



Msikaligwa Local Municipality

DRAFT ANNUAL BUDGET 2026/27

26 MARCH 2026



ITEM:

REPORT BY THE EXECUTIVE MAYOR ANNUAL BUDGET 2026/27-2028/29

1 PURPOSE OF THE REPORT

The purpose of the report is to table the Annual 2026/27 to 2028/29 Medium-Term Revenue and Expenditure Framework in terms of Section 16(2) of the Local Government Finance Management Act (MFMA) to Council for approval.

2 BACKGROUND

Section 16(1) of the Municipal Finance Management Act requires that the Council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. Section 16(1) stipulates that in order 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.

Section 22 of the MFMA further stipulates that immediately after the annual budget is tabled in a municipal Council meeting, the accounting officer must make public the annual budget and documents in terms of section 17; invite the local community to submit representations in connection with the budget; and submit the annual budget to the National Treasury and the relevant Provincial Treasury in printed and electronic formats.

Section 17 of the MFMA states that an annual budget must be in a schedule in the "prescribed format". Paragraph 9 of the Municipal Budget & Reporting regulations (MBRR) indicates that: *"The annual budget and supporting documentation must be in the format specified in Schedule A and include all the required tables, charts and explanatory information."*

The local government Municipal Systems Act (MSA), Chapter 4 deals with community participation, section 16(1)(a) and (iv) stipulate that a municipality must encourage and create condition to participate in the affairs of the municipality, including in the preparation and review of its Integrated Development Plan and the preparation of its budget.

Section 23(2) of the MFMA stipulates that "after considering all budget submissions, the Council must give the Executive Mayor an opportunity –

- a) To respond to the submissions; and
- b) If necessary, to revise the budget and table amendments for consideration by the Council".

The operating and capital budget is tabled to facilitate community participation and receive inputs from all stakeholders and will be refined to consider the outcome of the public consultation process before approval.

In terms of Section 24 of the MFMA;

- 1) The municipal Council must at least 30 days before the start of the budget year consider approval of the annual budget;
- 2) An annual budget –
 - a) Must be approved before the start of the budget year;
 - b) Is approved by the adoption by the council of a resolutions referred to in section 17(3)(a)(1); and
 - c) Must be approved together with the adoption of resolutions as may be necessary –
 - i. Imposing any municipal tax for the budget year;
 - ii. Setting any municipal tariffs for the budget year;
 - iii. Approving measurable performance objectives for revenue from each source and for each vote in the budget;
 - iv. Approving any changes to the municipality's integrated development plan; and

v. Approving any changes to the municipality's budget-related policies.

3) The accounting officer of a municipality must submit the approved annual budget to National Treasury and relevant provincial treasury”.

3 BUDGET GUIDELINES AND PRINCIPLES

In preparing the budget for the upcoming financial year, it is essential to outline the key budget assumptions that will guide the allocation of resources and the prioritization of projects. These assumptions are based on both internal and external factors that could influence the financial health of Msukaligwa Local Municipality, ensuring that the budget is realistic, achievable, and responsive to the current economic climate.

- Realistically Anticipated Revenues to be Collected
- Projected Revenue for the Current Year Based on Collection Levels to Date
- Actual Revenue Collected in Previous Financial Years
- Budget Circular 129 issued by National Treasury
- 2025/26 Provincial Treasury Budget Assessment Report

Economic Outlook

The National Treasury has revised its 2025/26 economic growth forecast upwards to 1.2 percent, a reduction from the 1.4 percent projected in the 2025/26 Budget Review. This revision reflects ongoing economic challenges, which may result in lower-than-expected revenue generation for both national and local governments.

GDP growth is projected to average 1.8 percent from 2026 to 2028, supported by a revival in investment as new infrastructure allocations take effect and reform implementation builds. While this offers creating the space for permanently lower interest rates, which will support household spending and investment – boosting economic growth and job creation at municipal level. Given these economic projections, municipalities must remain vigilant in ensuring that their financial plans are adaptable and aligned with national economic trends. This includes:

- **Prioritizing cost-effective service delivery:** Ensuring that municipal services remain effective and efficient, despite the constraints imposed by lower economic growth.
- **Enhancing revenue collection:** Focus on improving the revenue value chain, ensuring that billing systems are efficient, and collecting outstanding revenues without compromising on service delivery.
- **Managing expenditure:** Closely monitoring operational and capital expenditures to ensure that they remain within budget while meeting the needs of the community.
- **Diversifying revenue streams:** Identifying alternative sources of revenue, such as partnerships, grants, and other innovative solutions, to lessen the dependency on traditional income sources.

As we approach the 2025/26 financial year, the South African economy continues to face significant challenges that are expected to influence both national and local government finances. These include:

1. **Continuous Loadshedding:** Persistent electricity supply interruptions are severely impacting economic productivity, business operations, and household incomes.
2. **High Unemployment Rate:** South Africa's unemployment rate remains a major structural issue, with far-reaching consequences for both household incomes and municipal revenue. As a result the municipality may face challenges in collecting property rates, service charges, and other revenues, as households and businesses alike struggle with financial distress.
3. **Illegal Connections and Cable Theft:** Illegal electricity connections and cable theft continue to drain municipal resources and hinder effective service delivery. Not only do these issues contribute to revenue losses, but they also increase the costs of repairing and replacing stolen or damaged infrastructure. The high levels of theft undermine the sustainability of energy supply and put additional strain on municipalities to maintain services, resulting in a need for robust anti-theft measures and better control systems.

As we approached the 2025/26 financial year South African economy is affected by continuous Loadshedding, Load reduction and high unemployment rate and. These challenges are expected to slow the economy recovery. Inflation pressures also affect major markets and revision interest rate. South Africa is expected to follow in the same direction on interest rate trends.

Msukaligwa Local Municipality is highly reliant on grants to fund long-term infrastructure development projects. These grants are provided by National Government serve as a primary source of capital infrastructure needs, such as roads, water supply, sanitation, and electricity provision.

ESKOM Debt Relief

National Treasury is now responsible for overseeing the smart meters grant. This marks a shift in how the grant is managed, as it is now categorized as an indirect grant through a transversal contract. The grant's core objective is to enhance energy efficiency and support the integration of renewable energy. This is seen as essential for improving energy systems and ensuring that consumer needs are met more effectively.

Over the 2026 MTEF (Medium Term Expenditure Framework) period, the grant will continue to support municipal debt relief efforts. This indicates that the grant is being used to help municipalities manage their financial challenges. The focus will initially be on municipalities that are already enrolled in the program. Over time, however, the grant is expected to expand to include more municipalities.

OPERATING REVENUE FRAMEWORK

The efficient and effective revenue value chain is crucial for the long-term financial sustainability of a municipality, since Msukaligwa is not grants dependants to fund its operations. This approach is fundamental to achieving the municipality's fiscal goals. As mandated by Section 18(1)(a) of the Municipal Finance Management Act (MFMA), expenditure must be funded by realistically anticipated revenues.

Table 1: Macroeconomic performance and projections, 2023 – 2029

Fiscal year	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Actual	Actual	Estimate	Forecast		
CPI Inflation	6.9%	5.9%	4.4.%	3.3%	3.7%	3.3%	3.2%

Source: National Treasury Budget Review 2025.

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

Headline inflation declined to 4.4 per cent in the fourth quarter of 2024/25, resulting in average inflation of 4.4 per cent for the year. Consumer inflation is projected to average 3.3 per cent in 2025/26 and 3.7 per cent in 2026/27. In the short term, reducing the inflation target to 3 per cent will result in more cuts in interest rates than would be the case under a 4.5 per cent target. Over time, a lower target will decrease inflation and inflation expectations, creating the space for permanently lower interest rates, which will support household spending and investment – boosting economic growth and job creation.

The lower inflation will support higher levels of real economic growth. South Africa's inflation target will be more in line with its trading partners and peer economies, making the economy more competitive. Household spending and private investment will rise due to higher real disposable income and lower borrowing costs.

Section 17(1) of the MFMA requires that the annual budget of the municipality must be in the prescribed format as follows:

- Setting out realistically anticipated revenue for the budget year from each revenue source.
- Appropriating expenditure for the budget year under the different votes of the municipality.
- Setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year.
- Setting out the estimated revenue and expenditure by vote for the current year and actual revenue and expenditure by vote for the financial year.

EXECUTIVE SUMMARY

As we present For the Medium-Term Revenue and Expenditure Framework, It should be noted that as an institution we are faced with non-payment of Services where Msukaligwa is owed **R1 659 1226 (Billion)**, this also translate to the long outstanding balance on creditors amounting **R 2 490 918 (billion)** major creditors being **Eskom and DWS**. Other challenges relate **Faced by the Municipality in the Compilation of the 2026/27 MTREF**, These challenges require not only immediate fiscal responses but also long-term strategic planning to ensure that the municipality's financial sustainability and service delivery are not jeopardized. Below is an in-depth analysis of the key challenges mentioned:

- Unfunded budget
- Theft and Illegal connection
- Land Invasion
- Climate Change
- Poverty
- High rates of unemployment and low economic growth
- Shortages of water source

To ensure that Msukaligwa is sustainable for the MTERF, Msukaligwa intends to adjust its budget by and average of 3.7% on all service (and 13% percent on electricity (Subject to Nersa Approval),

OPERATING REVENUE FRAMEWORK

Msukaligwa Local Municipality is tabling an operating revenue of R 1 313 175 billion for the 2026/27 financial year. The revenue represents an increase of 3.7% against the 2025/26 adjustment budget. The operating expenditure amounts to R billion, an increase of 3.3% against the 2025/26 adjustment budget, resulting in a deficit of R million for the 2026/27 financial year.

The Municipal's funding model continues to rely on revenue generated from own resources revenue followed by grants. Tariff-setting therefore plays a pivotal in funding the budget however the current tariffs are not cost-reflective as some of the trading services are operating at a loss. Msukaligwa Local Municipality is not grant dependent, 76% of the budget is funded through own revenue and 24% of the budget is funded through grants

MP302 Msukaligwa - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2022/23	2023/24	2024/25	Current year 2025/26				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget year 2026/27	Budget year 2027/28	Budget year 2028/29
Revenue											
Exchange Revenue											
Service charges - Electricity	2	223 632	258 528	306 324	390 804	353 531	353 531	151 624	360 313	372 204	384 114
Service charges - Water	2	74 235	73 096	91 346	90 618	122 822	122 822	73 332	127 367	131 570	135 780
Service charges - Waste Water Management	2	57 677	60 290	61 730	71 260	74 017	74 017	44 577	67 688	69 922	72 160
Service charges - Waste Management	2	49 300	51 501	53 011	58 742	56 756	56 756	33 547	58 856	60 798	62 744
Sale of Goods and Rendering of Services		7 899	555	8 025	11 224	4 437	4 437	696	4 601	4 753	4 905
Agency services		6 886	-	-	-	-	-	-	-	-	-
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		28 108	34 985	31 069	38 133	29 136	29 136	16 616	30 214	31 211	32 209
Interest earned from Current and Non Current Assets		4 854	6 053	5 888	5 471	6 461	6 461	12 420	6 700	6 921	7 143
Dividends		-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	2	2	2	1	2	2	2
Rental from Fixed Assets		2 921	2 833	3 463	3 453	3 749	3 749	4 873	3 888	4 016	4 145
Licence and permits		3 464	-	-	98	94	94	-	98	101	104
Special rating levies		-	-	-	-	-	-	-	-	-	-
Operational Revenue		1 529	10 866	5 642	44 333	1 534	1 534	93	1 591	1 643	1 696
Non-Exchange Revenue											
Property rates	2	202 863	203 786	212 918	258 951	258 951	258 951	170 204	268 532	277 394	286 270
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		5 704	9 073	56 029	49 231	60 879	60 879	3 482	63 131	65 215	67 302
Licences or permits		-	-	-	-	66	66	1	68	71	73
Transfer and subsidies - Operational		239 383	267 837	279 472	294 895	294 895	294 895	119 161	309 427	320 418	328 404
Interest		9 003	11 394	8 857	12 466	8 965	8 965	11 173	9 297	9 603	9 911
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	1 351	1 351	-	1 401	1 448	1 494
Gains on disposal of Assets		2 451	16 239	2 073	-	-	-	-	-	-	-
Other Gains		125 074	178 774	9 063	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and cont		1 044 983	1 165 810	1 134 913	1 329 681	1 277 646	1 277 646	641 802	1 313 175	1 357 289	1 398 455

EXPENDITURE ANALYSIS

The total operating expenditure has decreased/increased by R 62million from R 1 677 billion to R 1 739 billion.

Description	Ref	2022/23	2023/24	2024/25	Current year 2025/26				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget year 2026/27	Budget year 2027/28	Budget year 2028/29
Expenditure											
Employee related costs	2	272 717	292 878	320 758	332 538	353 051	353 051	19 496	366 114	378 196	390 298
Remuneration of councillors		17 362	18 024	19 293	20 559	19 521	19 521	-	20 243	20 912	21 581
Bulk purchases - electricity	2	317 779	401 588	486 097	460 250	578 050	578 050	415 962	599 438	619 219	639 034
Inventory consumed	8	71 482	72 273	86 023	117 003	161 008	161 008	143 886	166 966	153 489	196 981
Debt impairment	3	148 433	82 104	149 380	94 135	94 182	94 182	3	97 667	100 890	104 118
Depreciation and amortisation		135 028	128 561	123 886	128 379	128 379	128 379	13	133 130	137 523	141 924
Interest		99 032	132 536	122 488	22 041	119 490	119 490	122 727	123 911	128 000	132 096
Contracted services		62 842	71 290	78 180	24 809	132 701	132 701	61 231	137 611	142 152	146 701
Transfers and subsidies		-	-	0	-	-	-	-	-	-	-
Irrecoverable debts written off		-	-	-	552	-	-	-	-	-	-
Operational costs		116 722	208 195	240 230	82 202	91 208	91 208	56 886	94 582	97 703	100 830
Losses on disposal of Assets		14 062	3 832	4 920	-	-	-	-	-	-	-
Other Losses		4 258	49 714	11 675	-	-	-	-	-	-	-
Total Expenditure		1 299 715	1 480 995	1 642 030	1 382 489	1 677 590	1 677 590	820 205	1 739 661	1 778 083	1 873 563
Surplus/(Deficit)		(214 732)	(275 185)	(507 116)	(52 788)	(399 944)	(399 944)	(178 403)	(426 486)	(420 794)	(475 108)
Transfers and subsidies - capital (monetary allocations)	6	258 869	151 588	244 445	-	-	-	-	427 952	280 976	338 491
Transfers and subsidies - capital (in-kind)	6	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		44 137	(123 596)	(262 671)	(52 788)	(399 944)	(399 944)	(178 403)	1 466	(139 818)	(136 616)
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		44 137	(123 596)	(262 671)	(52 788)	(399 944)	(399 944)	(178 403)	1 466	(139 818)	(136 616)
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		44 137	(123 596)	(262 671)	(52 788)	(399 944)	(399 944)	(178 403)	1 466	(139 818)	(136 616)
Share of Surplus/Deficit attributable to Associate		-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	44 137	(123 596)	(262 671)	(52 788)	(399 944)	(399 944)	(178 403)	1 466	(139 818)	(136 616)

- Employee-related costs is % of the total operating expenditure which is within the National Treasury's norm of 35%.
- Employee related Costs was calculated at average inflation rate from July to February plus 0,75%
- The remuneration of Councillors is as per the determination by the Minister of Co-operative Governance and Traditional Affairs in accordance with the remuneration of Public-Office Bearers
- ESKOM Bulk purchases was increased by 13% as per the NERSA guidelines

CAPITAL BUDGET

The capital budget for the Msukaligwa Local Municipality projects, amounting to R427 952 million, is funded through RBIG, WSIG, EESDM, INEP, and MIG and own funding amount to R 9 878 million

MP302 Msukaligwa - Table A5 Budgeted Capital Expenditure

Vote Description	Current year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year 2027/28	Budget Year 2028/29
R thousand							
Capital expenditure - Vote							
Multi-year expenditure to be appropriated							
Vote 1 - Executive and Council	--	--	--	--	--	--	--
Vote 2 - Finance & Administration	--	--	--	--	--	--	--
Vote 3 - [NAME OF VOTE 3]	--	--	--	--	--	--	--
Vote 4 - Sports and Recreation	--	--	--	--	--	--	--
Vote 5 - Public Safety	--	--	--	--	--	--	--
Vote 6 - Housing	--	--	--	--	--	--	--
Vote 7 - Health	--	--	--	--	--	--	--
Vote 8 - Planning and Economic Development	--	--	--	--	--	--	--
Vote 9 - Community and Social Services	--	--	--	--	--	--	--
Vote 10 - Electricity	--	--	--	--	--	--	--
Vote 11 - Water Management	--	--	--	--	--	--	--
Vote 12 - Waste Water Management	--	--	--	--	--	--	--
Vote 13 - Waste Management	--	--	--	--	--	--	--
Vote 14 - Road Transport	--	--	--	--	--	--	--
Vote 15 - Other	--	--	--	--	--	--	--
Capital multi-year expenditure sub-total							
Single-year expenditure to be appropriated							
Vote 1 - Executive and Council	--	--	--	--	--	--	--
Vote 2 - Finance & Administration	--	4 500	4 500	--	9 878	6 485	7 813
Vote 3 - [NAME OF VOTE 3]	--	--	--	--	--	--	--
Vote 4 - Sports and Recreation	--	--	--	--	9 318	--	--
Vote 5 - Public Safety	--	--	--	--	--	--	--
Vote 6 - Housing	--	--	--	--	--	--	--
Vote 7 - Health	--	--	--	--	--	--	--
Vote 8 - Planning and Economic Development	--	--	--	--	--	--	--
Vote 9 - Community and Social Services	--	--	--	--	--	--	--
Vote 10 - Electricity	6 691	13 790	13 790	--	18 100	19 874	23 942
Vote 11 - Water Management	16 976	34 628	34 628	--	159 886	49 905	60 121
Vote 12 - Waste Water Management	114 239	110 261	110 261	--	222 506	158 904	191 432
Vote 13 - Waste Management	1 917	--	--	--	4 033	--	--
Vote 14 - Road Transport	22 270	31 785	31 785	--	14 109	45 807	55 184
Vote 15 - Other	--	--	--	--	--	--	--
Capital single-year expenditure sub-total	162 093	194 964	194 964	--	437 829	280 976	338 491
Total Capital Expenditure - Vote	162 093	194 964	194 964	--	437 829	280 976	338 491
Capital Expenditure - Functional							
Governance and administration		4 500	4 500	286	9 878	6 485	7 813
Executive and council	--	--	--	--	--	--	--
Finance and administration	--	4 500	4 500	286	9 878	6 485	7 813
Internal audit	--	--	--	--	--	--	--
Community and public safety					9 318	--	--
Community and social services	--	--	--	--	--	--	--
Sport and recreation	--	--	--	--	9 318	--	--
Public safety	--	--	--	--	--	--	--
Housing	--	--	--	--	--	--	--
Health	--	--	--	--	--	--	--
Economic and environmental services	22 270	31 785	31 785	25 260	14 109	55 807	65 184
Planning and development	--	--	--	--	--	--	--
Road transport	22 270	31 785	31 785	25 260	14 109	55 807	65 184
Environmental protection	--	--	--	--	--	--	--
Trading services	139 823	158 879	158 879	81 451	404 525	228 683	275 494
Energy sources	6 691	13 790	13 790	7 318	18 100	19 874	23 942
Water management	16 976	34 628	34 628	32 171	159 886	49 905	60 121
Waste water management	114 239	110 261	110 261	36 107	222 506	158 904	191 432
Waste management	1 917	--	--	5 855	4 033	--	--
Other	--	--	--	--	--	--	--
Total Capital Expenditure - Functional	162 093	194 964	194 964	106 997	437 829	290 976	348 491
Funded by:							
National Government	162 093	162 093	162 093	105 387	427 952	280 976	338 491
Provincial Government	--	--	--	1 323	--	--	--
District Municipality	--	--	--	--	--	--	--
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educ Institutions)	--	--	--	--	--	--	--
Transfers recognised - capital	162 093	162 093	162 093	106 711	427 952	280 976	338 491
Borrowing	--	--	--	--	--	--	--
Internally generated funds	--	32 871	32 871	286	9 878	10 000	10 000
Total Capital Funding	162 093	194 964	194 964	108 997	437 829	290 976	348 491

Since the capital infrastructure is funded by National Government, the following capital grants will be undertaken in the next financial year.

Project Description	Ward No	Project type	EPWP Y/N	Planned job opportunities in 2026/27	Planned INEP Expenditure for
Electrification of 100 households at Wesselton Ext 5 phase 3	3	Electricity	Yes	15	R 2 100 000.00
Upgrading of the electrical network infrastructure on the Northern part of Ermelo (Upgrading of 11kV switching station to 20MVA 88/ 11kV, Wesselton Extension 7)	5,9	Electricity	Yes	20	R 12 000 000.00
EEDSM 2026/27		Electricity	Yes	15	R 4 000 000.00
				50	R 18 100 000.00
Project Description	Ward No	Project type	EPWP Y/N	Planned job opportunities in 2026/27	Planned RBIG Expenditure for
Regional Bulk Water Supply for Msukaligwa LM: Cluster 1 Ermelo WSS	1-9,10,17	Water	Yes	0	R145 000 000.00
upgrading of the existing Ermelo wastewater treatment works (WWTW) and Installation of new bulk sewer pipeline for Ermelo extension 44.	1-9,10,17	Sanitation	Yes	30	R 135 000 000.00
				30	R 280 000 000.00
Project Description	Ward No	Project type	EPWP Y/N	Planned job opportunities in 2026/27	Planned WSIG Expenditure for
Upgrading of Sewer Reticulation Network Servicing Ermelo Ext 32, 33 and 34, Ermelo	16	Sanitation	Yes	30	R 59 850 000.00
				30	R 59 850 000.00
Project Description	Ward No	Project type	EPWP Y/N	Planned job opportunities in 2026/27	Planned MIG Expenditure for
Drilling of boreholes at Msukaligwa phase 3		Water	Yes	10	R 5 000 000.00
Installation of 1Ml steel elevated tank and construction of booster pump station at Everest Park	1	Water	Yes	24	R 0.00
Installation of 1Ml steel elevated tank and construction of booster pump station at Everest Park	1	Water	Yes	15	R 9 885 541.00
The Construction of Ermelo Ext 50 Outfall Sewer Pipeline	5	Sanitation	Yes	25	R 10 449 037.00
Installation of the pour flush toilets in the farm areas		Sanitation	Yes	30	R 5 000 000.00
Installation of sewer reticulation at Warburton (house connections and top structure) 999 HH	12	Sanitation	Yes	30	R 12 207 227.00
Construction of the storm water channel at Wesselton Ext 6 eMadamni	2	Roads and Storm water	Yes	15	R 4 402 425.00
Refurbishment of Mahlobo Street (470m)	4	Roads and Storm water	Yes	5	R 2 500 000.00
Refurbishment of Nsibande Street (820 m)	5	Roads and Storm water	Yes	5	R 7 206 426.00
Reconstruction of the Lothair Stadium	15		Yes	15	R 9 318 000.00
Purchase specialised Vehicles for waste management for the Msukaligwa Local Municipality			No	N/A	R 4 033 044.00
Project Management Unit (PMU)			No	N/A	R 3 684 300.00
				150	R 73 686 000.00

Table A6 Budgeted Financial Position

MP302 Msukalligwa - Table A6 Budgeted Financial Position											
Description	Ref	2023/24			Current year 2025/26			2026/27 Medium Term Revenue &			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year 2027/28	Budget Year 2028/29
ASSETS											
Current assets											
Cash and cash equivalents		78 705	59 336	44 141	19 062	43 342	43 342	43 342	7 931	49 879	52 640
Trade and other receivables from exchange transactions	1	167 834	241 333	319 527	1 842 268	353 376	353 376	1 100 629	366 451	378 544	391 036
Receivables from non-exchange transactions	1	65 189	89 360	105 698	582 864	225 910	225 910	484 039	234 269	242 000	249 986
Current portion of non-current receivables		-	-	-	-	-	-	-	-	-	-
Inventory	2	23 589	33 398	19 310	31 775	19 310	19 310	85 388	20 025	39 672	2 361
VAT		131 425	832 534	1 005 994	1 034 526	689 378	689 378	-	714 885	738 476	760 630
Other current assets		-	-	-	10 810	-	-	-	31 680	22 106	17 685
Total current assets		468 742	1 255 960	1 494 670	3 521 308	1 331 316	1 331 316	1 713 398	1 375 140	1 470 676	1 474 337
Non current assets											
Investments		-	-	-	-	-	-	-	-	-	-
Investment property		181 142	170 537	172 104	164 639	172 104	172 104	172 104	172 104	172 104	172 104
Property, plant and equipment	3	2 651 575	2 646 916	2 748 770	8 118 005	2 813 894	2 813 894	2 813 894	3 251 724	3 104 870	3 162 386
Biological assets		-	-	-	-	-	-	-	-	-	-
Living and non-living resources		-	-	-	-	-	-	-	-	-	-
Heritage assets		175	175	175	175	175	175	175	175	175	175
Intangible assets		16	11	5	268	5	5	5	5	5	5
Trade and other receivables from exchange transactions		-	-	-	-	-	-	-	-	-	-
Non-current receivables from non-exchange transactions		-	-	-	-	-	-	-	-	-	-
Other non-current assets		-	-	-	-	-	-	-	-	-	-
Total non current assets		2 832 907	2 817 638	2 921 054	8 283 087	2 988 179	2 988 179	2 988 179	3 424 008	3 277 155	3 334 670
TOTAL ASSETS		3 299 650	4 073 598	4 415 724	11 804 393	4 317 495	4 317 495	4 699 576	4 799 148	4 747 830	4 809 007
LIABILITIES											
Current liabilities											
Bank overdraft		-	-	-	-	-	-	-	-	-	-
Financial liabilities		-	235	2 756	-	-	-	-	-	-	-
Consumer deposits		20 450	21 660	23 883	21 660	10 914	10 914	10 914	21 660	21 443	20 371
Trade and other payables from exchange transactions	4	1 634 827	1 664 514	2 289 810	2 027 228	1 540 779	1 540 779	1 540 779	1 694 857	1 355 885	1 220 297
Trade and other payables from non-exchange transactions	5	44 724	54 450	10 914	811 216	-	-	-	-	-	-
Provision		3 864	4 793	5 129	70 946	5 129	5 129	5 129	5 129	5 129	5 129
VAT		-	532 077	679 536	445 717	730 901	730 901	730 901	730 901	730 901	730 901
Other current liabilities		-	-	-	-	-	-	-	-	-	-
Total current liabilities		1 703 864	2 277 726	3 012 027	3 376 767	2 267 723	2 267 723	2 267 723	2 452 547	2 113 359	1 976 698
Non current liabilities											
Financial liabilities	6	-	2 401	450	3 905	3 206	3 206	3 206	-	-	-
Provision	7	68 931	75 459	78 897	67 772	62 292	62 292	62 292	-	-	-
Long term portion of trade payables		-	129 580	18 511	-	1 288 332	1 288 332	1 288 332	1 159 499	1 043 549	939 194
Other non-current liabilities		95 319	67 772	62 292	9 745	78 697	78 697	78 697	78 697	78 697	78 697
Total non current liabilities		164 250	275 212	160 151	81 422	1 432 727	1 432 727	1 432 727	1 238 396	1 122 446	1 018 091
TOTAL LIABILITIES		1 868 115	2 552 940	3 172 178	3 458 189	3 700 450	3 700 450	3 700 450	3 690 943	3 235 805	2 994 790
NET ASSETS		1 431 535	1 520 658	1 243 546	8 346 204	597 045	597 045	979 127	1 108 205	1 512 025	1 814 217
COMMUNITY WEALTH/EQUITY											
Accumulated surplus/(deficit)	8	1 431 535	1 520 658	1 243 546	8 346 204	597 045	597 045	979 127	1 108 205	1 512 025	1 814 217
Reserves and funds	9	-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	10	1 431 535	1 520 658	1 243 546	8 346 204	597 045	597 045	979 127	1 108 205	1 512 025	1 814 217

The Picture above indicates a risk in current ratio (The requirement indicate that Assets should exceed liabilities by 2 x) where the Municipal current assets is less than current liabilities. 0.35 is to 1

Table Budget Cashflow

MP302 Msukalligwa - Table A7 Budgeted Cash Flows											
Description	Ref	2021/22	2022/23	2023/24	current year 2025/26			2025/26 Medium Term Revenue &			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2027/27	Budget Year 2027/28	Budget Year 2028/29
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		164 347	231 533	271 636	201 982	201 982	201 982		201 399	208 045	214 703
Service charges		309 368	294 909	343 330	550 876	525 916	525 916		460 688	475 870	491 098
Other revenue		-	13 114	15 940	67 653	22 691	22 691		17 963	77 374	79 850
Transfers and Subsidies - Operational	1	541 383	429 152	480 381	294 895	294 895	294 895		309 427	320 418	328 404
Transfers and Subsidies - Capital	1	-	-	-	162 093	162 093	162 093		427 952	280 976	338 491
Interest		4 854	14 425	11 195	34 098	19 924	19 924		10 651	11 003	11 355
Dividends		-	-	-	-	-	-		-	-	-
Payments											
Suppliers and employees		(708 844)	(868 947)	(873 442)	(1 159 402)	(1 001 909)	(1 001 909)		(1 007 308)	(1 021 562)	(1 092 833)
Interest		-	(5 007)	(30 064)	(30 376)	(30 376)	(30 376)		(18 587)	(19 200)	(18 814)
Transfers and Subsidies	1	-	-	-	-	-	-		-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		311 109	109 179	218 975	121 819	195 217	195 217	-	402 166	332 923	351 253
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-		-	-	-
Decrease (increase) in non-current receivables		-	-	-	-	-	-		-	-	-
Decrease (increase) in non-current investments		443	13 646	12 048	-	-	-		-	-	-
Payments											
Capital assets		(241 341)	(142 193)	(246 219)	(162 093)	(194 964)	(194 964)		(437 829)	(290 976)	(348 491)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(240 898)	(128 548)	(234 171)	(162 093)	(194 964)	(194 964)	-	(437 829)	(290 976)	(348 491)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-		-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-		-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-		-	-	-
Payments											
Repayment of borrowing		(1 180)	-	-	-	-	-		-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		(1 180)	-	-	-	-	-	-	-	-	-
NET INCREASE/(DECREASE) IN CASH HELD		69 031	(19 369)	(15 196)	(40 274)	252	252	-	(35 664)	41 947	2 762
Cash/cash equivalents at the year begin:	2	9 674	78 705	59 336	59 335	43 090	43 342		43 595	7 931	49 879
Cash/cash equivalents at the year end:	2	78 705	59 336	44 141	19 061	43 342	43 595		7 931	49 879	52 640

The Municipality budgeted is collection of 75% collection from their billing with the exception of payment to Eskom which may not be fully paid due to historical debt owed to DWS and DWS

Table A8 Cash Backed reserves (Funding of the Budget)

MP302 Msukaligwa - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Cash and investments available										
Cash/cash equivalents at the year end	71 979	29 558	(79 007)	19 062	43 342	43 342	43 342	7 931	49 879	52 640
Other current investments > 90 days	(105 876)	4 359	131 334	-	-	-	-	0	-	-
Non current Investments	-	-	-	-	-	-	-	-	-	-
Cash and investments available:	(33 897)	33 917	52 327	19 062	43 342	43 342	43 342	7 931	49 879	52 640
Application of cash and investments										
Unspent conditional transfers	1 338	44 724	54 450	811 216	-	-	-	-	-	-
Unspent borrowing	-	-	-	-	-	-	-	-	-	-
Statutory requirements	(102 544)	(131 215)	126 356	(603 574)	25 914	25 914	25 914	(16 017)	7 574	29 729
Other working capital requirements	2 125 137	779 064	2 601 023	(19 239)	1 067 969	1 067 969	1 067 969	1 094 137	735 342	579 275
Other provisions	65 212	66 664	67 303	70 946	5 129	5 129	5 129	-	-	-
Long term investments committed	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:	2 089 142	759 237	2 849 133	259 349	1 099 012	1 099 012	1 099 012	1 078 120	742 916	609 004
Surplus(shortfall) - Excluding Non-Current Creditors transferred to Debt Relief - Non-Current p	(2 123 039)	(725 319)	(2 796 806)	(240 287)	(1 055 670)	(1 055 670)	(1 055 670)	(1 070 189)	(693 038)	(556 364)
Surplus(shortfall) - Including Non-Current Creditors	(2 123 039)	(725 319)	(2 796 806)	(240 287)	(1 055 670)	(1 055 670)	(1 055 670)	(1 070 189)	(693 038)	(556 364)

The table above indicate that the budget is unfunded by R1 070 189 (billion) this is in the main cause by working capital provision of possible collection against debtors versus Outstanding creditors amounting to above R2 billion

4. FINANCIAL IMPLICATIONS

None

5. LEGAL IMPLICATION

Section 16(1) of the Municipal Finance Management Act requires that the Council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. Section 16(1) stipulates that in order 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.

Municipal Managers Quality Certification

QUALITY CERTIFICATE

MP 302 MSUKALIGWA LOCAL MUNICIPALITY

I, **M. KUNENE**, the Municipal Manager of Msukaligwa Local Municipality, hereby certify that the budget statement report and supporting documentation for submission of the **ANNUAL DRAFT BUDGET 2026/27** on **26 March 2026**, has been prepared in accordance with the Municipal management act and the regulations made under the Act.

Municipal Manager of Msukaligwa Local Municipality

Name: MR. M. KUNENE

Position: Municipal Manager: MP 302 Msukaligwa local municipality

Signature:



Date: 31 March 2026