

FINAL ANNUAL BUDGET 2025/2026 FINANCIAL YEAR

(E/C 2025 05 21; C 2025 05 29)

(5/1/1)

REPORT OF THE DEPARTMENT OF THE CHIEF FINANCIAL OFFICER, Mr. C.M MAETA

STRATEGIC OBJECTIVE

The strategic objective is under sound financial management and viability.

1. PURPOSE

The purpose of this report is to request Council to consider and approve the 2025/2026 (MTREF) Medium-term Revenue and Expenditure Framework in terms of Section 24 (1) of the Municipal Finance Management Act 2003, Act no. 56 of 2003.

2. BACKGROUND

The budget process is guided by Municipal Finance Management Act, Municipal Budget Reporting Regulations, Municipal Budget related policies, National Treasury MFMA Circular No.129, 130 and related circulars.

In terms of Local Government Municipal Finance Management Act, the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.

The proposed final budget for 2025/26 MTREF, has been prepared in line with municipal strategic proprieties of the municipality and regulatory requirements, while also responding to the needs of the community and current economic environment.

The preparation of the budget has been an inclusive and consultation process. IDP/budget process plan was adopted on 27th August 2024 in terms of the provision of the Municipal Finance Management Act. The process plan outlines the key deadlines for the preparation, tabling and approval of the annual budget. Extensive engagements were held with stakeholders including community through various platforms and public participation to ensure that their priorities are reflected in the proposed allocation of resources.

Following the tabling of the budget in March 2025, a structured and consultative process was undertaken to ensure that the financial planning aligns with community's needs, statutory obligations and strategic priorities. This participatory approach ensured that the final budget is both technically sound and reflection of community and stakeholders aspiration while upholding the principle of transparency, accountability and good governance.

The processes took into cognizance of current economic environment, which presents both challenges and opportunities. The economic fluctuations have a direct impact on revenue generation, to address this, the municipality proximitized among others economic infrastructure and implementation of strategies for Economic Development and Revenue Enhancement.

The other critical consideration in the budget is the aging infrastructure, which requires urgent attention and new infrastructure, provision has been made in the budget for infrastructure to ensure continued provision of service delivery and to mitigate risk of service disruptions.

Measures are in place to mitigate risks associated with budget's execution and ensure that the municipality remain on a sound financial footing. The measures, coupled with diligent monitoring of the budget implementation will enable the municipality to realize the intended outcomes.

3. DISCUSSIONS

BUDGET: GREATER TZANEEN MUNICIPALITY

The total projected revenue for the 2025/2026 financial year amounts to R2,188 billion. This increase is mainly due to the increase in property rates, service charges and external grants from Government.

The total revenue budget includes an amount of R555 million which represents the equitable share allocation to the Greater Tzaneen Municipality.

An amount of R202,8 million will be levied by way of property rates and R1,128 billion will be sourced from user service charges. National allocations to fund operational activities amount to R23,4 million which includes the Finance Management Grant of R2,0 million, MIG operation of R 6,1 million, EPWP R 4,8 million and the INEP allocation of R 10,5 million.

An amount of R 1,990 billion has been made available on the operational budget for expenditure. This substantial increase is largely due to the increase in employee related costs, inventory consumed, and bulk purchases. The Expenditure amount includes R494 million for employee related costs, R108 million for inventory consumed excluding labour costs and R 763 million for the purchase of bulk electricity.

An amount of **R252** million has been allocated for capital expenditure for the 2025/2026 financial year. This amount includes the MIG allocation of R116 million which will be spent on roads, community hall and installation of high mast.

The summary of the operating and capital budgets are as follows:

OPERATING AND CAPITAL BUDGET	2025/2026 FINAL BUDGET	2026/2027 FINAL BUDGET	2027/2028 FINAL BUDGET
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TOTAL REVENUE	R 2,188,301,154	R 2,348,527,059	R 2,548,930,986
TOTAL OPERATING EXPENDITURE	R 1,990,250,148	R 2,140,507,986	R 2,305,489,535
TOTAL CAPITAL EXPENDITURE	R 251,692,600	R 263,512,150	R 198,285,900
TOTAL OPEX AND CAPEX BUDGET	R 2,241,942,748	R 2,404,020,136	R 2,503,775,435

GRANT ALLOCATIONS

The total grant allocations for Greater Tzaneen Municipality in the 2025/2026 financial year which are in line with Division of Revenue Act are reflected below:

MUNICIPAL GRANTS FOR 2025/2026- 2027/2028			
Grant Description	2025/2026 (R)	2026/2027 (R)	2027/2028 (R)
EQUITABLE SHARE	555 351 000	556 034 000	581 276 000
MIG	122 308 000	127 697 000	133 722 000
FMG	2 000 000	2 100 000	2 200 000
EPWP	4 811 000	-	-
INEP	10 536 000	9 000 000	9 407 000
EEDSM	-	5 000 000	-
TOTAL	695 006 000	699 831 000	726 605 000

PROPOSED TARIFF INCREASES

Proposed tariff increase on service charges and property rates are as follows:

CATEGORY	2025/2026 (%)	2026/2027 (%)	2027/2028 (%)
Property Rates	4.4	4.5	2.5
Electricity	12.7	12.7	12.7
Refuse	4.4	4.5	2.5
Water (Haenertsburg)	4.4	4.5	2.5
Water (Other users)	4.4	4.5	2.5
Sewerage	4.4	4.5	2.5

4. LEGAL IMPLICATIONS

Compliance to Section 22 of the Municipal Finance management Act, Municipal Budget Reporting Regulations, Division of Revenue Bill and MFMA Budget circulars.

5. FINANCIAL IMPLICATIONS

- The budget provides financial framework within which all expenditures and revenue generation will be managed and guide resource allocation.
- The revenue and expenditure estimates will be included in the budget.

6. RISK IMPLICATIONS

- Noncompliance with MFMA should the budget not tabled within prescribed timeframe.
- Potential audit finding and withholding of transfers due to non-compliance.

7. CHANGE MANAGEMENT IMPLICATIONS

Ensure compliance to MFMA and timely submission of FINAL budget on schedule A, version 6.9 in line with Municipal Budget and Reporting Regulations

RECOMMENDATIONS OF THE CHIEF FINANCIAL OFFICER (MR CM MAETA)

1. That the Capital and Operational Estimates for the 2025/2026 financial year as fully recorded in the report in this regard be approved and that the Accounting Officer proceeds with the publication of the Annual Budget as outlined in section 22 of the Municipal Finance Management Act 56 of 2003.
2. That the 2025/2026 financial year budget related policies be approved as more fully set out in **Part 2 of supporting documents in the budget**
3. That the final 2025/2026 tariff listing for municipal services as more fully set out in part 1 of supporting budget documents be approved.
4. That it be noted that the final 2025/2026 capital and operational Estimates will after approval by the Council in terms of section 22 of the Municipal Finance Management Act, be submitted to National Treasury and the Provincial Treasury, together with the quality certificate approved by the accounting officer.

5. That the detailed budget resolutions attached as per “Annexure S” be approved
6. That the Municipal Cost Containment Regulations and MFMA circular no 82 and 97 as issued by National Treasury should continuously be enforced to reduce spending on non-priority items

COMMENTS OF THE DIRECTOR CORPORATE SERVICES (MS HN MAAKE)

COMMENTS OF THE DIRECTOR ENGINEERING SERVICES (MS HO TSHISEVHE)

COMMENTS OF THE DIRECTOR ELECTRICAL ENGINEERING (MR F MTHETWA)

COMMENTS OF THE DIRECTOR PLANNING AND ECONOMIC DEVELOPMENT (MR BM MATHEBULA)

COMMENTS OF THE DIRECTOR COMMUNITY SERVICES (MS C NTIMBANI)

COMMENTS OF THE CHIEF FINANCIAL OFFICER (MR CM MAETA)

COMMENTS OF THE MUNICIPAL MANAGER (MR D MHANGWANA)

RESOLVED TO RECOMMEND

1. That the Capital and Operational Estimates for the 2025/2026 financial year as fully recorded in the report in this regard be approved and that the Accounting Officer proceeds with the publication of the Annual Budget as outlined in section 22 of the Municipal Finance Management Act 56 of 2003.
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FOR CONSIDERATION