

ANNUAL BUDGET OF  
**MOQHAKA LOCAL  
MUNICIPALITY**



*"People's power in action"*

**2026/27 TO 2028/29  
MEDIUM TERM REVENUE AND  
EXPENDITURE FORECASTS**

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**MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK 2026/27 TO 2028/29**

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# Annual Budget

## **(a) Executive Mayor's Speech**

The Mayor's speech will accompany the final annual budget approval.

## **(b) Council Resolutions**

The Council take note of the following resolutions for the draft annual budget of 2026/27 to 2028/29 financial period:

The Council of Mqophaka Local Municipality, acting in terms of *section 24* of the Local Government: Municipal Financial Management Act (Act 56 of 2003) tables the budget for the 2026/27 MTREF.

The annual budget of the municipality for the financial year 2025/26 and the multi-year and single-year capital appropriations as set out in the following tables:

- i. Budget Summary as per Table A1,
- ii. Budgeted Financial Performance as per Table A2,
- iii. Budgeted Financial Performance as per Table A3,
- iv. Budgeted Financial Performance as per Table A4,
- v. Multi-year and single-year capital appropriation by municipal vote and standard classification and associated funding by source reflected as per Table A5,
- vi. Budgeted Financial Position as per Table A6,
- vii. Budgeted Cash Flows as per Table A7,
- viii. Cash Backed reserves and accumulated surplus reconciliation as per Table A8,
- ix. Asset Management as per Table A9,
- x. Basic Service Delivery measurement reflected as per Table A10.

## 1. Executive Summary

### 2026/27 Budget Overview

There are three components of budgets tabled for approval by Council, the operating expenditure budget, the operating revenue budget and the capital budget.

**Table 1 Consolidated Overview of the 2026/27 MTREF**

| Description<br>R'000        | Adjustment<br>Budget<br>2025/26 | Budget<br>2026/27 | Budget<br>2027/28 | Budget<br>2028/29 |
|-----------------------------|---------------------------------|-------------------|-------------------|-------------------|
| Total Operating Revenue     | 1 526 150                       | 1 666 686         | 1 721 947         | 1 777 102         |
| Total Operating Expenditure | 1 451 951                       | 1 536 899         | 1 595 094         | 1 646 704         |
| Surplus/Deficit             | 115 993                         | 129 787           | 126 893           | 130 399           |
| Total Capital Expenditure   | 85 879                          | 71 728            | 92 741            | 95 238            |

The total operating revenue for the 2026/27 financial year has been forecasted at **R1 666 billion**. When compared to the 2025/26 Adjustment Budget, operational revenue has experienced a growth of **9.2%**. For the two outer years, operational revenue is anticipated to increase by **3.3%** and **3.2%** respectively.

The total operating expenditure for the 2026/27 financial year has been forecasted at **R1 536 billion**. When compared to the 2025/26 Adjustments Budget, operational expenditure has been projected at **5.8%** in the 2025/26 budget year and by **3.3%** and **3.2%** for each of the respective outer years of the MTREF. The anticipated surpluses to be raised will be used to predominantly fund capital expenditure and to further ensure cash backing of funds and reserves.

The capital budget amounts to **R 71 million** for 2026/27, which is a 14 million decrease from 2025/26 Adjustment Budget. The capital budget will mainly be funded from grants over the MTREF with gazetted grants of **R42.6 million** as per the Division of Revenue bill 2026/27 and **R29 million** from the municipal own funding.

## 2. [The following budget principles and guidelines directly informed the compilation of the 2026/27 MTREF:](#)

- The 2025/26 Adjustment Budget priorities and targets, as well as the base line allocations contained in that Adjustment Budget were adopted as the upper limits for the new baselines for the 2026/27 annual budget.
- The incremental and Zero-based budgeting methodology were adopted in the compilation of the Capital Budget.
- The Tariffs and Property Rates increases should remain affordable and should generally not exceed inflation as measured by the CPI year on year, except where there are price increases in the inputs of services that are beyond the control of the municipality;
- Tariffs need to remain or move towards being cost reflective and should consider the need to address the infrastructure backlogs and maintenance thereof.
- The necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the Annual Division of Revenue Act.

## 3. [Tariff Setting](#)

There are several tools available, and methodologies employed to determine the appropriate tariffs. The municipality may favour different approaches, but the principles of tariff setting is consistently applied. The municipality considered the following practicalities when setting tariffs:

- The Costs of bulk purchases (Electricity & Water) and the fluctuation in the seasonal cost {time-of-use-tariffs} thereof;
- The Consumption patterns to enable better demand management and planning; and
- In the event that the municipality has been under recovering costs, embark on a process to correct the tariff structures over a reasonable time so that cost reflective tariffs are phased in, in a manner that spreads the impact on consumers over a reasonable period.

The tariff setting process is reliant on sound baseline information such as the number of properties within the municipal area of jurisdiction, the values of these properties, the number of households identified as indigent/poor, the consumption patterns in respect of basic services and the growth patterns within the various geographic areas.

The inflation rate forecasts as per the MFMA Circular no. 132 was issued by National Treasury has been considered in compilation of the MTREF. The maximum of **3.7%** rate increase was pronounced amongst the Revenue tariffs increases. However, some tariffs are higher than the stipulated percentage as these are based on recovering the cost of delivering the respective services and ensuring that the municipality remains sustainable.

4. The Council of Moqhaka Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables the following tariffs as set out and included in the budget documentation, with effect from 01 July 2026: (Average Increases)

The proposed revisions to the tariffs have been formulated in accordance with the municipality's Tariff and Rates Policy and complies with Section 74 of the Municipal Systems Act as well as the recommendations of the National Energy Regulator of South Africa (NERSA). In terms of Section 75A of the Local Government Municipal Systems Act, any fees, charges or tariffs which a municipality may wish to levy and recover in respect of any function or service of the municipality, must be approved by a resolution passed by the municipal Council with a supporting vote of a majority of its members.

The *average* tariff increases for the MTREF is as follows:

| <b>Description</b> | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b> |
|--------------------|----------------|----------------|----------------|----------------|----------------|
| Property Rates     | 5.10%          | 4.90%          | 4.90%          | 4.40%          | 3.70%          |
| Electricity        | 8.60%          | 4.90%          | 12.40%         | 12.74          | 9.01%          |
| Water              | 7.00%          | 4.90%          | 4.90%          | 4.40%          | 3.70%          |
| Sanitation         | 5.40%          | 4.90%          | 4.90%          | 4.40%          | 3.70%          |
| Refuse             | 5.90%          | 4.90%          | 4.90%          | 4.40%          | 3.70%          |
| Other Income       | 6.10%          | 4.90%          | 4.90%          | 4.40%          | 3.70%          |

\* Electricity tariffs are as per the National Energy Regulator of South Africa (NERSA) approval.

\*\*\* Detailed tariff list is attached.

The Council, in compliance with Section 14 of the Local Government: Municipal Property Rates Act, 2004 notes and tables to Council for approval the property rates increase as set out as per the tariff list submitted to Council for consideration.

## COST REFLECTIVE TARIFFS

The following information provides clarity in terms of the cost reflective tariffs for MTRF 2025/2028

| Moqhaka                                 |                 | Moqhaka   |       | Moqhaka                            |                 | Moqhaka         |                 |                       |                 |
|---|-----------------|-----------|-------|------------------------------------|-----------------|-----------------|-----------------|-----------------------|-----------------|
| Tariff Assessments for the MTREF Period |                 |           |       |                                    |                 |                 |                 |                       |                 |
| Assessment Status                       | Financial Year  | Period    | Item  | Water                              | Waste Water     | Electricity     | Solid Waste     | Total Surplus/Deficit |                 |
| Year 1                                  | Cost Reflective | 2023/2024 | Year1 | Revenue Required by NT Tariff Tool | 71 539 030      | 49 333 099      | 431 294 945     | 42 333 979            | 594 501 053     |
|   |                 |           |       | Revenue Budgeted                   | 186 451 333     | 66 697 976      | 450 786 600     | 46 295 731            | 750 231 640     |
|   |                 |           |       | Shortfall/Excess                   | 114 912 303     | 17 364 877      | 19 491 655      | 3 961 752             | 155 730 587     |
|   |                 |           |       | Assessment Outcome per Service     | Cost Reflective | Cost Reflective | Cost Reflective | Cost Reflective       | Cost Reflective |
| Year 2                                  | Cost Reflective | 2024/2025 | Year2 | Revenue Required by NT Tariff Tool | 75 041 787      | 51 748 641      | 452 418 443     | 44 406 889            | 623 615 760     |
|   |                 |           |       | Revenue Budgeted                   | 195 587 450     | 69 966 177      | 472 875 143     | 48 564 221            | 786 992 991     |
|   |                 |           |       | Surplus /Deficit                   | 120 545 663     | 18 217 536      | 20 456 700      | 4 157 332             | 163 377 231     |
|   |                 |           |       | Assessment Outcome per Service     | Cost Reflective | Cost Reflective | Cost Reflective | Cost Reflective       | Cost Reflective |
| Year 3                                  | Cost Reflective | 2025/2026 | Year3 | Revenue Required by NT Tariff Tool | 79 866 955      | 55 049 159      | 478 549 763     | 47 204 139            | 660 670 016     |
|   |                 |           |       | Revenue Budgeted                   | 204 780 060     | 73 254 588      | 495 100 275     | 50 846 740            | 823 981 663     |
|   |                 |           |       | Surplus /Deficit                   | 124 913 105     | 18 205 429      | 16 550 512      | 3 642 601             | 163 311 647     |
|   |                 |           |       | Assessment Outcome per Service     | Cost Reflective | Cost Reflective | Cost Reflective | Cost Reflective       | Cost Reflective |

It is against this background that we are of the view that the municipality's tariff is cost reflective as required by MFMA Circular No. 98. The municipality has worked on the tariff setting tool to benchmark its costing structure for the 2026-2027 financial year. This process will enable us to ensure that the necessary corrections are affected on the draft tariffs setting process for the respective financial year.

### 5. The main challenges experienced during the compilation of the MTREF can be summarised as follows:

- The ongoing economic difficulties in relation to the national and local economic growth.
- The effects of Covid-19 which led to more unemployment crisis are still felt by the municipality and the whole country.
- The aging water, roads, sewer and electricity infrastructure.
- The need to reprioritise projects and expenditure within the existing resource basket given the cash flow realities and declining cash position of the municipality coupled with the ongoing increase of the municipality's debtors book.
- The increased cost of electricity (due to tariff increases as approved by NERSA);
- Wage increases for municipal staff that continues to exceed consumer inflation, as well as the need to fill critical vacancies to augment basic service delivery.
- The lack of affordable capital/borrowing.

5. The main challenges experienced during the compilation of the MTREF can be summarised as follows:

- The ongoing economic difficulties in relation to the national and local economic growth;
- The effects of Covid-19 has also exacerbated the unemployment crisis experienced by the municipality.
- The aging water, roads, sewer and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource basket given the cash flow realities and declining cash position of the municipality coupled with the ongoing increase of the municipality's debtors book;
- The increased cost of electricity (due to tariff increases as approved by NERSA);
- Wage increases for municipal staff that continues to exceed consumer inflation, as well as the need to fill critical vacancies to augment basic service delivery;
- The lack of affordable capital/borrowing;

## 6. Overview of Budget Funding

In line with Section 18 (1) of the MFMA which states that an annual budget may only be funded from:

- ✓ Realistically anticipated revenues to be collected;
- ✓ Cash backed accumulated funds from the previous years' surpluses not committed for other purposes; and
- ✓ Borrowed funds, but only for the capital budget referred to in Section 17.

### **The importance of tabling funded budgets is highlighted in MFMA Circular No. 74.**

The achievement of this requirement in totality effectively means that the Council has "Balanced" its annual budget by ensuring that budgeted outflows will be offset by a combination of planned inflows. Refer to Table A7 Budgeted Cash Flows and Table A8 Cash backed reserves/accumulated surplus reconciliation.

The Municipality continues to experience an unfavourable financial profile and low liquidity levels, which is mainly attributable to:

- The high outstanding debtors' book which continues to increase on an annual basis due to non-payment of services by consumers,
- The municipality operates within its annual budget, as approved by Council.
- The municipality maintains a minimal cash to fund operations in effecting service delivery.

In compliance with relevant statutory requirements, the Financial Plan (Medium Term Revenue and Expenditure Framework-MTREF) is reviewed and updated annually.

The Capital budget is mainly funded by the allocations (grants) received by the municipality from National and Provincial Government in the form of grants, as well as public contributions. and donations, borrowings and internally generated funds.

The municipality raises revenue from a basket of differential tariff increases determined in the most acceptable and equitable funding regime taking into consideration the actual cost of delivering services, budget priorities and national legislation, regulations and policy guidelines. The municipal revenue comprises of operating revenue which includes property taxes, services charges and operating grants- and capital revenue which consists of capital grants, borrowings, cash reserves and operating surplus.

This high level of independent and relative stable income sources of revenue is one of the key factors that support the sound financial position of the municipality. In addition to the obvious need to grow the municipality's revenue by increasing its tax base, other means for securing funding for Council projects need to be explored in a variety of ways. The municipality faces unpleasant choices in attempting to finance the projected levels of investment in infrastructure. Sources of capital finance are already stretched with limited scope for further borrowing, consumer pressure to restrict tariff and tax increases, and little likelihood of a structural upward adjustment in grant allocations. Further, efficiencies in the borrowing programme will continue

to be sought to lock in lower cost and longer-term borrowing, plus the introduction of new revenue sources such as infrastructure contribution and charges.

## 7. Operating Revenue Framework

The municipality generates income from various sources such as exchange and non-exchange transactions. Revenue from exchange transactions is generated mainly from trading services. The municipality has adopted a consolidated billing system for both exchange and non-exchange transactions for municipal services. Billing is therefore done systematically based on fixed monthly tariffs for other services as well as consumption-based billing for metered services.

For Moqhaka Local Municipality to continue improving the quality of basic services provided to its citizens it needs to generate the required level of revenue and improve its debt collection rate. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and high poverty and unemployment rate in our area.

The expenditure required to address these challenges will inevitably always exceed available funding, considering the subsidies that the municipality needs to provide to the poor, hence difficult choices must be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macro-economic policy;
- Projected growth and growth in demand for services;
- Realistic projections of revenue and collection thereof, as well as strategies for debtor's management;
- Improving the effectiveness of revenue management processes and procedures;
- Efficient revenue management, which aims to ensure a **95%** annual collection rate for property rates and service charges as required by MFMA Circular No. 71;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Paying special attention to cost containment measures by, amongst other things, controlling unnecessary spending on nice-to-have items and non-essential activities as was highlighted in MFMA Circular No.82;
- Determination of tariffs for trading services in a cost reflective and a cost recovery manner;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service to achieve cost reflective tariffs (or Break-Even-Point);
- The municipality's Property Rates Policy approved by Council in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- The municipality's Indigent Policy and the rendering of free basic services; and

- Curbing consumption of water and electricity by indigents to ensure that they do not exceed their allocated benefits.

The financial sustainability of the 2026/27 MTREF is largely dependent on the collection of the anticipated revenue. Provision is made in the budget for a collection rate of 85%. To achieve this collection, Moqhaka Local Municipality is looking to implement more robust credit and debt control measures, which will ensure that all consumers who can afford to pay for services rendered do pay for those services and those who cannot afford to pay for the services are registered accordingly as indigents in terms of the municipality's indigent policy. This rate is in relation to the 2025/26 financial year revenue collection, and does not consider the collection efforts of the municipality with regards to its arrear consumer debt.

In terms of Council's social commitment to assist the poor households within Moqhaka the supply of free basic services and social contributions to identified structures in Moqhaka remains a priority to ensure basic service delivery.

Table 2 Summary of revenue classified by municipal votes (A3)

| FS201 Moqhaka - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote) |                      |                      |                       |                        |                           |                           |
|---|----------------------|----------------------|-----------------------|------------------------|---------------------------|---------------------------|
| Vote Description  | Current Year 2025/26 |                      |                       | 2026/27<br>Medium Term |                           |                           |
| R thousand  | Original Budget      | Adjusted<br>Budget   | Full Year<br>Forecast | Budget Year<br>2026/27 | Budget Year +1<br>2027/28 | Budget Year +2<br>2028/29 |
| Revenue by Vote   |                      |                      |                       |                        |                           |                           |
| Vote 01 - Executive & Council   | 215 840 160          | 215 840 160          | 215 840 160           | 223 701 899            | 232 322 775               | 239 871 214               |
| Vote 02 - Municipal Manager   | 0                    | 0                    | 0                     | 0                      | 0                         | 0                         |
| Vote 03 - Corporate Services  | 4 725 264            | -371 568             | -371 568              | 7 302 862              | 7 431 834                 | 7 561 023                 |
| Vote 04 - Finance   | 114 432 328          | 122 143 568          | 122 143 568           | 125 857 874            | 130 011 182               | 134 171 538               |
| Vote 05 - Technical Services  | 1 048 048 995        | 1 087 192 689        | 1 087 192 689         | 1 134 609 798          | 1 197 919 125             | 1 236 421 545             |
| Vote 06 - Community Services  | 93 972 991           | 93 780 257           | 93 780 257            | 97 082 879             | 100 414 204               | 103 637 626               |
| Vote 07 - Local Economic Deve   | 19 463 633           | 19 589 099           | 19 589 099            | 21 012 637             | 21 706 055                | 22 400 650                |
| <b>Total Revenue by Vote</b>  | <b>1 496 483 371</b> | <b>1 538 174 205</b> | <b>1 538 174 205</b>  | <b>1 609 567 949</b>   | <b>1 689 805 175</b>      | <b>1 744 063 596</b>      |

The following table is a summary of the MTREF classified by main revenue source

| FS201 Moqhaka - Table A4 Budgeted Financial Performance (revenue and expenditure) |                      |                      |   |                        |                        |
|---|----------------------|----------------------|---|------------------------|------------------------|
| Description   | Current Year 2025/26 |                      | 2026/27 Medium Term Revenue & Expenditure Framework |                        |                        |
| R thousand  | Original Budget      | Adjusted Budget      | Budget Year 2026/27                                 | Budget Year +1 2027/28 | Budget Year +2 2028/29 |
| <b>Revenue</b>  |                      |                      |   |                        |                        |
| Exchange Revenue  |                      |                      |   |                        |                        |
| Service charges - Electricity   | 558 554 420          | 558 554 420          | 608 165 829   | 628 235 301            | 648 338 829            |
| Service charges - Water   | 235 852 994          | 235 852 994          | 244 579 555   | 252 650 679            | 260 735 500            |
| Service charges - Waste Water Management  | 85 394 070           | 87 289 025           | 90 518 720  | 93 505 837             | 96 498 024             |
| Service charges - Waste Management  | 52 444 684           | 52 444 684           | 54 385 138  | 56 179 847             | 57 977 602             |
| Sale of Goods and Rendering of Services   | 8 763 831            | 8 674 766            | 8 834 613   | 9 126 157              | 9 418 193              |
| Interest earned from Receivables  | 78 686 706           | 83 128 275           | 94 454 612  | 97 571 613             | 100 693 907            |
| Interest earned from Current and Non Current Assets                               | 63 306               | 63 306               | 63 306  | 65 395                 | 67 488                 |
| Dividends   | 4 744 218            | 4 744 218            | 4 919 754   | 5 082 106              | 5 244 733              |
| Rental from Fixed Assets  | 9 255 992            | 9 883 271            | 10 244 684  | 10 582 760             | 10 921 408             |
| Operational Revenue   | 14 959 919           | 9 352 576            | 17 505 140  | 18 082 811             | 18 661 460             |
| Property rates  | 134 957 096          | 138 969 620          | 144 120 745   | 148 876 728            | 153 640 783            |
| Fines, penalties and forfeits   | 5 783 743            | 5 602 589            | 5 604 809   | 5 789 768              | 5 975 040              |
| Transfer and subsidies - Operational  | 328 582 259          | 363 895 654          | 373 273 654   | 385 851 974            | 398 252 648            |
| Interest  | 8 373 033            | 9 754 831            | 10 291 833  | 10 631 464             | 10 971 670             |
| Operational Revenue   | -266 710             | -266 710             | -276 578  | -285 706               | -294 848               |
| <b>Total Revenue (excluding capital transfers and contributions)</b>              | <b>1 526 149 561</b> | <b>1 567 943 519</b> | <b>1 666 685 814</b>                                | <b>1 721 946 734</b>   | <b>1 777 102 437</b>   |
| <b>Expenditure</b>  |                      |                      |   |                        |                        |
| Employee related costs  | 449 409 838          | 524 882 394          | 540 067 122   | 556 581 621            | 574 376 246            |
| Remuneration of councillors   | 29 484 431           | 28 380 690           | 29 728 774  | 30 709 822             | 31 692 538             |
| Bulk purchases - electricity  | 428 185 402          | 325 349 213          | 382 726 926   | 404 356 916            | 417 996 337            |
| Inventory consumed  | 26 574 038           | 41 145 897           | 41 511 421  | 42 881 304             | 44 253 503             |
| Debt impairment   | 60 548 326           | 37 948 326           | 51 817 566  | 53 527 545             | 55 240 426             |
| Depreciation, amortisation and impairment   | 10 304 608           | 10 304 608           | 10 674 026  | 11 026 267             | 11 379 099             |
| Interest, Dividends and Rent on Land  | 8 790 312            | 8 790 312            | 9 115 554   | 9 416 367              | 9 717 690              |
| Contracted services   | 197 382 921          | 271 168 989          | 260 815 125   | 269 270 621            | 277 811 454            |
| Transfers and subsidies   | 1 095 158            | 1 095 158            | 1 113 392   | 1 150 134              | 1 186 938              |
| Irrecoverable debts written off   | 3 966 284            | 10 001 998           | 10 372 073  | 10 714 350             | 11 057 209             |
| Operational costs   | 170 389 184          | 192 814 187          | 198 885 052   | 205 344 957            | 211 915 985            |
| Disposal of Fixed and Intangible Assets   | 63 046               | 63 046               | 65 379  | 67 536                 | 69 697                 |
| Other Losses  | 0                    | 5 909                | 6 128   | 6 330                  | 6 532                  |
| <b>Total Expenditure</b>  | <b>1 386 193 548</b> | <b>1 451 950 727</b> | <b>1 536 898 538</b>                                | <b>1 595 053 770</b>   | <b>1 646 703 654</b>   |
| <b>Surplus/(Deficit)</b>  | <b>139 956 013</b>   | <b>115 992 792</b>   | <b>129 787 276</b>                                  | <b>126 892 964</b>     | <b>130 398 783</b>     |

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculated operating surplus/deficit.

Revenue generated from **rates and service charges** comprise a significant percentage (69%) of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2026/27 financial year, revenue from rates and services charges amount to **R1 150 billion**. This effectively means that the municipality is highly dependent on its consumers/households/community to pay for the services rendered to enable the municipality to continue rendering these basic services consistently so.

## 8. TARIFFS INCREASE REMARKS

### Electricity

The electricity tariff increase is in line with the NERSA Guideline Increase of **9.01%**. This also put pressure on the municipal fiscus including the municipality's ability to service its Eskom Debt.

### Water

Revenues from water services increased on average by **3.7%**. The municipality continue to experience major challenges with regards to its water network, which in most cases leaves the community without water for extended period of times. The water network is still predominantly asbestos pipelines. This continues to adversely affect our water distribution infrastructure due to continuous burst pipes, especially during the winter season due to the type of network in place (asbestos pipes).

The repairs and maintenance cost for the network is funding from the "basic water charge" tariff. It has been evident from the past 3 years that this tariff does not adequately cover the costs of effectively maintaining the water network. This tariff continues to experience a higher tariff increase to ensure that adequate financial resources is available for the rehabilitation of the water infrastructure network.

### Sanitation

Revenues from sanitation services increased on average by **3.7%**. The municipality continue to experience serious challenges with regards to its sanitation network. The network is a clay pipe network and is aged, while at the same time the municipality is experiencing continuous collapse lines which is very costly to the municipality to upkeep and maintain. These clay pipes most of the time results in sewer blockages due to the aging thereof, which also exacerbate the repairs and maintenance costs relating to the sanitation infrastructure network.

The repairs and maintenance cost for the network are mainly funded from the "basic sanitation charge" tariff. It has been evident from the past 3 years that this tariff is not adequate to cover the costs of effectively maintaining the sanitation network. This tariff will experience a higher tariff increase to ensure that adequate funding is available for the rehabilitation of the sanitation infrastructure network. This issue is also exacerbated by the non-compliant effluent deposited by consumers on the network.

### REFUSE

Revenues from Solid Waste Management increased on average by **3.7%**. The increased tariff is based on the costs of delivering the respective service. This is a progressive increase in ensuring that the tariffs are cost reflective, and that the division results in financial sustainability.

It was also determined by the municipality that one of the contributors to the Solid Waste expenditure relates to the excessive time spent (which leads to overtime been worked in most cases) collecting refuse that is kept in containers which does not comply with the required specifications as outlined in the Provincial Gazette of 13 March 2015

### **OTHER REVENUE**

Other revenue component increased on average by **3.7%**. This was because of the alignment of the costs involved in rendering these services, to ensure that the municipality does not run these services at a loss which will ultimately affect the municipality's going concern.

Other revenue comprises of various items such as income received from building plan fees, connection fees, rental of properties and advertisement fees. The departments are continuously reviewing the tariffs relating to these services on an annual basis to ensure they are cost reflective, market related and financially sustainable. This will also enable the municipality to have sufficient resources to effect the necessary repairs and maintenance to keep the properties on a good condition.

## 9. OPERATIONAL TRANSFERS

The Operating grants and transfers amounted to **R325** million in the 2025/26 financial year and the grants increased to **R346** million for the 2026/27 financial year. This is mainly because of the increase in the municipal equitable share allocation for the new financial year.

Table 4 Operating Transfers and Grant Receipts (SA18)

| FS201 Mqohaka - Supporting Table SA18 Transfers and grant receipts |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| Description  | Ref | 2022/23         | 2023/24         | 2024/25         | Current Year 2025/26 |                 |                    | 2026/27 Medium Term Revenue & Expenditure Framework |                        |                        |
|  |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2026/27                                 | Budget Year +1 2027/28 | Budget Year +2 2028/29 |
| <b>RECEIPTS</b>  | 1.2 |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Operating  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| National Government  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Monetary Allocations   |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Equitable Share  |     | 257 433         | 278 006         | 298 568         | 312 705              | 312 705         | 312 705            | 323 918   | 336 430                | 347 341                |
| Expanded Public Works Programme Integrated Grant                   |     | -               | -               | -               | 10 356               | 1 496           | 1 496              | 1 421   | -                      | -                      |
| Local Government Financial Management Grant                        |     | -               | -               | -               | 2 652                | 2 300           | 2 300              | 2 500   | 2 600                  | 2 700                  |
| Municipal Infrastructure Grant                                     |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Regional Bulk Infrastructure Grant                                 |     | -               | -               | 28 364          | 9 000                | 9 000           | 9 000              | 42 040  | 43 427                 | 44 817                 |
| Total Monetary Allocations   |     | 257 433         | 278 006         | 326 932         | 334 714              | 325 501         | 325 501            | 369 879   | 382 457                | 394 858                |
| Total Operating  | 5   | 257 433         | 278 006         | 326 932         | 334 714              | 325 501         | 325 501            | 369 879 000   | 382 457 000            | 394 858 000            |
| Capital  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| National Government  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Monetary Allocations   |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Municipal Infrastructure Grant                                     |     | -               | -               | -               | 48 709               | 48 937          | 48 937             | 27 423  | 54 801                 | 56 477                 |
| Water Services Infrastructure Grant                                |     | -               | -               | -               | 18 762               | 17 128          | 17 128             | 15 268  | 16 160                 | 16 886                 |
| Total Monetary Allocations   |     | -               | -               | -               | 67 471               | 66 065          | 66 065             | 42 691 000  | 70 961 000             | 73 363 000             |
| Total Capital/National Government                                  |     | -               | -               | -               | 67 471               | 66 065          | 66 065             | 42 691 000  | 70 961 000             | 73 363 000             |
| <b>TOTAL RECEIPTS OF TRANSFERS AND GRANTS</b>                      |     | 257 433         | 278 006         | 326 932         | 402 184              | 391 565         | 391 565            | 412 570   | 453 418                | 468 221                |

## 10. Operating Expenditure Framework

The Municipality's expenditure framework for the 2026/27 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of no project plans no budget. If there is no business plan no funding allocation can be made.

Table 5 Summary of operating expenditure by municipal votes (A3)

FS201 Moqhaka - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

| Vote Description                     | Ref | 2022/23          | 2023/24          | 2024/25          | Current Year 2025/26 |                  |                    | 2026/27 Medium Term Revenue & Expenditure Framework |                        |                        |
|--------------------------------------|-----|------------------|------------------|------------------|----------------------|------------------|--------------------|---|------------------------|------------------------|
|                                      |     | Audited Outcome  | Audited Outcome  | Audited Outcome  | Original Budget      | Adjusted Budget  | Full Year Forecast | Budget Year 2026/27                                 | Budget Year +1 2027/28 | Budget Year +2 2028/29 |
| <b>Revenue by Vote</b>               |     |                  |                  |                  |                      |                  |                    |   |                        |                        |
| Vote 01 - Executive & Council        | 1   | 261 248          | 307 242          | 306 737          | 215 840              | 215 840          | 215 840            | 223 702   | 232 323                | 239 871                |
| Vote 02 - Municipal Manager          |     | -                | 2 840            | -                | -                    | -                | -                  | -   | -                      | -                      |
| Vote 03 - Corporate Services         |     | 114              | 196              | (2 178)          | 4 725                | (372)            | (372)              | 7 303   | 7 432                  | 7 561                  |
| Vote 04 - Finance                    |     | 96 208           | 111 091          | 117 673          | 114 432              | 122 144          | 122 144            | 125 858   | 130 011                | 134 172                |
| Vote 05 - Technical Services         |     | 655 531          | 770 998          | 819 425          | 1 048 049            | 1 087 193        | 1 087 193          | 1 134 610   | 1 197 919              | 1 236 422              |
| Vote 06 - Community Services         |     | 55 541           | 61 430           | 75 933           | 93 973               | 93 780           | 93 780             | 97 083  | 100 414                | 103 638                |
| Vote 07 - Local Economic Development |     | 9 614            | 12 023           | 9 488            | 19 464               | 19 589           | 19 589             | 21 013  | 21 706                 | 22 401                 |
| Vote 08 - .                          |     | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| Vote 09 - .                          |     | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| Vote 10 - .                          |     | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| Vote 11 - .                          |     | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| Vote 12 - .                          |     | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| Vote 13 - .                          |     | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| Vote 14 - .                          |     | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| Vote 15 - Other                      |     | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| <b>Total Revenue by Vote</b>         | 2   | <b>1 078 257</b> | <b>1 265 820</b> | <b>1 327 078</b> | <b>1 496 483</b>     | <b>1 538 174</b> | <b>1 538 174</b>   | <b>1 609 568</b>                                    | <b>1 689 805</b>       | <b>1 744 064</b>       |

11. The following table is a high-level summary of the budget and MTREF (classified per main type of operating expenditure):

Table 6: Summary of operating expenditure by standard classification (A4)

| FS201 Mqohaka - Table A4 Budgeted Financial Performance (revenue and expenditure) |                      |                      |   |                        |                        |
|---|----------------------|----------------------|---|------------------------|------------------------|
| Description   | Current Year 2025/26 |                      | 2026/27 Medium Term Revenue & Expenditure Framework |                        |                        |
| R thousand  | Original Budget      | Adjusted Budget      | Budget Year 2026/27                                 | Budget Year +1 2027/28 | Budget Year +2 2028/29 |
| <b>Expenditure</b>  |                      |                      |   |                        |                        |
| Employee related costs  | 449 409 838          | 524 882 394          | 540 067 122   | 556 581 621            | 574 376 246            |
| Remuneration of councillors   | 29 484 431           | 28 380 690           | 29 728 774  | 30 709 822             | 31 692 538             |
| Bulk purchases - electricity  | 428 185 402          | 325 349 213          | 382 726 926   | 404 356 916            | 417 996 337            |
| Inventory consumed  | 26 574 038           | 41 145 897           | 41 511 421  | 42 881 304             | 44 253 503             |
| Debt impairment   | 60 548 326           | 37 948 326           | 51 817 566  | 53 527 545             | 55 240 426             |
| Depreciation, amortisation and impairment   | 10 304 608           | 10 304 608           | 10 674 026  | 11 026 267             | 11 379 099             |
| Interest, Dividends and Rent on Land  | 8 790 312            | 8 790 312            | 9 115 554   | 9 416 367              | 9 717 690              |
| Contracted services   | 197 382 921          | 271 168 989          | 260 815 125   | 269 270 621            | 277 811 454            |
| Transfers and subsidies   | 1 095 158            | 1 095 158            | 1 113 392   | 1 150 134              | 1 186 938              |
| Irrecoverable debts written off   | 3 966 284            | 10 001 998           | 10 372 073  | 10 714 350             | 11 057 209             |
| Operational costs   | 170 389 184          | 192 814 187          | 198 885 052   | 205 344 957            | 211 915 985            |
| Disposal of Fixed and Intangible Assets   | 63 046               | 63 046               | 65 379  | 67 536                 | 69 697                 |
| Other Losses  | 0                    | 5 909                | 6 128   | 6 330                  | 6 532                  |
| <b>Total Expenditure</b>  | <b>1 386 193 548</b> | <b>1 451 950 727</b> | <b>1 536 898 538</b>                                | <b>1 595 053 770</b>   | <b>1 646 703 654</b>   |
| <b>Surplus/(Deficit)</b>  | <b>139 956 013</b>   | <b>115 992 792</b>   | <b>129 787 276</b>                                  | <b>126 892 964</b>     | <b>130 398 783</b>     |

## **REMARKS**

The budgeted allocation for employee related costs for the 2026/27 financial year amounts to R540 million, which equates to **35%** of the total operating expenditure. The employee increase percentage is within the threshold as stipulated in the MFMA Circular No. 132.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been considered in compiling the respective budget.

The cost associated with the remuneration of the municipality's senior managers is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Local Government: Upper Limits of Total Remuneration Packages payable to Municipal Managers and Managers directly accountable to Municipal Manager. The most recent proclamation in this regard has been considered in compiling the respective budget.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases as approved by NERSA (National Energy Regulator of South Africa) have

been factored at 9.01% into the budget appropriation and directly inform the revenue provisions. The expenditure also incorporates the reticulation losses.

Provision for depreciation and asset impairment has been faced in over the financial years due to its excessive impact on the revenue tariffs, to provide for the asset renewal because of use over the years in line with GRAP 17.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). The municipality is currently servicing the DBSA loan. The reduction in finance charges is the expected outcome on the municipality's obligations due to payment arrangements that have been entered into.

The provision of debt impairment was determined based on an annual collection rate of 85%. While this expenditure is considered to be a non-cash flow item, it informs the total costs associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues. The debt impairment provision was also increased taking into account the current outstanding municipal debt.

## 12. Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by Council vote.

Table 7 Budgeted Capital Expenditure by Vote, Standard Classification and funding

FS201 Moqhaka - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

| Vote Description                                 | Ref | 2022/23         | 2023/24         | 2024/25         | Current Year 2025/26 |                 |                    |                   | 2026/27 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|  |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2026/27                                 | Budget Year +1 2027/28 | Budget Year +2 2028/29 |
| <b>R thousand</b>                                |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Capital expenditure - Municipal Vote</b>      |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Single-year expenditure appropriation</b>     | 2   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Vote 01 - Executive &amp; Council</b>         |     | -               | 107             | 15              | -                    | -               | -                  | -                 | 1 110   | 217                    | 224                    |
| 01.1 - Mayors Office                             |     | -               | 10              | -               | -                    | -               | -                  | -                 | 450   | 52                     | 53                     |
| 01.2 - Speakers Office                           |     | -               | 97              | -               | -                    | -               | -                  | -                 | 600   | 103                    | 107                    |
| 01.3 - Office OfThe Whip                         |     | -               | -               | 15              | -                    | -               | -                  | -                 | 60  | 62                     | 64                     |
| <b>Vote 02 - Municipal Manager</b>               |     | 136             | 61              | 97              | 150                  | 165             | 165                | -                 | 190   | 196                    | 203                    |
| 02.1 - Municipal Manager Administration          |     | -               | 13              | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| 02.2 - Internal Audit                            |     | 19              | -               | 34              | -                    | -               | -                  | -                 | 50  | 52                     | 53                     |
| 02.3 - Regional Co-Ordinator Steynsrus           |     | -               | -               | 42              | -                    | -               | -                  | -                 | -   | -                      | -                      |
| 02.4 - Regional Co-Ordinator Vijoenskrone        |     | 36              | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| 02.5 - Communication & Marketing                 |     | 81              | 29              | 7               | 150                  | 150             | 150                | -                 | 100   | 103                    | 107                    |
| 02.6 - Idp & Prms                                |     | -               | -               | -               | -                    | -               | -                  | -                 | 20  | 21                     | 21                     |
| 02.7 - Call Centre (Risk)                        |     | -               | 18              | 13              | -                    | 15              | 15                 | -                 | 10  | 10                     | 11                     |
| 02.8 - Call Centre                               |     | -               | -               | -               | -                    | -               | -                  | -                 | 10  | 10                     | 11                     |
| <b>Vote 03 - Corporate Services</b>              |     | 438             | 727             | 2 258           | 2 500                | 2 660           | 2 660              | 343               | 4 825   | 4 364                  | 4 504                  |
| 03.1 - Records & Administration                  |     | 58              | 24              | 55              | -                    | 220             | 220                | 136               | 1 730   | 1 787                  | 1 844                  |
| 03.2 - Manager Corporate Services                |     | 14              | 47              | 29              | -                    | -               | -                  | -                 | 925   | 336                    | 346                    |
| 03.3 - Human Resources                           |     | -               | -               | 14              | -                    | -               | -                  | -                 | 100   | 103                    | 107                    |
| 03.4 - Information Technology                    |     | 365             | 656             | 2 105           | 2 500                | 2 440           | 2 440              | 207               | 2 000   | 2 066                  | 2 132                  |
| 03.5 - Occupational Health & Safety              |     | -               | -               | 54              | -                    | -               | -                  | -                 | 40  | 41                     | 43                     |
| 03.6 - Legal Services                            |     | -               | -               | -               | -                    | -               | -                  | -                 | 30  | 31                     | 32                     |
| <b>Vote 04 - Finance</b>                         |     | 178             | 804             | 191             | 81                   | 247             | 247                | 1 011             | 226   | 234                    | 241                    |
| 04.1 - Finance Services Administration           |     | -               | 25              | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| 04.2 - Som Stores/Logistics                      |     | 47              | 510             | 180             | 81                   | 81              | 81                 | 953               | 30  | 31                     | 32                     |
| 04.3 - Asset Management                          |     | 19              | 29              | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| 04.4 - Valuations & Assessment Rates             |     | -               | 9               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| 04.5 - Revenue                                   |     | 10              | 24              | -               | -                    | 166             | 166                | 58                | 166   | 172                    | 177                    |
| 04.6 - Budget & Expenditure                      |     | 103             | 206             | 11              | -                    | -               | -                  | -                 | 30  | 31                     | 32                     |
| <b>Vote 05 - Technical Services</b>              |     | 1 600           | 668             | 1 805           | 65 207               | 54 675          | 54 675             | 9 874             | 54 670  | 79 114                 | 81 190                 |
| 05.1 - Civil Services Administration             |     | 36              | 31              | -               | 2 447                | 1 837           | 1 837              | 78                | -   | -                      | -                      |
| 05.2 - Fleet Management                          |     | 364             | -               | 12              | 150                  | 350             | 350                | -                 | 1 230   | 1 271                  | 1 311                  |
| 05.3 - Roads & Streets                           |     | 376             | 55              | 119             | 42 064               | 15 674          | 15 674             | 4 355             | 5 680   | 1 996                  | 1 512                  |
| 05.4 - Electricity Services Administration       |     | -               | -               | -               | -                    | -               | -                  | -                 | 100   | 103                    | 107                    |
| 05.5 - Electricity Distribution                  |     | 437             | 20              | 98              | 250                  | 250             | 250                | -                 | 350   | 362                    | 373                    |
| 05.8 - Pumps & Purification                      |     | 357             | 354             | 143             | 18 524               | 20 617          | 20 617             | 111               | 9 649   | 18 689                 | 19 496                 |
| 05.11 - Sewerage & Purification                  |     | (0)             | -               | 26              | 150                  | 9 784           | 9 784              | 2 960             | 8 238   | 176                    | 181                    |
| 05.12 - Sewerage Network                         |     | 31              | 208             | 1 408           | 1 623                | 6 162           | 6 162              | 2 369             | 29 423  | 56 518                 | 58 210                 |
| <b>Vote 06 - Community Services</b>              |     | 1 750           | 3 023           | 160             | 25 983               | 25 908          | 25 908             | 14 828            | 8 010   | 6 088                  | 6 267                  |
| 06.1 - Community Services Administration         |     | 1               | 28              | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| 06.2 - Emergency & Disaster Management           |     | 246             | 955             | -               | 500                  | 400             | 400                | -                 | 415   | 428                    | 442                    |
| 06.3 - Security                                  |     | 9               | 44              | 8               | -                    | 20              | 20                 | 18                | 1 400   | 413                    | 426                    |
| 06.4 - Traffic                                   |     | -               | 854             | 6               | 300                  | 300             | 300                | -                 | 1 795   | 1 028                  | 1 061                  |
| 06.5 - Fire Fighting                             |     | 45              | 352             | 79              | 20 200               | 20 400          | 20 400             | 14 552            | 2 300   | 2 376                  | 2 452                  |
| 06.6 - Parks Administration                      |     | 111             | -               | 24              | 400                  | 400             | 400                | 195               | 1 200   | 913                    | 926                    |
| 06.7 - Public Gardens                            |     | 170             | 113             | 1               | 678                  | 2 379           | 2 379              | -                 | 150   | 155                    | 160                    |
| 06.8 - Biodiversity & Landscaping                |     | -               | -               | 15              | 80                   | 80              | 80                 | 26                | 40  | 41                     | 43                     |
| 06.9 - Cemeteries                                |     | 48              | -               | -               | -                    | -               | -                  | -                 | 300   | 310                    | 320                    |
| 06.10 - Civic Centre                             |     | -               | -               | -               | 50                   | 100             | 100                | 38                | 130   | 134                    | 139                    |
| 06.11 - Recreation                               |     | -               | -               | 27              | 3 775                | 1 710           | 1 710              | -                 | 200   | 207                    | 213                    |
| 06.13 - Refuse Removal                           |     | 1 120           | 677             | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| 06.14 - Landfill Site                            |     | -               | -               | -               | -                    | 119             | 119                | -                 | 80  | 83                     | 85                     |
| <b>Vote 07 - Local Economic Development</b>      |     | 476             | 241             | 375             | 1 100                | 2 224           | 2 224              | 869               | 2 697   | 2 528                  | 2 609                  |
| 07.1 - Administration                            |     | -               | 22              | -               | -                    | 18              | 18                 | -                 | -   | -                      | -                      |
| 07.2 - Local Economic Development                |     | 30              | -               | -               | -                    | 266             | 266                | -                 | 230   | 238                    | 245                    |
| 07.3 - Kroonpark Resort                          |     | 326             | 120             | 219             | 1 000                | 1 300           | 1 300              | 869               | 1 390   | 1 436                  | 1 482                  |
| 07.4 - Housing                                   |     | 30              | 58              | 27              | -                    | 250             | 250                | -                 | -   | -                      | -                      |
| 07.5 - Planning                                  |     | 91              | -               | 129             | -                    | 250             | 250                | -                 | 455   | 212                    | 219                    |
| 07.6 - Building Survey                           |     | -               | 41              | -               | 100                  | 100             | 100                | -                 | 572   | 591                    | 610                    |
| 07.7 - Tourism                                   |     | -               | -               | -               | -                    | 40              | 40                 | -                 | 50  | 52                     | 53                     |
| <b>Capital single-year expenditure sub-total</b> |     | <b>4 578</b>    | <b>5 630</b>    | <b>4 900</b>    | <b>95 021</b>        | <b>85 879</b>   | <b>85 879</b>      | <b>26 925</b>     | <b>71 728</b>                                       | <b>92 741</b>          | <b>95 238</b>          |

Table 8 CAPITAL GRANT FUNDING

| <b>Municipal Infrastructure Grant (MIG)</b>  |                                     |  |                                      |   |
|--|-------------------------------------|--|--------------------------------------|---|
| <b>MIG Implementation Plan: 2026/2027</b>  |                                     |  |                                      |   |
| <b>Name of Municipality: Mqohaka LM</b>  |                                     |  |                                      |   |
| Project Name (as it appears on MIG-MIS)  | Project type                        | Project Category:<br>New<br>Upgrade<br>Rehabilitation<br>Upgrade/<br>Rehab<br>New/ Upgrade | Planned job opportunities in 2026/27 | Total Planned Expenditure for 2026/2027 |
| General Text   | Select from drop down as registered | Select from drop down as registered  | Number format                        | Formula                                 |
| Project Management Unit (PMU)  | PMU                                 |  | 0                                    | 1 371 150,00                            |
| Rammulotsi (Northleigh): Development of Sports and Recreational Park – Phase 1 (MIS:498549)                  | Sport and recreation                | New  | 0                                    | 2 879 006,87                            |
| Maokeng (Seisoville): Construction of 1.005km paved road at Makobe Street (MIS:498505)                       | Roads & stormwater                  | Upgrade  | 0                                    | 2 105 961,18                            |
| Maokeng: Upgrading of 11th Avenue 1,46km road to paved road connecting Khahliso and Brentpark (MIS:550166)   | Roads & stormwater                  | Upgrade  | 15                                   | -                                       |
| Maokeng (Phomolong): Replacement of 17.94km ACwater pipes and installation of 2 booster pumps (MIS:550048)   | Water                               | Upgrade  | 20                                   | 21 066 881,95                           |
| <b>Matlwangtlwang (Steynsrus): Refurbishment and upgrade of the Waste Water Treatment works (MIS:550174)</b> | <b>Sanitation</b>                   | <b>Upgrade</b>   | <b>15</b>                            | <b>22 104 000,00</b>                    |
|  |                                     |  |                                      | <b>49 527 000,00</b>                    |

## Capital from own funding 2026/27

| Description                       | Political Office    | Municipal Manag   | Corporate Services  | Financial Services | Civil Services       | Community           | Led & Planning      | TOTAL                |
|-----------------------------------|---------------------|-------------------|---------------------|--------------------|----------------------|---------------------|---------------------|----------------------|
| VEHICLES                          | 900 000,00          | -                 | 600 000,00          | -                  | 1 500 000,00         | 2 600 000,00        | 250 000,00          | 5 850 000,00         |
| MACHINERY                         | -                   | 100 000,00        | 15 000,00           | 30 000,00          | 3 500 000,00         | 1 540 000,00        | 1 642 000,00        | 6 827 000,00         |
| FENCING                           | -                   | -                 | 1 500 000,00        | -                  | 800 000,00           | 300 000,00          | -                   | 2 600 000,00         |
| PEDESTRAIN SUSPENSION BRIDGE      |                     |                   |                     |                    | 5 200 000,00         |                     |                     | 5 200 000,00         |
| GUARD HOUSES PUMPS & PURIFICATION |                     |                   |                     |                    | 150 000,00           |                     |                     | 150 000,00           |
| DISASTER EMERGENCY HOUSING        |                     |                   |                     |                    |                      | 414 800,00          |                     | 414 800,00           |
| HARDWARE INFORMATION TECHNOLOGY   |                     |                   | 2 000 000,00        |                    |                      |                     |                     | 2 000 000,00         |
| HAND TOOLS PUMPS & PURIFICATION   |                     |                   |                     |                    | 228 547,00           |                     |                     | 228 547,00           |
| BREATHALYSER                      |                     |                   |                     |                    |                      | 15 000,00           |                     | 15 000,00            |
| AIRCONS                           | -                   | -                 | 250 000,00          | 166 300,00         | 290 000,00           | 140 000,00          | 260 000,00          | 1 106 300,00         |
| FIRE ENGINE FIRE FIGHTING         |                     |                   |                     |                    |                      | 2 000 000,00        |                     | 2 000 000,00         |
| FIREARMS                          |                     |                   |                     |                    |                      | 200 000,00          |                     | 200 000,00           |
| SPEED CAMERA                      |                     |                   |                     |                    |                      | 500 000,00          |                     | 500 000,00           |
| OFFICE FURNITURE & EQUIPMENT      | 210 000,00          | 90 000,00         | 460 000,00          | 30 000,00          | 310 000,00           | 300 000,00          | 545 000,00          | 1 945 000,00         |
| <b>GRAND TOTAL</b>                | <b>1 110 000,00</b> | <b>190 000,00</b> | <b>4 825 000,00</b> | <b>226 300,00</b>  | <b>11 978 547,00</b> | <b>8 009 800,00</b> | <b>2 697 000,00</b> | <b>29 036 647,00</b> |

## 13. Cash flow Statement

Table 10 Budget Cash Flows

| FS201 Moqhaka - Table A7 Budgeted Cash Flows     |     |                  |                 |                 |                      |                  |                    |                   |   |                        |                        |
|--|-----|------------------|-----------------|-----------------|----------------------|------------------|--------------------|-------------------|---|------------------------|------------------------|
| Description                                      | Ref | 2022/23          | 2023/24         | 2024/25         | Current Year 2025/26 |                  |                    |                   | 2026/27 Medium Term Revenue & Expenditure Framework |                        |                        |
|  |     | Audited Outcome  | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget  | Full Year Forecast | Pre-audit outcome | Budget Year 2026/27                                 | Budget Year +1 2027/28 | Budget Year +2 2028/29 |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>       |     |                  |                 |                 |                      |                  |                    |                   |   |                        |                        |
| <b>Receipts</b>                                  |     |                  |                 |                 |                      |                  |                    |                   |   |                        |                        |
| Property rates                                   |     | 56 983           | 59 293          | 57 716          | 120 179              | 120 179          | 120 179            | 55 146            | 124 626   | 128 738                | 132 858                |
| Service charges                                  |     | 420 760          | 430 886         | 581 142         | 864 329              | 864 329          | 864 329            | 428 939           | 934 527   | 965 367                | 996 259                |
| Other revenue                                    |     | 359 951          | 116 019         | 8 465           | (134 111)            | (134 111)        | (134 111)          | (256 907)         | (147 452)   | (154 141)              | (159 218)              |
| Transfers and Subsidies - Operational            | 1   | 5 308            | 281 769         | 330 336         | 334 714              | 334 714          | 334 714            | 265 288           | 346 741   | 360 006                | 371 672                |
| Transfers and Subsidies - Capital                | 1   | 68 029           | 108 185         | 52 270          | 68 228               | 68 228           | 68 228             | 14 094            | 70 753  | 73 088                 | 75 427                 |
| Interest   |     | 904              | 3 293           | 9 900           | -                    | -                | -                  | 8 124             | 10 981  | 11 344                 | 11 707                 |
| Dividends  |     | 2 092            | 3 637           | 5 822           | 4 744                | 4 744            | 4 744              | 2 907             | 4 920   | 5 082                  | 5 245                  |
| <b>Payments</b>                                  |     |                  |                 |                 |                      |                  |                    |                   |   |                        |                        |
| Suppliers and employees                          |     | (1 022 730)      | (1 008 821)     | (1 133 236)     | (1 637 348)          | (1 637 348)      | (1 637 348)        | (812 537)         | (1 726 399)   | (1 764 723)            | (1 821 666)            |
| Finance charges                                  |     | -                | -               | -               | -                    | -                | -                  | -                 | -   | -                      | -                      |
| Transfers and Subsidies                          | 1   | -                | -               | -               | -                    | -                | -                  | -                 | -   | -                      | -                      |
| <b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b> |     | <b>(108 703)</b> | <b>(5 739)</b>  | <b>(87 585)</b> | <b>(379 265)</b>     | <b>(379 265)</b> | <b>(379 265)</b>   | <b>(294 945)</b>  | <b>(381 303)</b>                                    | <b>(375 239)</b>       | <b>(387 718)</b>       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>      |     |                  |                 |                 |                      |                  |                    |                   |   |                        |                        |
| <b>Receipts</b>                                  |     |                  |                 |                 |                      |                  |                    |                   |   |                        |                        |
| Proceeds on disposal of PPE                      |     | -                | 25 992          | (2 284)         | 8 493                | 8 493            | 8 493              | (153)             | 8 807   | 9 097                  | 9 388                  |
| Decrease (increase) in non-current investments   |     | (44)             | (22)            | 65              | -                    | -                | -                  | -                 | -   | -                      | -                      |
| Insurance Refund - Capital                       |     | -                | -               | -               | -                    | -                | -                  | -                 | 7 362   | 7 605                  | 7 848                  |
| <b>Payments</b>                                  |     |                  |                 |                 |                      |                  |                    |                   |   |                        |                        |
| Capital assets                                   |     | (4 578)          | (5 630)         | (4 900)         | (95 021)             | (95 021)         | (95 021)           | (24 519)          | (82 487)  | (106 652)              | (109 523)              |
| Retention (Capital)                              |     | -                | -               | -               | -                    | -                | -                  | -                 | -   | -                      | -                      |
| <b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b> |     | <b>(4 622)</b>   | <b>20 340</b>   | <b>(7 119)</b>  | <b>(86 529)</b>      | <b>(86 529)</b>  | <b>(86 529)</b>    | <b>(24 672)</b>   | <b>(66 318)</b>                                     | <b>(89 950)</b>        | <b>(92 287)</b>        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>      |     |                  |                 |                 |                      |                  |                    |                   |   |                        |                        |
| <b>Receipts</b>                                  |     |                  |                 |                 |                      |                  |                    |                   |   |                        |                        |
| Short term loans                                 |     | -                | -               | (1 178)         | -                    | -                | -                  | -                 | -   | -                      | -                      |
| Increase (decrease) in consumer deposits         |     | -                | (137)           | (499)           | -                    | -                | -                  | 927               | (73)  | (75)                   | (77)                   |
| <b>Payments</b>                                  |     |                  |                 |                 |                      |                  |                    |                   |   |                        |                        |
| Repayment of borrowing                           |     | -                | -               | -               | (2 121)              | (2 121)          | (2 121)            | (3 014)           | (2 200)   | (2 272)                | (2 345)                |
| <b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b> |     | <b>-</b>         | <b>(137)</b>    | <b>(1 677)</b>  | <b>(2 121)</b>       | <b>(2 121)</b>   | <b>(2 121)</b>     | <b>(2 087)</b>    | <b>(2 272)</b>                                      | <b>(2 347)</b>         | <b>(2 423)</b>         |
| <b>NET INCREASE/ (DECREASE) IN CASH HELD</b>     |     | <b>(113 325)</b> | <b>14 465</b>   | <b>(96 381)</b> | <b>(467 915)</b>     | <b>(467 915)</b> | <b>(467 915)</b>   | <b>(321 704)</b>  | <b>(449 893)</b>                                    | <b>(467 537)</b>       | <b>(482 427)</b>       |
| Cash/cash equivalents at the year begin:         | 2   | (14 104)         | (21 364)        | (9 905)         | (24 764)             | (24 764)         | (24 764)           | -                 | (2 140)   | (452 033)              | (919 570)              |
| Cash/cash equivalents at the year end:           | 2   | (127 429)        | (6 900)         | (106 286)       | (492 678)            | (492 678)        | (492 678)          | (321 704)         | (452 033)   | (919 570)              | (1 401 997)            |

## 13 REMARKS ON THE CASHFLOW

The cash flows have been projected on the various revenue streams based on the actual collection rate of the revenue streams.

| <b>BP135 BILLING REPORT PER CYCLE 2025-2026</b> |      |                |                |
|---|------|----------------|----------------|
| Period  | %    | Billing        | Collection     |
| Jul-25  | 49%  | R91 468 038.48 | R44 609 312.21 |
| Aug-25  | 79%  | R66 400 117.60 | R52 426 795.09 |
| Sept-25   | 64%  | R80 697 879.78 | R51 461 626.46 |
| Oct-25  | 100% | R62 016 910.88 | R62 011 877.20 |
| Nov-25  | 58%  | R78 623 432.34 | R45 306 864.20 |
| Dec-25  | 59%  | R80 860 442.01 | R47 414 592.39 |
| Jan-26  | 54%  | R81 308 891.04 | R43 824 791.10 |
| Feb-26  | 54%  | R75 877 032.36 | R41 181 040.63 |

The municipality has also made provision to meet **95%** of its overall Operational obligations. This provision is to be reviewed during the adjustment budget process depending on the availability of additional revenues and **100%** of the Capital commitments. The 4% variance between the revenue collection and the expenditure, will be subsidised through the additional revenue enhancement mechanisms as outlined in the budget funding plan and the collection of outstanding debt, which is also coupled by the radical meter replacement process undertaken by the municipality.

### **Collections from Arrear Debtors**

The municipality's debtors book amounted to R2 059 Billion as at 28 February 2026. The municipality plans to collect at least **5% (R103 Million)** of its arrear debt to fund the outstanding creditors and other operational requirements during the budget year.

| <b>Creditor Age Analysis February 2026</b> |                   |                   |                   |                  |                      |                      |
|--|-------------------|-------------------|-------------------|------------------|----------------------|----------------------|
| Detail                                     | 0 - 30 Days       | 31 - 60 Days      | 61 - 90 Days      | 91 - 120 Days    | Over 1 Year          | Total -              |
| Bulk Electricity                           | 55 271 805        | 60 589 679        | 55 966 828        | -                | 2 076 987 912        | 2 248 816 224        |
| Loan repayments                            | -                 | -                 | -                 | -                | -                    | -                    |
| Trade Creditors                            | 10 073 325        | 2 165 902         | 2 095 409         | 3 146 511        | -                    | 17 481 147           |
| Auditor General                            | 95 063            | 259 815           | 630 270           | -                | -                    | 985 148              |
| DWS  | 898 718           | 989 715           | 975 253           | -                | 23 589 322           | 26 453 008           |
| WORKMENS COMPENSATION                      | -                 | -                 | -                 | -                | -                    | -                    |
| GOVERNMENT GARAGE                          | -                 | -                 | -                 | -                | -                    | -                    |
| <b>Total</b>                               | <b>66 338 911</b> | <b>64 005 111</b> | <b>59 667 760</b> | <b>3 146 511</b> | <b>2 100 577 234</b> | <b>2 293 735 527</b> |

The municipality owes Eskom **R2 248 Billion** as at the preparation of the Draft Annual Budget 2026/27. The municipality signed a payment arrangement with Eskom to settle this outstanding debt. The repayments relating to the current account are already provided for within the annual budget. This outstanding debt continue to decline very slowly given the fact

that the municipality is still cross-subsidising other services to ensure effective service delivery.

## 14. Long term borrowing

The municipality has not obtained any new long-term borrowings in the current financial year. The table below indicates the balances as at 28 February 2026 and the projections for the current and the next MTREF.

Table 11 Municipal Borrowing

| FS201 Moqhaka - Supporting Table SA17 Borrowing |     |                   |                   |                  |                      |                   |                               |                        |                        |
|---|-----|-------------------|-------------------|------------------|----------------------|-------------------|-------------------------------|------------------------|------------------------|
| Borrowing - Categorized by type                 | Ref | 2022/23           | 2023/24           | 2024/25          | Current Year 2025/26 |                   | 2026/27 Medium Term Revenue & |                        |                        |
| R thousand                                      |     | Audited Outcome   | Audited Outcome   | Audited Outcome  | Original Budget      | Adjusted Budget   | Budget Year 2026/27           | Budget Year +1 2027/28 | Budget Year +2 2028/29 |
| <b>Borrowings</b>                               |     |                   |                   |                  |                      |                   |                               |                        |                        |
| Annuity and Bullet Loans                        |     |                   |                   |                  |                      |                   |                               |                        |                        |
| Banks   |     |                   |                   |                  |                      |                   |                               |                        |                        |
| Development Bank of South Africa                |     |                   |                   |                  |                      |                   |                               |                        |                        |
|   |     | 19 946 884        | 15 024 493        | 9 582 422        | 29 046 698           | 29 046 698        | 30 121 426                    | 31 115 433             | 32 111 127             |
| <b>Total Annuity and Bullet Loans</b>           |     | <b>19 946 884</b> | <b>15 024 493</b> | <b>9 582 422</b> | <b>29 046 698</b>    | <b>29 046 698</b> | <b>30 121 426</b>             | <b>31 115 433</b>      | <b>32 111 127</b>      |

Table 12 Investments

| FS201 Moqhaka - Supporting Table SA16<br>Investment particulars by maturity |                   |                   |
|---|-------------------|-------------------|
| Investments by Maturity   | Opening balance   | Closing Balance   |
| Name of institution & investment ID   |                   |                   |
| Parent municipality   |                   |                   |
| Absa  | 40 787 125        | 40 787 125        |
| <b>Municipality sub-total</b>   | <b>40 787 125</b> | <b>40 787 125</b> |

### Remarks.

This is a call account investment for 32 days with an interest rate of 7.9%, expiring on the 19 August 2025.

