FINAL BUDGET FOR THE MTREF 2026/202 TO 2028/2029 FINANCIAL YEARS

(5/1/3 (2026/2027)) **Cluster : Finance**
Portfolio: Finance

1. PURPOSE

The purpose of the report is to present the final budget for 2026/2027 financial year with projections for the outer years 2027/2028 and 2028/2029

2. INTRODUCTION

National Treasury prescribes the guidelines of the MTREF period through a sustained and viable process as taken from the priorities of the countries National Development Plan. This is confined to our Growth and Development Strategy (as revised) and Council's 5-Year IDP. In addition, the Gauteng Province has pronounced on plans to Transform, Modernise and Re-Industrialise (TMR) the beauty and resiliency of the province. These plans are confined in a ten-pillar vision by the Premier which states the following:

- *Radical economic transformation;*
- *Decisive spatial transformation;*
- *Accelerating social transformation;*
- *Transformation of the state and governance;*
- *Modernisation of the economy;*
- *Modernisation of the public service and the state;*
- *Modernisation of human settlements and urban development;*
- *Modernisation of the public transport and other infrastructure;*
- *Re-industrialising Gauteng as the country's economic hub; and*
- *Taking the lead in Africa's new industrial revolution.*

However, as economic uncertainty continues throughout the country, it is imperative that we take a conservative approach to the budget in order to give financial stability and start building financial reserves for the municipality. Controlling municipal spending by spending less than the municipality takes in, demonstrates a commitment to common-sense budgeting and economic health that Sedibeng District Municipality deserve. In addition, the district has been able to sustain our cost containment or austerity measures program during our budgeting process which is still ongoing.

The reporting requirements of this draft budget are disclosed in terms of the MFMA circulars 48, 51, 54, 55, 58, 66, 67, 70, 74, 78, 79, 85, 86, 91, 99, 107, 108, 115, 123,128, 130 and 132 as well as the Municipal Budget and Reporting Regulations (MBRR GN 393 of 2009).

The municipality has had to adopt a very conservative approach to budgeting for 2026/2027 MTREF as the municipality's revenue base (primarily composed of grants & subsidies) has shrink, while operational expenditure continues to grow at a rate of CPI with salaries & employee-related costs growing at above CPI (due to the collective bargaining agreement).

The implementation of the Municipal Standard Chart of Accounts (MSCOA), has also assisted the municipality in moving away from cost line budgeting towards project-based budgeting.

3. DISCUSSION

The budget approach was applied by taking the following principles into account:

- No growth allowed on general expenses
- Programs to be performed in-house first with no use of Consultants by all Clusters;
- Moratorium be placed on vacancies and attrition positions not to be filled, subject to Accounting Officer approval in conjunction with the Executive Mayor;
- Moratorium on controllable salary line items such as acting, overtime, cell phone allowances and car allowance;

The operational budget for the 2026/27 budget will apply a 4.75% salary increase as per the bargaining council multi-year agreement.

After the draft budget we had taken into consideration the new upper limit gazette for senior managers as promulgated whereby the salaries of senior managers were recalculated based on the salary scales provided in the gazette.

Capital expenses will be limited as a result of the current financial position, taken into consideration that the capital items need to be funded from internally generated fund as only the energy saving grant is available from grant funding.

The statement of financial position (balance sheet budget) has also been amended whereby the liabilities were recalculated taken into consideration the aging of the liability as well as current discussion with the Department of Transport. The liabilities of the Department of Transport will be limited to the last month collections due at year end which will amounts to approximately R25million while the remaining R5.5million show as a liability is linked to year end creditors whereby the service would have been rendered during the year with payment being affected in July.

FINANCING OF OPERATING ACTIVITIES

The budget on financial performance has been drawn up in line with the GRAP (Generally Recognized Accounting Practices) principles of accounting where provision for depreciation has been taken into account.

The following should be noted:

Indicative Macroeconomic Forecasts

Municipalities are expected to levy their tariffs taking into account their local economic conditions, affordability levels and remain broadly in line with macro-economic policy. Municipalities must also take account the policy and recent developments in government sectors relevant to their local communities. Tariff increases must be thoroughly substantiated in the municipal budget documentation (see Annexure “B”).

Fiscal year	***2024/25 Actual***	***2025/26 Estimate***	***2026/27 Forecast***	***2027/28 Forecast***	***2028/29 Forecast***
CPI Inflation	4.4%	3.3%	3.7%	3.3%	3.2%

Source: MFMA Circular 132

NB: The reclining growth of the equitable share from National Treasury coupled with the increase towards personnel costs over the past years has had a negative impact on the Municipality meeting its short-term obligations towards the operations and programmes of the district.

National Treasury funding model for district municipalities has increased the municipality's equitable share allocation for 2026/2027 below CPI. Effectively, there has only been a R 10,068,000 or 3.14% growth from 2025/2026 to 2026/2027. As indicated below salaries is currently higher than the total equitable share received.

DC42 Sedibeng - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Revenue											
Exchange Revenue											
Sale of Goods and Rendering of Services	2	192	195	183	198	207	207	172	207	214	221
Agency services	2	74,002	76,259	80,571	91,161	91,161	91,161	65,855	95,263	98,407	101,556
Interest earned from Current and Non Current Assets	2	3,932	5,365	6,080	5,392	5,979	5,979	5,467	6,080	6,281	6,482
Rental from Fixed Assets	2	549	580	496	734	494	494	249	494	511	527
Operational Revenue	2	5,241	4,999	5,516	5,494	3,884	3,884	1,855	3,884	4,012	4,140
Non-Exchange Revenue											
Licences or permits	2	212	220	264	1,500	635	635	190	635	656	677
Transfer and subsidies - Operational	2	311,014	322,317	328,246	341,603	343,056	343,056	334,213	354,326	361,676	374,624
Gains on disposal of Fixed and Intangible Assets	2	12	30	447	-	1	1	24	1	1	1
Total Revenue (excluding capital transfers and contribution		**395,154**	**409,965**	**421,803**	**446,081**	**445,417**	**445,417**	**408,024**	**460,891**	**471,757**	**488,228**
Expenditure											
Employee related costs	2	290,100	312,249	326,005	339,137	323,291	323,291	268,876	336,981	347,288	358,402
Remuneration of councillors	2	14,519	14,237	14,935	16,078	15,768	15,768	12,958	16,468	17,011	17,555
Inventory consumed	2,8	3,598	7,091	4,350	3,735	3,239	3,239	2,586	3,212	3,318	3,424
Debt impairment	2,3	53	-	-	-	-	-	-	-	-	-
Depreciation, amortisation and impairment	2	8,663	8,596	5,280	4,782	4,898	4,898	4,026	4,898	4,898	4,898
Contracted services	2	36,600	36,101	37,680	41,772	44,041	44,041	29,125	44,618	43,835	45,138
Transfers and subsidies	2	8,089	8,297	3,963	4,562	16,289	16,289	10,107	17,176	14,789	15,262
Operational costs	2	36,240	41,806	34,295	35,041	37,484	37,484	32,187	37,295	38,235	39,458
Disposal of Fixed and Intangible Assets	2	141	17	14	-	-	-	-	-	-	-
Total Expenditure		**398,004**	**428,396**	**426,521**	**445,108**	**445,011**	**445,011**	**359,864**	**460,648**	**469,374**	**484,138**
Surplus/(Deficit)		**(2,850)**	**(18,430)**	**(4,718)**	**974**	**406**	**406**	**48,160**	**243**	**2,383**	**4,090**
Transfers and subsidies - capital (monetary allocations)	6	-	133	372	5,000	1,879	1,879	1,879	1,879	-	4,000
Transfers and subsidies - capital (in-kind)	6	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		**(2,850)**	**(18,298)**	**(4,346)**	**5,974**	**2,285**	**2,285**	**50,039**	**2,122**	**2,383**	**8,090**
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		**(2,850)**	**(18,298)**	**(4,346)**	**5,974**	**2,285**	**2,285**	**50,039**	**2,122**	**2,383**	**8,090**
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		**(2,850)**	**(18,298)**	**(4,346)**	**5,974**	**2,285**	**2,285**	**50,039**	**2,122**	**2,383**	**8,090**
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	**(2,850)**	**(18,298)**	**(4,346)**	**5,974**	**2,285**	**2,285**	**50,039**	**2,122**	**2,383**	**8,090**

Percentage allocation of revenue towards expenses

Description	Percentage
Employee related costs	73.12%
Remuneration of Councillors	3.57%
Depreciation and Asset Impairment	1.06%

Inventory consumed	0.70%
Contracted services	9.68%
Transfers and subsidies	3.73%
Other expenditure	8.09%

Budget steering committee meetings were held in order to scrutinize the budget and perform further cuttings on operational expenses in order to reduce the deficit. The biggest cost driver namely employee related cost was evaluated and provision is made for the current staff establishment only. The provision for a 4.75% will have an additional cost implication of R15,523 million which contribute mainly to the increase in expenses.

The current anticipated revenue amounts to R 460,891 million of which R 1.879 million is related to capital funding related to the energy saving grant allocation while expenses will be estimated at an amount of R 460,648million. This will estimate an operating surplus of R2.122million. (See Annexure "A")

Capital expenses is limited to an amount of R4,924,448 whereby R1,998,750 million to be funded from the Energy Efficiency and FMG grant while the remaining amount of R2,925,738 need to be funded internally. (Detail breakdown available of Annexure "A" {SA36}.

Cash Back reconciliation

DC42 Sedibeng - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Cash and investments available											
Cash/cash equivalents at the year end	1	106,819	29,621	59,166	69,159	55,959	55,959	56,342	54,481	50,151	51,789
Other current investments > 90 days		–	–	–	–	–	–	–	–	–	–
Non current Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		**106,819**	**29,621**	**59,166**	**69,159**	**55,959**	**55,959**	**56,342**	**54,481**	**50,151**	**51,789**
Application of cash and investments											
Unspent conditional transfers		16,652	13,336	12,867	12,270	12,867	12,867	3,726	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2										
Other working capital requirements	3	185,947	192,812	123,935	42,117	120,698	120,698	5,499	30,560	17,914	12,914
Other provisions		–	30,885	29,672	11,602	11,602	11,602	26,295	11,602	11,602	11,602
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		**202,598**	**237,034**	**166,473**	**65,989**	**145,166**	**145,166**	**35,520**	**42,162**	**29,515**	**24,515**
Surplus(shortfall) - Excluding Non-Current Creditors Trf to Debt Relief Bene		**(95,780)**	**(207,412)**	**(107,307)**	**3,170**	**(89,207)**	**(89,207)**	**20,822**	**12,319**	**20,636**	**27,274**
Creditors transferred to Debt Relief - Non-Current portion		–	–	–	–	–	–	–	–	–	–
Surplus(shortfall) - Including Non-Current Creditors Trf to Debt Relief Bene		**(95,780)**	**(207,412)**	**(107,307)**	**3,170**	**(89,207)**	**(89,207)**	**20,822**	**12,319**	**20,636**	**27,274**

The above indicate that Council will have a funded operational budget. Further to this, the municipality will be cutting down on the provision of staff leave with the instruction that staff need to take leave due to them in order to reduce the liability. The liability on staff leave will therefore be limited to R11,6 million which will then mean a fully funded budget with a cash reserve of R 12,319million (see Annexure "A" {A8}).

The below table reflects the statement of financial position whereby the result will reflect a positive community wealth of R84,027million.

Current assets amount to R54,481million which will be current cash and cash equivalents in the bank, while non-current assets (fixed assets) will be estimated at R71,698million. The liability section is made up of consumer deposits held to the amount of R200 thousand, trade and other payable of R30,560million made up of Department of Transport last month collections and year end creditors payable in July. Leave days provision are limited to an amount of R11,602million while provision is made for the payment of VAT to the receiver of revenue amounting to R 246 thousand.

DC42 Sedibeng - Table A6 Budgeted Financial Position											
Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
ASSETS											
Current assets											
Cash and cash equivalents	1	32,783	29,231	59,172	69,159	55,959	55,959	56,339	54,481	50,151	51,703
Short term Investments	2	–	–	–	–	–	–	–	–	–	–
Trade and other receivables from exchange transactions	3	0	0	405	–	405	405	(405)	–	–	–
Receivables from non-exchange transactions	3	–	812	271	–	–	–	(271)	–	–	–
Current portion of non-current receivables	4	–	–	–	–	–	–	–	–	–	–
Inventory	5	–	–	–	–	–	–	–	–	–	–
VAT Receivable	6	223	181	671	42	221	221	(671)	221	221	221
Other current assets	7	398	283	340	270	256	256	547	235	298	241
Total current assets		**33,404**	**30,507**	**60,859**	**69,471**	**56,841**	**56,841**	**55,538**	**54,937**	**50,670**	**52,164**
Non current assets											
Investments	8	–	–	–	–	–	–	–	–	–	–
Investment property	9	–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	10	86,027	79,545	77,216	70,824	71,647	71,647	(1,569)	66,842	60,259	59,555
Biological assets	11	–	–	–	–	–	–	–	–	–	–
Living resources	12	–	–	–	–	–	–	–	–	–	–
Heritage assets	13	4,842	4,842	4,842	4,842	4,842	4,842	–	4,842	4,842	4,842
Intangible assets	14	788	338	201	1,204	107	107	(75)	14	(80)	(173)
Trade and other receivables from exchange transactions	15	–	–	–	–	–	–	–	–	–	–
Non-current receivables from non-exchange transactions	15	–	–	–	–	–	–	–	–	–	–
Other non-current assets	16	–	–	–	–	–	–	–	–	–	–
Total non current assets		**91,657**	**84,724**	**82,259**	**76,870**	**76,596**	**76,596**	**(1,645)**	**71,698**	**65,021**	**64,224**
TOTAL ASSETS		**125,061**	**115,231**	**143,119**	**146,341**	**133,437**	**133,437**	**53,894**	**126,635**	**115,691**	**116,388**
LIABILITIES											
Current liabilities											
Bank overdraft	17	–	–	–	–	–	–	–	–	–	–
Financial liabilities	18	–	–	–	–	–	–	–	–	–	–
Consumer deposits	19	199	215	225	106	200	200	1	200	194	194
Trade and other payables from exchange transactions	20	185,947	195,896	126,403	42,117	122,192	122,192	2,421	30,560	17,914	12,914
Trade and other payables from non-exchange transactions	21	16,652	13,336	12,867	12,270	12,867	12,867	3,726	–	–	–
Provision	22	–	30,885	29,672	11,602	11,602	11,602	(3,376)	11,602	11,602	11,602
VAT Payable	23	626	713	31	–	246	246	678	246	246	246
Other current liabilities	24	–	–	–	–	–	–	–	–	–	–
Total current liabilities		**203,423**	**241,046**	**169,197**	**66,095**	**147,106**	**147,106**	**3,449**	**42,608**	**29,955**	**24,955**
Non current liabilities											
Financial liabilities	25	–	–	–	–	–	–	–	–	–	–
Provision	26	–	–	–	–	–	–	–	–	–	–
Long term portion of trade payables	27	–	–	–	–	–	–	–	–	–	–
Other non-current liabilities	28	–	–	–	–	–	–	–	–	–	–
Total non current liabilities		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL LIABILITIES		**203,423**	**241,046**	**169,197**	**66,095**	**147,106**	**147,106**	**3,449**	**42,608**	**29,955**	**24,955**
NET ASSETS		**(78,362)**	**(125,815)**	**(26,078)**	**80,246**	**(13,669)**	**(13,669)**	**50,445**	**84,027**	**85,737**	**91,433**
COMMUNITY WEALTH/EQUITY											
Accumulated surplus/(deficit)	29	(112,753)	(130,973)	(31,767)	80,246	(9,980)	(9,980)	50,445	84,027	85,737	91,433
Reserves and funds	30	–	–	–	–	–	–	–	–	–	–
Other	31	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	32	**(112,753)**	**(130,973)**	**(31,767)**	**80,246**	**(9,980)**	**(9,980)**	**50,445**	**84,027**	**85,737**	**91,433**

Key Legal Provisions to be Strictly Enforced

All municipalities must prepare budgets, adjustments budgets and in-year reports for the 2025/26 financial year in accordance with the Municipal Budget and Reporting ***AND*** Municipal Standard Chart of Accounts Regulations. In this regard, municipalities must comply with both:

- the budget documentation as set out in Schedule A (version 7.1) of the Municipal Budget and Reporting Regulations, including the main Tables (A1 - A10) and ALL the supporting tables (SA1 – SA38) in both printed and electronic formats (the Excel schedules);
    - the Service Delivery and Budget Implementation Plan in both printed and electronic format;
    - the Integrated Development Plan;
    - the Council Resolution;

- the signed Quality Certificate as prescribed in the Municipal Budget and Reporting Regulations; and

- the Budget Locking Certificate as signed by the accounting officer.

All municipalities must do a funding compliance assessment of their 2026/27 budgets in accordance with the guidance given in MFMA Circular 80 and the Municipal Standard Chart of Accounts Regulations, GN 312 of 2014, before tabling their budget, and where necessary revise their budget submissions to comply with a properly funded budget.

The deadline for tabling a final budget before Council is 31 May 2026 as per Section (16)2 of the MFMA.

The deadline for the submission to National Treasury, MEC, DLG, AG and SALGA of approved budgets are ten working days after Council approves the annual budget.

<u>“FUNDING OF EXPENDITURE”:</u>

(1) An annual budget may only be funded from -
- *(a) Realistically anticipated revenues to be collected;*
- *(b) Cash-backed accumulated funds from previous years’ surpluses not committed for other purposes; and*
- *(c) Borrowed funds, but not only for the capital budget referred to in section 17 (2).*

(2) Revenue projections in the budget must be realistic taking into account –
- *(a) Projected revenue for the current year based on collection levels to date; and*
- *(b) Actual revenue collected in previous financial years.*

4. ALIGNMENT WITH COUNCIL STRATEGIES

This report is aligned to the Reviewed IDP, the district’s GDS-3, Municipal Budget and Reporting regulations GN 393 of 2009, Municipal Standard Chart of Accounts Regulations, GN 312 of 2014 as well as circulars 48, 51, 54, 55, 58, 66, 67, 70, 74, 78, 79, 85, 86,91, 98, 99, 107, 108, 115, 123, 128, 130 and 132 of National Treasury.

5. COUNCIL BUDGET RELATED POLICIES

The MTREF for 2026/2027 has been drawn up in alignment with the following financial & budget related policies (as reviewed and adopted by Council): See Annexure “C”

1. Cash Handling Policy
2. Management of Foreign Exchange Policy
3. Cash Management & Investment Policy
4. Revenue Management Policy
5. Debt Management Policy
6. Sundry Tariff Policy

7. Loans Policy
8. Fixed Asset Management Policy
9. Capital Projects and Infrastructure Development Policy
10. Strategic Budget Policy
11. Long Term Financial Plan Policy
12. Budget Oversight Policy
13. Virement Policy
14. Unforeseen and Unavoidable Expenses Policy
15. Supply Chain Management Policy & Procedures – as revised
16. Supply Chain Management Policy for Infrastructure Procurement & Delivery Management
17. Accounts Payable Policy
18. Payroll Management Policy
19. Subsistence & Travel Policy
20. Journal Entry Policy
21. Funding & Reserves Policy
22. Accounting Policy
23. Vaal Technorama Policy
24. Acting Allowance Policy
25. Donation Policy
26. Cost containment Policy
27. Unauthorised, Irregular, Fruitless & Wasteful Expenditure Policy

During the budget process, these policies were reviewed and found to still be applicable with no amendments with the exception of the Supply chain management policy as per separate report.

6. RECOMMENDATIONS

1. THAT Council note annexure “A” to “C” as required in terms of the MFMA, No 56 of 2003;

2. THAT the inputs and comments received during public participation processes from Gauteng Provincial Treasury, National Treasury, MEC for Co-Operative Governance, the local municipalities, the public and other stakeholders be duly noted and recorded;

3. THAT the final capital and operating budget for 2026/2027 be approved as per Annexure “A” to “C” in accordance with the requirements as set out in the MFMA and MFMA: Municipal Budget and Reporting Regulations (MBRR GN 393 of 2009) and MFMA: Municipal Standard Chart of Accounts Regulations (MSCOA GNR. 312 of 2014);

4. THAT the proposed tariffs for all services as per Annexure “B” be approved in terms of the Tariff Policy and Section 75A of the Local Government Municipal Systems Act, No 32 of 2000;

5. THAT the consolidated three-year final Capital and Operational Budget as per Annexure “A” to “c” be submitted to National Treasury, MEC for Finance, MEC for Co-Operative Governance, Auditor-General and South African Local Government Association (SALGA) within ten working days of

Council approval of the annual budget as per Regulation 18 of the MFMA: Municipal Budget and Reporting Regulations (MBRR GN 393 of 2009);

Annexures:

Annexure "A"	A Schedule (Version 7.1)
Annexure "B"	Tariff of Charges
Annexure "C"	Budget related policies

MRS. M MASISI CHIEF FINANCIAL OFFICER	CLR. M. KHOMOEASERA MMC: FINANCE
DATE	DATE