.4.5.8 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.

1.4.5.8.1 Measures to Alleviate Financial Impact on Ratepayers:

To mitigate the financial impact on Mogale City 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:

1.4.5.8.1.1 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.

1.4.5.8.1.2 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.

1.4.5.8.1.3 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**.

1.4.5.9 Transfer recognised -operational

1.4.5.9.1 Unconditional grant

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

1.4.5.9.2 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.

1.4.5.10 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.

1.4.5.11 Fines and Penalties imposed

Fines and penalties for the 2026/2027 financial year have been partially adjusted. Traffic fine tariffs remain unchanged, as these are legislatively prescribed and fall outside the direct control of the municipality. However, 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).

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.

1.4.5.12 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: Proposed Operating Annual Expenditure

2026-2027 PROPOSED MID-TERM REVENUE & EXPENDITURE FRAMEWORK (MTREF) ADJUSTMENT BUDGET						Schedule 1		
Description	mSCOA code 6.8	6 months Actuals - Approved		Total Adjustments	%	Proposed		
		31 Dec 2025	2025/2026 Budget			Proposed 2026/2027 Tabled Budget-TABB	Proposed 2027/2028 Tabled Budget-TABB	2028/2029 Tabled Budget-TABB
Statement of Financial Performance								
Expenditure								
Employee related costs	3100	566 187 026	1 195 694 758	125 772 053	10.5%	1 321 466 811	1 364 957 406	1 408 521 802
Remuneration of Councillors	3200	20 980 198	51 633 823	1 910 451	3.7%	53 544 274	55 311 236	57 081 195
Bulk purchases : Electricity	3300	674 946 137	1 414 057 655	127 406 595	9.01%	1 541 464 250	1 680 350 179	1 831 749 730
Other materials & Inventory Consumed	3400	317 652 644	670 495 435	75 503 110	11.3%	745 998 545	745 988 545	745 988 545
Debt impairment	3500	134 404 934	433 848 916	-	0.0%	433 848 916	433 848 916	433 848 916
Depreciation and armotisation	3600	122 513 587	250 928 023	600 000	0.2%	251 528 023	251 428 023	251 428 023
Finance costs	3700	5 584 443	18 494 426	-	0.0%	18 494 426	18 494 426	18 494 426
Contracted services	3800	237 763 401	638 935 761	320 724	0.1%	639 256 485	632 298 615	641 903 587
Grants and subsidies paid	3900	2 799 623	10 685 670	-	0.0%	10 685 670	10 685 670	10 685 670
Operational costs	4100	114 901 347	289 578 431	20 771 604	7.2%	310 350 035	305 946 035	305 946 035
Other Losses	4300	288 142	20 400	-	0.0%	20 400	20 400	20 400
Total Operating expenditure		2 198 021 482	4 974 373 298	352 284 537	7.1%	5 326 657 835	5 499 329 450	5 705 668 329

The operating expenditure for the 2026/2027 financial year is budgeted at R5.3 billion, reflecting a 7.1% increase compared to the 2025/2026 approved adjustment budget.

1.4.5.13 This budget includes the following key cost increases:

- 1.4.5.13.1 A 10.5% provision for salary increases.
- 1.4.5.13.2 A 9,01% provision for purchase of bulk electricity from Eskom.
- 1.4.5.13.3 A 11.3% increase on other materials including water inventory (11%)
- 1.4.5.13.4 A 7.2% increase in operational costs; and
- 1.4.5.13.5 A 0.4% decrease in contracted services.

The proposed expenditure budget makes provision of the following:

1.4.5.14 Employee related cost

Employee salaries reflect an overall increase of 10.5%, which is attributed to the following key factors:

- 1.4.5.14.1 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% totaling to 4.75%, in accordance with the Salary and Wage Collective Agreement signed by the South African Local Government Bargaining Council (SALGBC).

1.4.5.14.3 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.

1.4.5.14.4 Provision amounting to R29 million has been made in the 2026/2027 financial year to cater for vacant positions, primarily relating to the replacement of existing employees. 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.

1.4.5.15 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 councilors’ remuneration, based on the government gazette no 54179 dated 20th February 2026.

1.4.5.16 Bulk purchases

Bulk purchases have been increased as follows:

1.4.5.16.1 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.

1.4.5.16.2 Electricity purchases from Eskom will increase by 9.01% as approved by the National Energy Regulator of South Africa.

1.4.5.17 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.

1.4.5.18 Debt impairment

The provision for debt impairment related to consumer debtors, including traffic fines, will remain the same as adjustment budget.

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.

1.4.5.19 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.

1.4.5.20 Contracted services

Contracted services are projected to decrease by 0.1 per cent, amounting to R638 million in the 2026/2027 MTREF, compared to the 2025/2026 adjusted budget. This increase is primarily driven by key allocations that support critical service delivery, infrastructure maintenance, and operational efficiency, and includes, among others:

1.4.5.20.1.1 Wastewater network materials and infrastructure maintenance

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

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

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

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

1.4.5.20.1.4 A reduction of R3.3 million is projected for the maintenance 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 2025/2026 financial year, which will reduce the need for maintenance of hired or temporary units.

The total budget provision in the 2026/2027 MTREF for chemical toilet maintenance is R55 million, reflecting both the reduced maintenance requirements and ongoing support for sanitation services in areas where temporary facilities are still required.

1.4.5.20.2 Water Network Materials

1.4.5.20.2.1 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.

1.4.5.20.2.2 Water Services Development Plan (WSDP) and Water Conservation and Demand Management (WC/WDM) compliance: R5 million allocated to ensure regulatory compliance and sustainable water resource management.

1.4.5.20.3 Electricity network materials and maintenance

The total budget for electricity network materials for the MTREF period is R49,6 million. The allocation is planned as follows:

1.4.5.20.3.1 Maintenance of Low-Voltage Network: R6.3 million, ensuring reliable distribution to residential and commercial users.

1.4.5.20.3.2 Streetlights: R11 million, reflecting an increase of R2.9 million from the adjustment budget to maintain public lighting infrastructure.

1.4.5.20.3.3 Maintenance of 33 kV Bulk Metering System: R20 million, representing an increase of R16,2 million from adjustment budget to enhance network performance.

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

1.4.5.20.4 Road infrastructure network materials

An amount of R20,7 million has been allocated to aging road infrastructure maintenance and surface drainage. This allocation is aimed at improving stormwater management, addressing road conditions, and enhancing the resilience and safety of municipal roads.

Other material contracted services are as follows:

- 1.4.5.20.5 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.
- 1.4.5.20.6 The budget for managing the Luipaardsvlei Landfill Site has increased by R9,3 million from the adjustment budget, bringing the total allocation to R14,4 million. This to outsource the management services for the old Luipaardsvlei landfill site to ensure compliance with environmental regulations and proper site rehabilitation management.
- 1.4.5.20.7 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.
- 1.4.5.20.8 A budget of R9.5 million has been allocated to address uncontrollable vandalism affecting the municipality's electrical infrastructure.
- 1.4.5.20.9 A total of R10 million has been allocated for the Integrated Infrastructure Master Plan.
- 1.4.5.20.10 A total of R174 million has been allocated for Security Services, ensuring the safety and protection of municipal assets, facilities, and personnel.

1.4.5.20.11 The budget for Consultant Fees has increased by R13 million.

1.4.5.20.12 A total amount of R32,5 million has been allocated for Building and Civil Infrastructure Maintenance across all municipal facilities (such as community halls, libraries etc).

1.4.5.20.13 Legal cost budgeted at R40.1 million.

1.4.5.20.14 Debt collectors is budgeted R9 million.

1.4.5.20.15 Grass cutting budgeted at R9 million.

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

Table 8: Largest Cost drivers (Contracted Services)

Description	2025_2026 Adjustment Budget	Total Inputs	Proposed Table 2026/2027 Budget	Proposed Table 2027/2028 Budget	Proposed Table 2028/2029 Budget
SECURITY SERVICES_02799	170 851 695	3 417 034	174 268 729	177 754 103	181 309 186
RENTAL: TOILETS_02792	70 000 000	(15 000 000)	55 000 000	46 700 000	44 934 000
REFUSE REMOVAL_02558	51 838 203	1 036 764	52 874 967	53 932 466	55 011 116
LEGAL COST_02687	40 177 658	-	40 177 658	40 981 211	41 800 835
MAINTENANCE BUILDINGS & LAND_03051	20 110 600	12 454 134	32 564 734	33 216 029	33 880 349
NETWORK: MATERIAL_03069_ELECTRICITY	3 744 308	16 255 692	20 000 000	20 400 000	20 808 000
NETWORK: MATERIAL_03069_ROADS	4 916 896	9 498 338	14 415 234	14 703 539	14 997 609
MANAGEMENT: LUIPAARDSVLEI LANDFILL SITE_	5 020 000	9 380 400	14 400 400	14 688 408	14 982 176
UPGRADING OF FINANCIAL SYSTEM_02616	24 500 001	(11 000 001)	13 500 000	13 770 000	14 045 400
NETWORK: MATERIAL_03069_SANITATION	8 010 711	5 260 214	13 270 925	13 536 344	13 807 071
NETWORK: MATERIAL_03069_ELECTRICITY	7 075 592	5 141 512	12 217 104	12 461 446	12 710 675
NETWORK: MATERIAL_03069_ELECTRICITY	8 136 864	2 962 737	11 099 601	11 321 593	11 548 025
NETWORK: MATERIAL_03069_WATER	6 792 267	4 235 845	11 028 112	11 248 675	11 473 648
1405 Integrated Infrastructure Master Plan	-	10 000 000	10 000 000	-	-
ELECTRICAL INFRASTRUCTURE: UNCONTROLABLE	9 409 503	188 190	9 597 693	9 789 647	9 985 440
DEBT COLLECTORS_02838	26 865 344	(17 865 344)	9 000 000	9 180 000	9 363 600
NETWORK: MATERIAL_03069_SANITATION	1 126 400	6 022 528	7 148 928	7 291 907	7 437 745
NETWORK: MATERIAL_03069_SANITATION	-	7 000 000	7 000 000	7 140 000	7 282 800
NETWORK: MATERIAL_03069_ELECTRICITY	6 243 953	124 879	6 368 832	6 496 209	6 626 133
GRASS CUTTING_03058	5 406 543	108 131	9 514 674	9 624 967	9 737 467
NETWORK: MATERIAL_03069_ROADS	14 399 883	(9 112 002)	5 287 881	5 393 638	5 501 511
MAINTENANCE OF ASSET REGISTER_02085	5 068 136	101 363	5 169 499	5 272 889	5 378 346
1501 LAND AUDIT	1 745 000	3 334 900	5 079 900	5 181 498	5 285 128
ELECTRONIC BUILDING PLANS AND LAND DEV	5 000 000	5 000 000	10 000 000	20 200 000	10 204 000
Water Services Development Plan and Water Conservation Demand age	5 000 000	-	5 000 000	5 100 000	5 202 000
OTHER CONTRACTED SERVICES BELOW R5 MILLION	137 496 204	(49 324 590)	84 171 614	80 014 047	91 691 328
TOTAL	638 935 761	(779 276)	638 156 485	635 398 615	645 003 587

1.4.5.21 Operational Cost

Operational costs are projected to increase by R19.7 million (6.8%) in the 2026/2027 financial year compared to the 2025/2026 Adjusted Budget. The increase is primarily attributable to the following allocations:

- 1.4.5.21.1 Water and electricity cut-off management – increased by R7 million to strengthen credit control and revenue collection measures.
- 1.4.5.21.2 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.
- 1.4.5.21.3 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.

Table 10: Proposed Capital Budget per Source of Funding

Funding source description	Approved Final 2025/2026 Budget	Total Inputs	Proposed Draft 2026/2027 Budget	Proposed Draft 2028/2029 Budget	Proposed Draft 2028/2029 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	- 49 441 928	218 081 389	126 552 189	125 455 302
Total	643 378 317	-190 092 928	453 325 389	370 294 189	376 669 302

Table 11: Proposed Capital Budget per municipal votes

Department	Approved Final 2025/2026 Budget	Total Inputs	Proposed Draft 2026/2027 Budget	Proposed Draft 2028/2029 Budget	Proposed Draft 2028/2029 Budget
Community Development Services	13 370 733	- 555 823	12 804 910	2 540 000	2 546 000
Corporate Support Services	12 142 000	- 11 497 000	645 000	25 000	25 000
Economic Development Services	170 100 913	- 148 171 026	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	- 7 260 979	346 746 577	315 652 459	323 124 459
Intergrated Environmental Magement	23 564 776	- 5 724 776	17 840 000	13 700 000	13 700 000
Internal Audit	184 159	- 184 159	-	-	-
Municipal Council	1 779 138	510 862	2 340 000	2 040 000	2 040 000
Operations Management	1 070 000	- 554 820	515 180	-	-
Strategic Investment Programme	64 705 687	- 15 629 886	49 075 801	15 000 000	15 000 000
Municipal Manager	98 000	- 98 000	-	-	-
Total	643 378 317	- 190 092 928	453 325 389	370 294 189	376 669 302

1.4.5.22 The proposed capital budget is projected at R453 million, representing a decrease of R190 million compared to the 2025/2026 approved adjustment budget.

1.4.5.23 The capital budget will be funded through a combination of sources, including R237 million from national government grants, R2 million from provincial government grants, and R218 million from the municipality's own funding.

Table 12: Proposed capital project per own funding

Description	2025_2026 Adjustment Budget	Total Inputs	Proposed Draft 2026/2027 Budget	Proposed Draft 2027/2028 Budget	Proposed Draft 2028/2029 Budget
WIP 43_Brickvale Housing Initiative	34 500 000	(14 000 000)	20 500 000	5 000 000	5 000 000
WIP 37_IDS-CHAMDOR SUBSTATION REFURBISHMENT	18 300 000	(2 000 000)	16 300 000	-	-
WIP 14_SWANEVILLE INDUSTRIAL PARK	15 000 000	-	15 000 000	20 000 000	20 000 000
1410 REFURBISHMENT TRAFFIC CENTRE	-	12 000 000	12 000 000	-	-
WIP_45-CAP140_IDS-ENVIRO LOO TOILETS	24 000 000	(13 000 000)	11 000 000	11 000 000	11 000 000
1470 Refurbishment of Sewer Pumpstation	16 515 177	(6 000 000)	10 515 177	10 515 177	10 515 177
1460 CAP_IDS:Roads Rehabilitation And Resurfacing	10 000 000	-	10 000 000	10 000 000	10 000 000
Luipaardsvlei Landfill Site Phase 5	-	10 000 000	10 000 000	10 000 000	10 000 000
WIP 57_INSTALLATION OF STREETLIGHTS	-	8 000 000	8 000 000	8 000 000	8 000 000
1410 REFURBISHMENT DELPORTON LICENSING	-	8 000 000	8 000 000	-	-
WIP 3102_Electricity SMALL CONNETION	7 455 282	-	7 455 282	7 455 282	7 455 282
WIP 3101_Electricity BULK CONNECTIONS	6 106 919	-	6 106 919	6 106 919	6 106 919
WIP 40_SIP-Dr Motlana Housing Development HS	6 000 000	(1 000 000)	5 000 000	5 000 000	5 000 000
WIP 39_SIP-Dr Sefularo Housing Development HS	6 000 000	(1 000 000)	5 000 000	5 000 000	5 000 000
WIP 32_IDS- Smart Conventional Water Meter	5 000 000	-	5 000 000	5 000 000	5 000 000
Refurbishment and Extension of Kagiso Ext 12 Community Hall	-	5 000 000	5 000 000	-	-
14099027300329982799_CAP021_IDS- Analog To Digital Meter Rep(Bulk supply)	4 673 081	-	4 673 081	4 673 081	4 673 081
Fencing: Ga Mogale Flats	-	4 200 000	4 200 000	-	-
1450 90277 0025991039_IDS-TLB	730 000	2 670 000	3 400 000	-	-
WIP 2971_Analog To Digital Meter Replacement(small connection)	-	3 000 000	3 000 000	3 000 000	3 000 000
WIP 2_Installation of Electricity Meters - Indigents	3 000 000	-	3 000 000	3 000 000	3 000 000
SMALL MECHANICAL EQUIPMENT (OHS) WWTW	1 000 000	2 000 000	3 000 000	3 000 000	3 000 000
WIP 59_Installation of Weighbridge-Luipaardsvlei	-	3 000 000	3 000 000	-	-
ACCESS CONTROL AND GUARD HOUSE WASTE WATER	1 304 882	1 600 000	2 904 882	-	-
PANEL VANS x 4	-	2 800 000	2 800 000	-	-
2 x BY CREW CAP 4 TON TRUCKS	-	2 400 000	2 400 000	-	-
TRAFFIC CALMING & ROAD SAFETY MEASURES	-	2 000 000	2 000 000	2 000 000	2 000 000
1802 90276 0025999099_CDS-Purchasing of Road block Bus for traffic fines_902	-	2 000 000	2 000 000	-	-
_CAP339_IDS-Acquisition of Municipal Transport Infrastructur	1 300 543	500 000	1 800 543	-	-
1470 Crane Truck	1 400 000	400 000	1 800 000	-	-
Fencing: Van Riebeck Old Age Home	-	1 800 000	1 800 000	-	-
Fencing: Pioneer Old Age Home	-	1 800 000	1 800 000	-	-
Other projects below R1.8 Million	105 197 433	(85 611 928)	19 625 505	7 801 730	6 704 843
Total	267 483 317	(49 441 928)	218 081 389	126 552 189	125 455 302

1.4.4.4 The allocation for capital projects funded from the municipality's own revenue has decreased by 18.5% (R49 million) compared to the 2025/2026 Adjustment Budget. For the 2026/2027 financial year, an amount of R218 million has been provided.

1.4.4.5 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.

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



Department of Infrastructure Development Services

- 1.4.4.6.1 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.
- 1.4.4.6.2 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.
- 1.4.4.6.3 Refurbishment of Chamdor Substation – R16,3 million.
- 1.4.4.6.4 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.
- 1.4.4.6.5 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.
- 1.4.4.6.6 A total of R10.5 million has been allocated for the refurbishment of sewer pump stations.
- 1.4.4.6.7 A total of R10 million has been allocated for roads rehabilitation and resurfacing.
- 1.4.4.6.8 Refurbishment of Traffic Centre: R12 million allocated for refurbishment to improve operational efficiency and service delivery.
- 1.4.4.6.9 Refurbishment of Delporton Licensing Centre: R8 million allocated for refurbishment to improve service delivery, accessibility, and operational efficiency.
- 1.4.4.6.10 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.
- 1.4.4.6.11 Installation of streetlights amounting to R8 million.
- 1.4.4.6.12 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.
- 1.4.4.6.13 The municipality has allocated R3.4 million for the purchase of two TLBs to support water and sanitation services.



Department of Community Development Services

- 1.4.4.6.14 A total of R2 million has been allocated for the purchasing of a roadblock bus to support traffic enforcement.
- 1.4.4.6.15 An allocation of R1.7 million has been made for the purchase of a TLB to address illegal mining activities.

Department of Economic Development Services

- 1.4.4.6.16 Swaneville Industrial Park – R15 million. A dedicated provision has been made to support this economic development initiative.
- 1.4.4.6.17 A total of R1,1 million has been allocated for the procurement of a tractor under the Economic and Development Services.
- 1.4.4.6.18 An amount of R2 million has been allocated in the 2026/2027 MTREF for fibre installation.

Department of Integrated Environmental Management

- 1.4.4.6.19 Installation of fire hydrants and weighbridge amounting to R3,5 million.
- 1.4.4.6.20 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

- 1.4.4.6.21 The Brickvale Housing Initiative is allocated at R20,5 million.
- 1.4.4.6.22 An allocation of R5 million each has been provided for Internal Services for the Dr. Motlana and Dr. Sefularo Housing Projects.
- 1.4.4.6.23 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 and,
- 1.4.4.6.24 R5 million for the refurbishment and extension of Kagiso Ext 12 Community Hall.

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.

1.6 BUSINESS RISK IMPLICATIONS

Meeting financial obligations and services delivery mandate.

1.7 STAKEHOLDERS CONSULTED

Accounting Officer

Internal Departments

Senior Management Committee

Joint Finance and Corporate Support Services

Budget Steering Committee

Mayoral Committee

Council

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 Review	IDP	Aug 2025
Submission of the IDP Process Plan to MEC for Local Government, National & Provincial Treasury Departments	IDP	Aug 2025
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	All Departments	Feb/Mar 2026
Priority Programme and Project Identification	All Departments	Jan/Feb 2026
IDP		
PERFORMANCE AND BUDGET REVIEW PHASE		
Submission of Mid-year performance report	M&E	Jan/Feb 2026
Mid-year budget and performance assessment visits	All Departments	Jan/Feb 2026
Budget adjustment	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: Draft reviewed Property Rates Policy

Annexure 2: Draft reviewed Property Rates By-Laws

Annexure 3: Draft reviewed Supply Chain Management

Annexure 4: Draft reviewed Credit Control and Debt Collection Policy

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

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

Annexure 6: Draft reviewed Financial Misconduct Policy

Annexure 7: Draft reviewed Water and Sanitation Tariff Policy

Annexure 8: Draft reviewed Electricity Tariff Policy

Annexure 9: Draft reviewed 2% Corporate Social Responsibility

Annexure 9.1 Draft Mayoral Bursary Policy as per section 5.1 of the CSR Policy including the supporting documents **(New)**

Annexure 9.2 Draft 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: Draft reviewed Cash Management & Investment Policy
- Annexure 11: Draft reviewed Borrowing Policy
- Annexure 12: Draft reviewed Funding and reserves
- Annexure 13: Draft reviewed Long Term Financial Plan Policy
- Annexure 14: Draft reviewed Asset Management Policy
- Annexure 15: Draft reviewed Indigent Management Policy
- Annexure 16: Draft reviewed Employment Equity policy
- Annexure 17: Draft reviewed Recruitment Policy
- Annexure 18: Draft reviewed Overtime Policy
- Annexure 19: Draft reviewed Grant in Aid Policy
- Annexure 20: Draft reviewed Indigent Burial Policy
- Annexure 21: Draft reviewed Liquidity Policy
- Annexure 22: Draft reviewed Waste Management Service Policy
- Annexure 23: Draft reviewed Unclaimed Monies Policy
- Annexure 24: Draft reviewed Cost Containment Policy
- Annexure 25: Draft reviewed Budget Management Policy
- Annexure 26: Draft reviewed Adjustment Budget Policy
- Annexure 27: Draft reviewed Virement Policy
- Annexure 28: Draft reviewed Cashier Shortages and Surpluses
- Annexure 29: Draft reviewed VAB Remuneration Policy VAB Members
- Annexure 30: Draft reviewed Mogale City Local Municipality By-Laws for the control of outdoor advertising Signs and Hoardings
- Annexure 31 Draft reviewed Capital project and Infrastructure investment policy
- Annexure 32: Draft reviewed Supplier Performance Monitoring Policy
- Annexure 33: Draft reviewed Acting policy
- Annexure 34: Draft reviewed Bursary policy

Annexure 35: Draft reviewed Unauthorised, Irregular, Fruitless & Wasteful expenditure Policy

Annexure 36: Draft reviewed learning & development policy

Annexure 37: Draft Reviewed Tariff Policy

Annexure 38: Draft reviewed Tariff By-Laws

Annexure 39: Draft reviewed Leave Policy

Annexure 40: Draft reviewed Management Development System Policy

Annexure 41: Draft reviewed transfer and secondment Policy

Annexure 42: Draft reviewed Task Job Evaluation Policy

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

Annexure 44 Draft reviewed Wellness Management Policy 2025-2026

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

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

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

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

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

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

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

Annexure 52 Draft 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.** While modest economic recovery is 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** 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 late payments for bulk services, which result in fruitless expenditure so far for the current financial year Mogale City is doing well paying Eskom and Rand Water on time.

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 Actual	2025/26 Estimate	2026/2027	2027/28 Forecast	2028/29
CPI Inflation	4.4%	3.3%	3.7%	3.3%	3.2%

Source: National Treasury Budget Review 2025.

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 6 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



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KRUGERSDORP

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Municipal manager's quality certificate

I **Makhosana Msezana**, Municipal Manager of Mogale City, hereby certify that the 2026-2027 Tabled Annual Budget Report and two outer years and supporting documentation 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.

Print Name: **Makhosana Msezana**

Municipal Manager of Mogale City (GT481)

Signature 

Date 5/3/2026

PART 3 – SCHEDULES TO THE BUDGET

Schedule 1 2026/2027 Proposed revenue & expenditure budget

Schedule 2(a) 2026/2027 Capital budget project list

Schedule 2(b) 2026/2027 Out-of-books capital budget project list

Schedule 3 (a) 2026/2027 Proposed rates, service charges tariffs and other user charges

Schedule 3 (b) 2026/2027 Proposed electricity tariffs for application for approval by NERSA.

3.6 Schedule 4 (a) Notification on revised municipal tariff determination timelines for FY2026/27 following court judgement and approval of Eskom Retail Tariff Structural Adjustment (ERTSA).

3.7 Schedule 4(b) Stamped Court Order Mogale City – NERSA vs Afriforum

3.8 Schedule 4 (c) Proposed Rand Water Tariffs

3.9 Schedule 5 Electricity Cost of Supply (COS)

3.10 Schedule 6 Revenue Management Assessment Tool

3.11 Schedule 7 MBRR Table A1-A10

3.12 Schedule 8 2026/2027 draft Service Delivery and Budget Implementation Plan (SDBIP) Top layer and operational layer

3.13 Schedule 9 2026/2027 Mogale City Bursary Application Form

3.14 Schedule 10 2026/2027 Mogale City Mayoral Bursary Agree

3.15 Schedule 11 2026/2027 Mayoral Bursary Selection Scoring Matrix (For Selection Committee)

3.16 Schedule 12 2026/2027 2026/2027 Due diligence Checklist For NGO's/NPO's

3.17 Schedule 13 2026/2027 2026/2027 Mogale City Funding Agreement Template

3.18 Schedule 14 2026/2027 Monitoring and Evaluation Scorecard – Funding Model For NGO's/NPO's

3.19 Schedule 15 MFMA Circular 131 – Funds Transferred by Municipalities to Organisations and Bodies Outside the Government

3.20 Schedule 16 MFMA Circular 133 – The Meaning of Organ Of State as contemplated in Section 110(2)(a) of the MFMA

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