

EMADLANGENI MUNICIPALITY

KZ253



MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK

DRAFT BUDGET

2026/27 TO 2028/29

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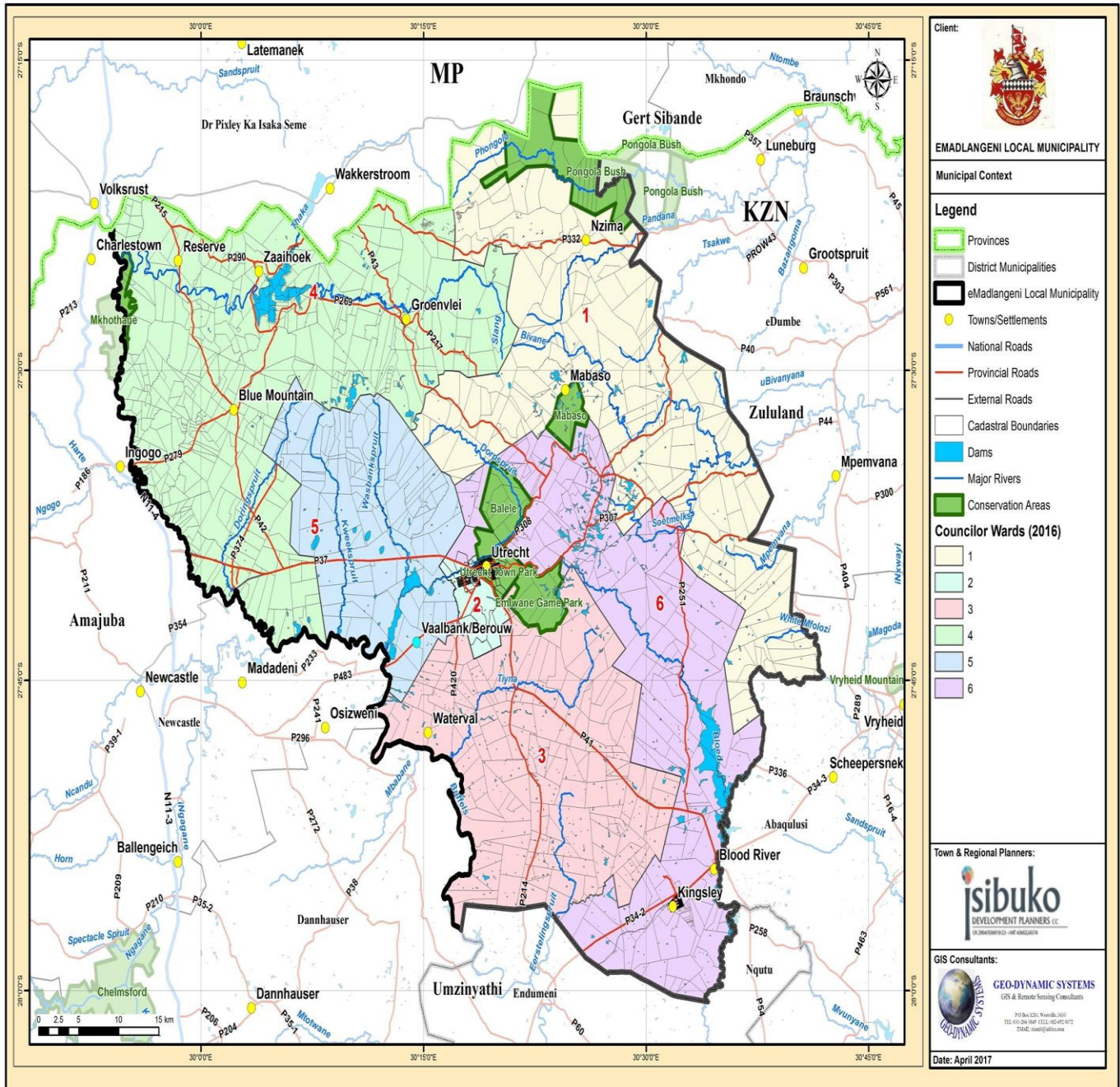
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SECTION DESCRIPTION

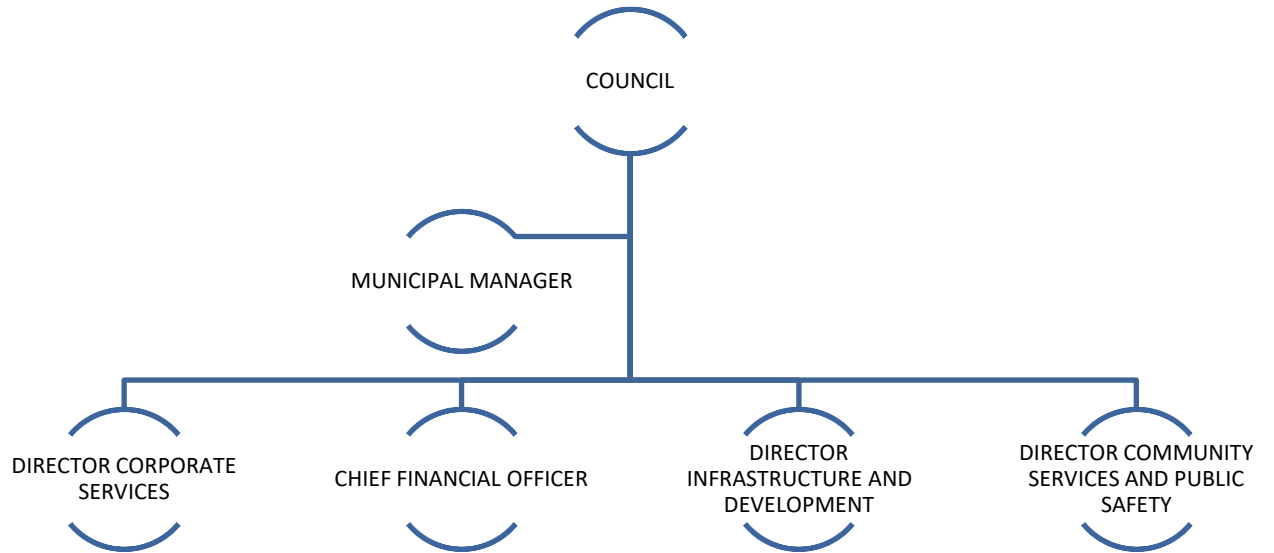
I. ABBREVIATIONS AND ACRONYMS

BSC	Budget Steering Committee
CFO	Chief Financial Officer
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DOHS	Department of Human Settlements
EE	Employment Equity
EMA	EMadlangeni Municipal Area
M	Mayor
FBS	Free Basic Services
GRAP	Generally Recognized Accounting Practice
GDP	Gross Domestic Product
GFS	Government Financial Statistics
HR	Human Resources
ICT	Information Communication Technology
IDP	Integrated Development Plan
INEP	Integrated National Electrification Programme
KPA	Key Performance Area
KPI	Key Performance Indicator
K/Wh	Kilo Watt Hours
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MSCOA	Municipal Standard Chart of Accounts
MSFM	Municipal Services Financial Model
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NT	National Treasury
NGO	Non-Governmental Organizations
NKPIs	National Key Performance Indicators
OP	Operational Plan
PMS	Performance Management System
PT	Provincial Treasury
PPE	Property Plant and Equipment
PPP	Public Private Partnership
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprise

II. MAP OF EMADLANGENI AREA



III. ORGANIZATIONAL STRUCTURE



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IV. EMADLANGENI MUNICIPALITY PROFILE

OVERVIEW OF THE MUNICIPALITY

eMadlangeni Municipality is the largest municipality in the Amajuba District in terms of area; it covers 3 714 km² of the land. It consists of a vast rural in which there are approximately 1400 commercial farms and a low percentage of economic activity. eMadlangeni has an exceptionally low population density, which is 36 948 according to Community survey 2022 figures and made up of 6 wards

The Municipality is located in Utrecht. It is predominantly rural and is characterised by vast commercial farmlands with rural settlements concentrated in selected areas. The municipality is rich in heritage and forms part of the Battlefields tourism route in terms of tourism development and promotion in KwaZulu-Natal. The municipal area includes Balele Game Park.

Economic development is the biggest need. Diversification of the local economy requires immediate attention. Limited mining occurs while sectors making a notable contribution to the economy of the area include trade, finance and government services. Agriculture is the most important economic sector with excellent potential.

VISION OF THE MUNICIPALITY

By 2036 eMadlangeni Municipality will be a self-sustaining exemplary local municipality with a diverse thriving economy where people enjoy a high quality of life within a sustainable and resilient environment.

MISSION

The municipality pledges to its communities and stakeholders to the embodiment of good governance; deliver services in an efficient and effective manner; promote and facilitate sustainable socio-economic development; To create mutual trust and understanding between the municipality and the community. Promote tourism, agriculture and mining, and facilitate the development of urban hubs in support of these economic sectors and delivery of services. To apply good and transparent corporate governance in order to promote community development

ECONOMIC / SOCIAL DEVELOPMENT

Emadlangeni has a young population. This implies that most are in the economically active age group and hence planning is required for more employment opportunities. This is a challenge that needs a strategic approach in light of the general economic dynamics of the district as a whole.

The eMadlangeni is an agricultural area and is most wool producing area in KwaZulu Natal. It is also known for cattle and mixed-farming.

PART 1 – ANNUAL BUDGET

1. MAYORS REPORT

The Mayor LM Buthelezi to deliver the budget speech in March 2026. A copy of the speech to be circulated under separate cover at the Council Meeting.

The fourth review of the current new generation 5-year IDP and draft SDBIP will also be tabled during the Council meeting.

2. COUNCIL RESOLUTIONS

2.1 BUDGET RELATED RESOLUTIONS

- That the 2026/27 - 2028/29 MTREF (Medium-Term Revenue and Expenditure Framework) of the eMadlangeni Municipality be approved by Council and also considered adjustment where necessary
- That the note be taken of the contents of the budget documentation circulated in accordance with the Municipal Finance Management Act, No.56 of 2003, MBRR and relevant MFMA circulars.

2.2 ESTIMATES OF INCOME AND EXPENDITURE

- i. That in terms of section 24 of the Municipal Finance Management Act, No.56 of 2003, the annual budget of the municipality for the financial year 2026/2027; and indicative allocations for the two outer years 2027/2028- 2028/2029; and the multi-year and single year capital appropriations are approved as set-out in the following tables of the budget document:
 - Budgeted Financial Performance (Revenue and Expenditure by Standard Classification) **(Annexure A - Table A2)**
 - Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote) **(Annexure A -Table A3)**
 - Budgeted Financial Performance (Revenue by Source and Expenditure by Type) **(Annexure A- Table A4)**
 - Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source **(Annexure A - Table A5)**
- ii. That the financial position, cash flow, cash-backed reserve/ accumulated surplus, asset management and basic service delivery targets are adopted as set out in the following tables in Annexure A:
 - Budgeted Financial Position **(Table A6)**
 - Budgeted Cash Flows **(Table A7)**
 - Asset Management **(Table A9)**
 - Basic Service Delivery Measurement **(Table A10)**

2.3 BUDGET RELATED POLICIES

- a. That the following budget related policies as per the **Annexure C** (Annual Budget and Medium Term Revenue and Expenditure Framework 2026/27- 2028/29) be submitted in terms of S7 of Municipal Budget and Reporting Regulations: -
- b. That the following draft policies be adopted by Council remain unchanged and are hereby approved

- Bad Debt Write Off and Impairment of Debts policy
- Property Rates policy
- Borrowing policy
- Banking/Cash management and investment policy
- Cost Containment policy
- Fleet Management policy
- Leave policy
- Budget policy
- Cash and Investment policy
- Petty Cash policy
- Virement policy
- Indigent policy
- Debt Collection and Credit Control policy
- Reserve and Funding Polic
- Revenue Enhancement Strategy
- SCM Policy
- Assets Retention Policy
- Control Loss Policy
- Indigent Policy

2.4 TARIFFS

That the Council of eMadlangeni Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) **APPROVES AND ADOPTS** with effect from 1 July 2026 the draft tariffs as contained in **Annexure B**:

- i. The tariffs for electricity have not yet been received from NERSA
- ii. The tariffs for solid waste services;
- iii. The tariffs, rebates and exemptions for property rates for different categories and
- iv. The tariffs for rendering other services of the municipality for different categories.

2.5 RECAPITULATION: VALUATION OF RATEABLE PROPERTY

The municipality is now in the 5th generation of the General Valuation Roll that was implemented as from 1 July 2023.

That it be recorded that the recapitulation certificate summarizing the valuation of rateable property, As certified by the Municipal Valuer, is laid on the table.

The following resolutions, pertaining to property rates (items 2.1.4 to 2.1.9) and in conformity with the provisions of Section 14 of the Local Government: Municipality Property Rates Act 6 of 2004 and Sections 17(3) (a) (ii) and 24 (2) (c) (i) of the Local Government: Municipal Finance Management Act 56 of 2003, be adopted.

2.6 DETERMINATION OF RATES

In terms of Section 8 of the Local Government: Property Rates Act, 2004 read together with the Rates Policy, as amended, and to be adopted with the current budget, the Municipality may levy different Rates for different categories of Property.

That the rate randage for the said financial year for the eMadlangeni Municipality, be and is hereby assessed and levied for the following categories at:

Categories	2026/2027 Cents in the rand	2027/2028 Cents in the rand	2028/2029 Cents in the rand
Agriculture properties used for agricultural purposes	0.00195	0.00201	0.00207
Business/commercial/industrial purposes	0.04910	0.05072	0.05234
Industrial properties	0.04910	0.05072	0.05235
Mining properties	0.62435	0.64495	0.66558
Public service infrastructure	0	0	0
Residential properties	0.01823	0.01883	0.01943
Public Service Purpose	0.07068	0.07301	0.07535
Vacant land zoned residential	0.14348	0.14821	0.15296

Multiple-Use Property will be dealt with in accordance with the Rates Policy

2.7 EXEMPTIONS, REBATES AND REDUCTIONS

That the following reductions on the market values of the property and rebates on rates payable, and are hereby granted in accordance with the Rates Policy.

- All beneficiaries of the RDP houses who have not developed their houses be granted full rebates.

2.7.1 RESIDENTIAL PROPERTY

That in addition to the statutory reduction of R 15 000, a further reduction of R 35 000 be and is hereby approved for all residential properties.

2.7.2 PUBLIC BENEFIT ORGANISATIONS

That on application and approval, only Public Benefits Organizations listed in paragraph 11.5. of the Municipality's Draft Rates Policy 2026/2027 shall receive an exemption from rates. This is subject to them fully complying with being a NPO/PBO.

2.7.3 VACANT LAND

That the rebate of R15 000 on the market value of Vacant land, as defined in the Rates Policy be granted.

2.7.4 MUNICIPAL PROPERTIES

All municipal owned properties are exempted from property rates, except for Trading Services.

2.8 DATE OF OPERATION OF DETERMINATION OF RATES

That this determination comes into operation on 01 July 2026.

2.9 ADMINISTRATION CHARGE ON ARREARS

That the administration charge on arrear rates as referred to in Section 10.2 of the debt collection and credit control policy is determined at 1.5%. Collection of area rates is in accordance with the municipal policy.

2.9.1 Interest on Arrears

That the interest rate to be applied to arrear accounts, shall be interest rate as prescribed by regulation 9 of the Municipal Property Rates Regulations, 2006.

2.10 NEW FUNCTIONS/ SERVICES

That no new functions or service be introduce without specific approval thereto by the Council after full considerations of the effect thereof on the Council's Budget. New functions and services can only be approved in principle and thereafter would have to be prioritized in terms of the Integrated Development Plan together with all other submissions that have been received.

2.11 PARTICULARS OF INVESTMENTS

That in terms of Section 17(3) (k) of the Municipal Finance Management Act No. 26 of 2003, particulars of the Councils investments are reflected in **Table SA15 –SA16**.

2.12 RENUMERATION OF COUNCILLORS AND SENIOR OFFICIALS

That in terms of Section 17(3)(k) of the Municipal Finance Management Act No. 56 of 2003 that the proposed cost to Council of the salary, allowances and benefits of each political office bearer, councilor and senior officials of the municipality.

3. EXECUTIVE SUMMARY

INTRODUCTION

The 2026/2027 Medium Term budget is a total budget of **R 155.2 million** which has been developed with an overall planning framework and includes programs and projects to achieve the strategic objectives of the IDP. This budget was set against the backdrop of slow economic growth where tough choices had to be made to achieve the development outcomes for the municipality.

Economic challenges will continue to pressurize municipal revenue generation and collections in 2026/2027, hence a conservative approach has been adopted when projecting expected revenues and receipts. Despite increasingly challenging circumstances, service delivery will continue to be sustained through this budget by re-prioritizing expenditure to ensure key objectives are achieved.

Provisions in this medium term budget continue to support government's commitment to broadening service delivery and expanding investment in infrastructure. This budget has been developed to contribute to the municipality achieving the strategic objectives of the IDP. The 2026/2027 MTREF is informed by the municipality's long-term financial strategy with emphasis on affordability and long-term sustainability. National Treasury's MFMA Circulars No.132 was used to guide the compilation of the 2026/2027 MTREF. In addition, this budget format and content incorporates the requirements of the Municipal Budget and Reporting Regulations

The following budgeting PRINCIPLES were applied in formulating the medium term budget:

- Realistic and achievable collection rates.
- Sustainable, affordable, realistic and balanced budget.
- Major tariffs to be cost reflective, realistic and affordable.
- Need to ensure rates base growth to ensure sustainability of free basic services.

- Budget to contribute to achieving strategic objectives of the IDP.

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

- Unfunded current budget that must be funded by 2027/2028
- Huge backlogs on infrastructure projects;
- High unemployment which impacts on collection rates.
- National Treasury austerity measures with minimal growth or decline in grant allocations.
- Limited resources and minimal growth in the rates base & costs to unblock development.
- Aging and poorly maintained roads and electricity infrastructure;
- Increasing cost of bulk electricity;
- Revenue recovery from cost reflective core municipal services;
- Ensure a funded budget - The revenue collection from non-cash items such as depreciation, actuarial provisions, landfill sites etc. cannot fully be recovered from tariffs
- Wage increases for municipal staff that continues to exceed consumer inflation, as well as the need to fill critical vacancies.

The following are some of the AUSTERITY MEASURES that need to be considered in the 2026/2027 medium term budget. In order to address the above challenges, ensure reasonable levels of tariffs and to conform to National Treasury cost containment guidelines.

- Productivity assessment and benchmarking of costs undertaken.
- Strategic approach to vacancies, analysis of vacancies carried out.
- Productivity analysis to include value for money and staff redeployment.
- Utilization of vehicles being closely monitored via the vehicle tracking system.
- Fuel, overtime and standby, travelling and accommodation, legal fees, security, catering, and consultants are some of the costs that are closely monitored by the Head of Departments.

4. OPERATING REVENUE FRAMEWORK

In order for eMadlangeni Local Municipality to continue improving the quality of services that is provided to its citizens, it needs to generate the required revenue. In these tough economic times, strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to 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;
- Economic development growth with the municipal area;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases guidelines;
- Determining the tariff escalation rate of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA) as amended;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policy of the municipality.

While the municipality is optimistic about growth prospects in the next few year, there is no provision of such growth in the municipality's revenue budget. Ordinarily, the municipality is expected to reflect

such growth in the revenue budget; however, the municipality chose to be cautious and conservative in this case. Taking into account, the MFMA provision that the budget must be funded from realistically anticipated revenue for collection, the municipality opted to use the current revenue base for the purposes of the MTREF but adjustments will be done in future when such growth in the revenue base materializes.

The following table is a summary of the 2026/2027 MTREF (classified by main revenue source):

Table Financial Performance: Revenue

Choose name from list - 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		
		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											
Service charges - Electricity	2	14 139	15 289	19 519	20 941	21 285	21 285	13 347	24 094	24 888	25 686
Service charges - Water	2	-	-	-	-	-	-	-	-	-	-
Service charges - Waste Water Management	2	-	-	-	-	-	-	-	-	-	-
Service charges - Waste Management	2	1 917	2 005	2 005	2 656	2 763	2 763	1 863	2 866	2 960	3 055
Sale of Goods and Rendering of Services	2	353	322	483	441	745	745	377	773	790	824
Agency services	2	-	-	-	-	-	-	-	-	-	-
Interest	2	-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables	2	-	1 919	2 324	2 165	2 165	2 165	797	2 245	2 320	2 394
Interest earned from Current and Non Current Assets	2	557	1 454	1 112	1 703	513	513	358	532	550	567
Dividends	2	-	-	-	-	-	-	-	-	-	-
Rent on Land	2	-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets	2	1 407	1 535	1 411	1 515	1 517	1 517	1 041	1 573	3 425	3 534
Licence and permits	2	1 791	2 307	2 510	2 377	2 012	2 012	1 204	2 087	2 155	2 224
Special rating levies	2	-	-	-	-	-	-	-	-	-	-
Construction Contract Revenue	2	-	-	-	-	-	-	-	-	-	-
Development Charges	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	6	620	724	147	15	15	3	16	16	17
Non-Exchange Revenue											
Property rates	2	25 471	37 400	43 790	51 816	48 388	48 388	28 553	51 179	52 861	54 559
Surcharges and Taxes	2	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	2	689	1 004	1 102	834	897	897	530	930	961	992
Licences or permits	2	-	-	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational	2	43 866	45 307	53 731	46 502	46 502	46 502	34 426	46 000	44 471	47 218
Interest	2	1 788	4 374	7 280	6 806	6 806	6 806	5 480	7 058	7 291	7 525
Fuel Levy	2	-	-	-	-	-	-	-	-	-	-
Operational Revenue	2	-	-	-	-	-	-	-	-	-	-
Gains on disposal of Fixed and Intangible Assets	2	-	-	-	-	-	-	-	-	-	-
Other Gains	2	-	-	17	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		91 982	113 536	136 007	137 903	133 609	133 609	87 978	139 352	142 706	148 594

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 calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. Rates comprises of 33% (51.2 million) of the total revenue mix. In the 2027/2027 financial year, services charges and electricity totaled to R24.0 million. This increased in rates, service charges and electricity revenue to R80.7 million and R83.3 million for 2027/2028, and 2028/2029 respectively.

The table above excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Property rates are the second largest revenue source totaling 33 per cent (R51.2million). Other revenue consists of various items such as fines, licenses and permits, rental of equipment, reconnection fees etc.

Operating grants (including capital) transfers total to R46.0 million in the 2026/2027 financial year and increases to R 44.4 million by 2027/2028. Table 18 of the A schedule gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term.

5. OPERATING EXPENDITURE FRAMEWORK

The Council expenditure framework for the 2026/2027 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue);
- Funding of the budget over the medium term as informed by section 18 and 19 of the MFMA;
- Funded capital programs as planned in the IDP.
- Strict adherence to the principle of no project plan no budget.

Choose name from list - 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		
		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
Expenditure											
Employee related costs	2	46 132	51 116	52 802	58 249	57 969	57 969	39 259	61 046	63 061	65 079
Remuneration of councillors	2	4 928	4 647	4 794	4 817	4 817	4 817	3 150	4 995	5 160	5 325
Bulk purchases - electricity	2	15 896	19 298	24 126	25 907	25 907	25 907	15 399	27 201	28 615	29 531
Inventory consumed	2,8	4 218	3 318	3 944	4 802	4 386	4 386	15	4 672	4 832	4 987
Debt impairment	2,3	6 489	480	349	4 574	4 574	4 574	-	4 744	4 900	5 057
Depreciation, amortisation and impairment	2	11 628	18 618	8 818	9 233	6 459	6 459	4 852	6 698	6 919	7 140
Interest, Dividends and Rent on Land	2	1 967	307	1 166	-	1 000	1 000	1 006	1 037	1 071	1 106
Contracted services	2	26 679	44 477	41 341	16 246	15 022	15 022	10 147	13 755	13 831	14 152
Transfers and subsidies	2	-	-	-	-	-	-	-	-	-	-
Irrecoverable debts written off	2	-	1 899	3 304	182	182	182	-	-	-	-
Operational costs	2	4 526	23 545	29 640	12 162	12 986	12 986	10 002	13 682	14 133	14 586
Disposal of Fixed and Intangible Assets	2	-	-	-	-	-	-	-	-	-	-
Other Losses	2	583	303	1 763	-	-	-	0	-	-	-
Total Expenditure		123 047	168 008	172 048	136 172	133 303	133 303	83 831	137 830	142 529	146 962

5.1 Employee Related Costs: R57.9 million (43% Total Expenditure)

Employee Related Costs was increased by an overall 4.75%. according to the Collective Agreement on Wages and Salaries signed by the Local Government National Bargaining Council that set the salaries increases.

5.2 Remuneration of Councillors: R4.9 million (3% Total Expenditure)

The cost associated with the remuneration of Councillor's 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).

5.3 Depreciation and Asset Impairment: R6.7 million (4% of Total Expenditure)

The 2026/2027 depreciation and asset impairment budget increased to R 6.7 million increase of 3.7% from the full year forecast for 2025/2026 year. This line item is influenced by assessment reports produced professional at time of asset verification.

5.4 Debt Impairment: R4.7 million (3% of Total Expenditure)

Based on the audited financial statements, the contribution to impairment was R 15 million from 2025 to 2026 financial year. The provision is a non-cash item. We are currently busy with data cleansing and the current workings show there's a lot of debtors to be written off by council as some accounts that are currently billed were actually either closed or consolidated in 2017 when MSCOA was implemented.

5.5 Finance Charges: R1 thousand

The municipality did budget for any interest charge on late payments as some of the payments are paid late.

5.6 Bulk Purchases: R27.7 million (18% of Total Expenditure)

The budget for Electricity will be increased base on NERSA guideline, which are not yet received. The increase is currently based on the CPI inflation.

5.7 Other Expenditure & Materials : R18.3 million (12.8% of Total Expenditure)

The municipality has shifted the focus and decided to improve the maintenance of infrastructure; the high increase on material is due to anticipated high expenditure on roads and electricity maintenance.

5.8 Contracted Services : R15.2 million (11.8% of Total Expenditure)

An increase on contracted services is informed by consumer price index.

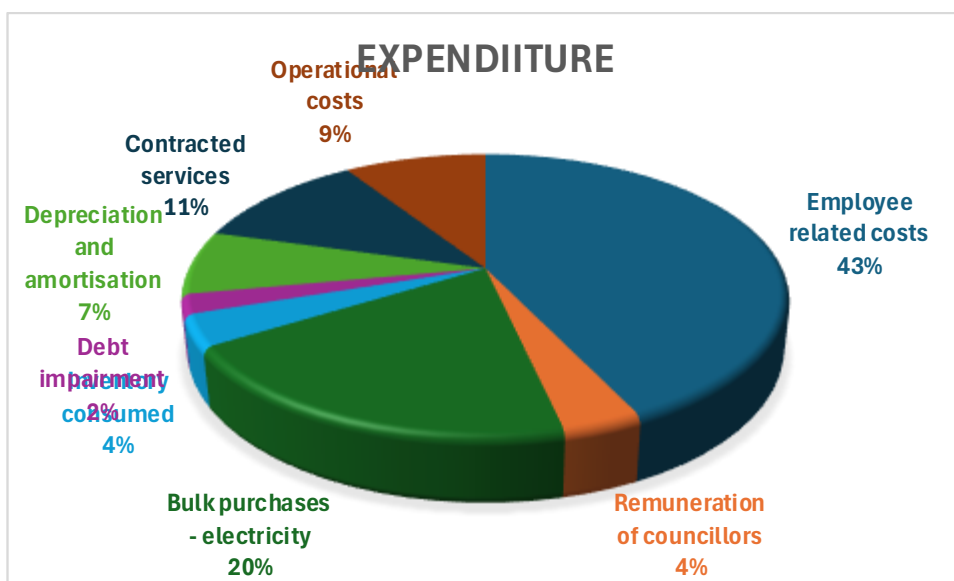
5.9 Repairs and maintenance (3.4%)

The municipality is still struggling to set aside the amount as per the guidelines due to the availability of finances to fully cover this, and will endeavour to do this over the years.

5.10 Total Operating Expenditure R137.0 million

Total operating expenditure for the 2026/2027 financial year has been appropriated at **R137.0** million when compared to **R 133.0 million** for the 2025/2026 Budget, operational expenditure has decrease by **3%** for the outer years’ operating expenditure has increased by **3.3%** an increased by **3.2%** respectively

The following pie chart gives a breakdown of the main expenditure categories for the 2025/2026 financial year.



6. CAPITAL EXPENDITURE

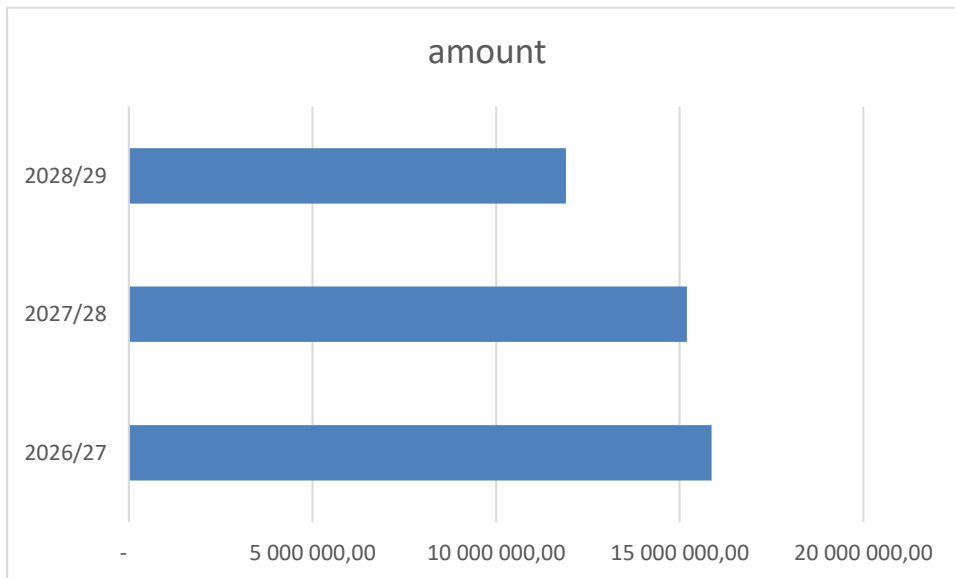
The capital budget totalled to R 15.8 million in 2026/2027. This was funded by National and Provincial grants in the amount of R14.7 and R1.1 million being funded from Council’s internal sources.

Capital Budget Performance (Current Year)

The capital performance for current year and three outer years.

Description	2026/2027 Budget R'000	2027/2028 Budget R'000	2028/2029 Budget R'000
Total Capital Expenditure	15 867	15 193	11 902
Total Capital Financing	15 867	15 193	11 902

The following graph indicates the fluctuation of capital budget which might have negative impact on service delivery.



7. BUDGET TABLES

Budget Summary

Choose name from list - Table A1 Budget Summary

Description	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
R thousands										
Financial Performance										
Property rates	25 471	37 400	43 790	51 816	48 388	48 388	28 553	51 179	52 867	54 559
Service charges	16 056	17 293	21 523	23 597	24 048	24 048	15 210	26 960	27 850	28 741
Investment revenue	557	1 454	1 112	1 703	513	513	358	532	550	567
Transfer and subsidies - Operational	43 866	45 307	53 731	46 502	46 502	46 502	34 426	46 000	44 473	47 218
Other own revenue	6 033	12 081	15 851	14 286	14 158	14 158	9 432	14 682	16 966	17 509
Total Revenue (excluding capital transfers and contributions)	91 982	113 536	136 007	137 903	133 609	133 609	87 978	139 352	142 706	148 594
Employee costs	46 132	51 116	52 802	58 249	57 969	57 969	39 259	61 046	63 061	65 079
Remuneration of councillors	4 928	4 647	4 794	4 817	4 817	4 817	3 150	4 995	5 160	5 325
Depreciation, amortisation and impairment	11 628	18 618	8 818	9 233	6 459	6 459	4 852	6 698	6 919	7 140
Interest, Dividends and Rent on Land	1 967	307	1 166	-	1 000	1 000	1 006	1 037	1 071	1 106
Inventory consumed and bulk purchases	20 114	22 616	28 070	30 709	30 293	30 293	15 414	31 873	33 447	34 518
Transfers and subsidies	-	-	-	-	-	-	-	-	-	-
Other expenditure	38 277	70 704	76 398	33 164	32 765	32 765	20 150	32 181	32 870	33 795
Total Expenditure	123 047	168 008	172 048	136 172	133 303	133 303	83 831	137 830	142 529	146 962
Surplus/(Deficit)	(31 065)	(54 472)	(36 041)	1 731	306	306	4 147	1 523	177	1 632
Transfers and subsidies - capital (monetary allocations)	23 834	44 266	52 934	28 929	33 929	33 929	14 104	15 867	15 193	16 402
Transfers and subsidies - capital (in-kind)	-	-	3 449	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(7 231)	(10 205)	20 342	30 660	34 235	34 235	18 252	17 390	15 370	18 034
Share of Surplus/Deficit attributable to Associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(7 231)	(10 205)	20 342	30 660	34 235	34 235	18 252	17 390	15 370	18 034
Capital expenditure & funds sources										
Capital expenditure	1 864	664	(929)	26 347	29 702	29 702	18 554	14 887	15 193	17 282
Transfers recognised - capital	343	-	(478)	25 156	28 790	28 790	17 547	13 797	15 193	16 402
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	1 521	664	(451)	1 191	912	912	931	959	-	880
Total sources of capital funds	1 864	664	(929)	26 347	29 702	29 702	18 478	14 757	15 193	17 282
Financial position										
Total current assets	57 581	71 781	62 703	63 115	52 597	52 597	90 948	50 942	12 711	13 687
Total non current assets	148 308	148 275	177 629	165 221	194 638	194 638	191 331	179 784	8 274	10 142
Total current liabilities	72 799	92 368	92 052	60 668	73 968	73 968	115 879	73 936	715	738
Total non current liabilities	1 605	1 636	1 410	1 636	(226)	(226)	1 278	(226)	-	-
Community wealth/Equity	927 167	871 264	151 287	133 289	274 140	274 140	134 570	274 509	4 900	5 057
Cash flows										
Net cash from (used) operating	3 062	20 713	53 362	(2 299)	(3 518)	(3 518)	66 183	283	13 365	15 984
Net cash from (used) investing	-	-	(41 008)	(30 299)	(34 158)	(34 158)	(20 637)	(16 970)	(17 472)	(19 874)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	2 710	17 993	28 311	(28 916)	(33 674)	(33 674)	52 885	(12 685)	(16 792)	(20 682)
Cash backing/surplus reconciliation										

Budget summary

- It provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
- The Cash backing/surplus reconciliation shows a slight decrease in cash over the MTREF.
- Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which

- i. Transfers recognized is reflected on the Financial Performance Budget;
- ii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget.

8. OVERVIEW OF ANNUAL BUDGET PROCESS

8.1 POLITICAL OVERSIGHT OF BUDGET PROCESS

The concept of political oversight over the budget process is of paramount importance and it is crucial to ensuring that strategy informs budget.

The political oversight role of the Mayor is contained in Section 53 (1)(a) and (b) of the Municipal Finance Management Act (MFMA). It requires that the Mayor must provide political guidance over the budget process and the priorities that guide the preparation of the budget. It further requires that the Mayor co-ordinate the revision of the IDP and the preparation of the annual budget and to determine how the IDP is to be taken into account for the purpose of the budget.

The demands on the Municipality to address service delivery backlogs and to improve service delivery to all of its citizens, within current financial resources, are challenging. Political oversight of the budget process is therefore essential to ensure that the priorities of the municipality are addressed through budget allocations.

8.2 SCHEDULE OF KEY DEADLINES RELATING TO BUDGET PROCESS

One of the objectives of the budget timetable is to ensure the development of IDP and the budget and also to ensure that a balanced budget is tabled for consideration and approval. The timetable schedule for the compilation of the 2026/2027 budget cycle was tabled to Council during 2023 in compliance with the MFMA.

The following is a detailed key deadlines relating to the budget process:

IDP/BUDGET PROCESS PLAN: 2026/2027

ENGAGEMENT/MEETING	DATE
QUARTER ONE	
Local House (full House)	19 August 2025
EXCO Meeting	21 August 2025 18 September 2025
Council Meeting	28 August 2025
QUARTER TWO	
Local House (full House)	16 October 2025
EXCO Meeting	21 October 2025 25 November 2025
Council Meeting	28 October 2025 04 December 2025
IDP Representative Forum	13 November 2025
QUARTER THREE	
Local House (full House)	26 February 2026
EXCO Meeting	19 February 2026 19 March 2026

Council Meeting	25 February 2026
IDP Representative Forum	05 March 2026
QUARTER FOUR	
EXCO Meeting	21 April 2026 21 May 2026 23 June 2026
Council Meeting	28 April 2026 27 May 2026 30 June 2026
Mayoral Stakeholder Engagement for IDP/Budget 2026/2027	20-24 April 2026
IDP & Budget Roadshow for 2026/2027 financial year	04-08 May 2026

4.2 COMMUNICATION STRUCTURES

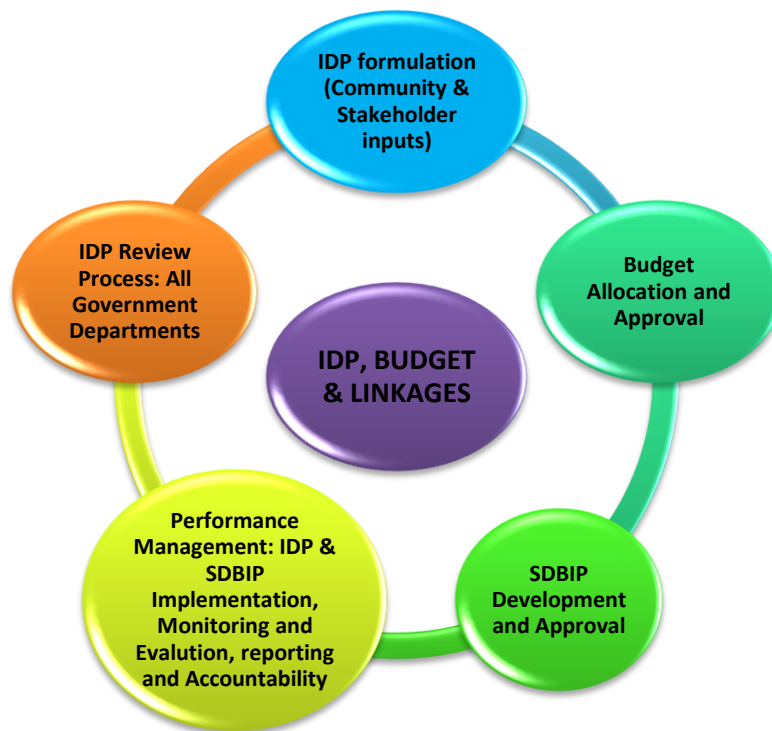
Communication mechanisms in the IDP process ensures that information is effectively shared between the municipality, stakeholders, and the community. These mechanisms promote transparency, participation, and coordination throughout the IDP process. This is in line with Section 21 of the Municipal Systems Act.

Key communication mechanisms include:

- (i) Public Notices and Advertisements – published in municipal newsletters, local newspapers, notice boards, and local radio stations. It informs the public about IDP meetings, documents availability, and comment periods.
- (ii) Community meetings and Izimbizo – direct engagement sessions where communities can raise needs and concerns. Provide feedback on the IDP draft and municipal priorities.
- (iii) Municipal Website and Social Media Platforms – used to publish documents and contact details for queries. Social media provide updates and allow digital engagement
- (iv) Suggestion Box – placed in accessible public areas (such as the library) to collect written inputs from the community
- (v) Radio – the Mayor tables the budget and invite participation.

1. ALIGNMENT OF IDP, BUDGET & MUNICIPAL PERFORMANCE MANAGEMENT PROCESSES

Every attempt has been made in this Process Plan to align the IDP and Budget preparation process and the Performance Management System (PMS) review. The linkages of the processes are summarised in the following diagram:



5.1 IDP/BUDGET/PMS ACTION PLAN FOR 2026/2027 REVIEW

Tabulated below is a schedule of the programme to be followed by eMadlangeni Local Municipality in its process of reviewing the IDP, PMS and Budget in the 2026/2027 financial year. The dates indicated are as per approved calendar of events and as per prescripts of Section 28 and Section 29 of the Municipal Systems Act No. 32 of 2000, will be adhered to so as to ensure that the process of the review of the IDP is both credible and adheres to the principles as contained in the Act.

The time schedule detailed below shows the link of the IDP process with the relative activities of the multiyear Budget and Performance Management System of the municipality.

SCHEDULE OF ACTIVITIES, TIME FRAMES AND RESPONSIBLE PERSONS

PHASE	PROCESS	ACTIVITIES	LEGISLATIVE REQUIREMENT	TIMEFRAMES
QUARTER ONE JULY – SEPTEMBER 2025				
PLANNING PHASE	IDP	Preparation of the Draft IDP/Budget & PMS Process Plan	S28 & 29 of MSA S21 of MFMA	31 July 2025
		IDP & Budget Steering Committee – Presentation of the Process Plan	S17 & 18 of MSA	20 August 2025
		EXCO consideration of the Draft IDP, Budget and PMS Process Plan	S17 & 18 of MSA	21 August 2025
		Tabling of IDP, Budget & PMS Process Plan to Council for adoption	S28 of MSA	28 August 2025
		Submission of IDP, Budget & PMS Process Plan to Amajuba District Municipality and Provincial CoGTA	S27 of MSA	05 September 2025
		Advertise the IDP, Budget & PMS Process Plan in a newspaper and publish on the municipal website	S28 of MSA	05 September 2025
	PMS	Signing of Performance Agreements for Section 57 Managers	S57 of MSA S69(3)(b) of MFMA	31 July 2025
		Submission of Q4 Performance Report (2024/25) to Council	S41 of MSA	
		Submission of the Annual Performance Report to Council for adoption	S46 of MSA	28 August 2025
		Submission of Annual Performance Report to AGSA		31 August 2025
	BUDGET	Submission of Section 71 Report to Provincial & National Treasury	S71(1) MFMA	14 July 2025 14 August 2025 12 September 2025
		IDP & Budget Steering Committee – Presentation of the Annual Financial Statements	S122 of MFMA	20 August 2025
		Develop process plan & timetable for the 2026/2027 budget	S21 of MFMA	31 August 2025
		Submission of 2024/25 Annual Financial Statements to Auditor General for auditing	S126 of MFMA	31 August 2025
	SDF/SDP	Addressing MEC Comments		30 September 2025
		Capturing of LADP’s and Precinct Plans as extension of SDF on going until March.		30 September 2025
		Finalise Sector Plan alignment.		30 September 2025
Finalise Desktop analysis.			30 September 2025	
QUARTER TWO OCTOBER – DECEMBER 2025				

ANALYSIS PHASE	IDP	Consolidation of Situational Analysis Report	S29 of MSA	31 October 2025	
		Receive letters from the MEC		31 October 2025	
	PMS	Compilation of Quarter 1 Performance Report	S41 of MSA	17 October 2025	
		Conduct Section 54&56 Manager Annual Performance Evaluations	Municipal Performance Regulations 2006	28 November 2026	
	BUDGET	Submit Section 52(d) quarterly report to Council	S52(d) of MFMA	28 October 2025	
		Submission of Section 71 Report to Provincial & National Treasury	S71(1) MFMA	14 October 2025 14 November 2025 12 December 2025	
		Submission of D-Form to NERSA	S43 of MFMA	03 November 2025	
	STRATEGY PHASE	IDP	IDP Alignment and Implementation Session		03 – 07 November 2025
Review of vision, mission, objectives, strategies and priorities, programmes, and KPIs			S21 of MFMA S29 of MSA	01 – 29 November 2025	
Amajuba District Municipality IDP Representative Forum				12 November 2025	
IDP Representative Forum			S17 & S18 of MSA	13 November 2025	
IDP & Budget Steering Committee – Presentation of situational analysis report				20 November 2025	
PMS		Draft the 2024/2025 Annual Report incorporating financial and non-financial on performance, audit reports and annual financial statements		S127 of MFMA	12 December 2025
SDF/SDP		Review of Boundaries of nodes, activity streets and corridors			31 October 2025
		Presentation to District Planning Forum			31 October 2025
		Presentation to the First IDP Representative Forum			13 November 2025
	Incorporation of Scheme, capturing of Scheme information as required by SPLUMA			28 November 2025	
	Update the SDP with all new 5-year information			28 November 2025	
	Finalization of district and cross border alignment process			19 December 2025	
	Finalization of environmental assessment and alignment			19 December 2025	
QUARTER THREE JANUARY – MARCH 2026					
	IDP	Review prioritization of IDP projects		30 January 2026	
		Integration & alignment of projects and programmes of LM, DM, and sector departments		28 February 2026	

PROJECT & INTEGRATION PHASE		IDP & Budget Steering Committee – discuss prioritized projects for 2026/2027 financial year & MEC Assessment Feedback	S17 & S18 of MSA	03 March 2026
		IDP Representative Forum		05 March 2026
		Amajuba District Municipality IDP Representative Forum		11 March 2026
		Consolidation of Draft IDP Document		13 March 2026
		Submit 2026/27 Draft IDP Document to EXCO	S30 of MSA	19 March 2026
		Submit 2026/27 Draft IDP & Budget to Council for adoption		25 March 2026
	PMS	Compilation of Quarter 2 Performance Report		13 January 2026
		Submit S72 Mid-year Performance & Budget Assessment Report to Council for adoption	S72 of MFMA	21 January 2026
		Tabling of the 2024/25 Draft Annual Report to Council	S127(2) of MFMA	21 January 2026
		Make public the 2024/25 Annual Report and invite the local community for comments	S127(5)(a) of MFMA	13 February 2026
		Revise SDBIP in accordance with adjusted budget		28 February 2026
		Compile an Oversight Report on the 2024/25 Annual Report	S129 of MFMA	March 2026
		Council adopts the 2024/25 Annual Report with the comments of the Oversight Committee/MPAC		25 March 2026
		Submit 2026/2027 Draft SDBIP to the Mayor for acknowledgement		25 March 2026
		Conduct Section 54&56 Manager Mid-Year Performance Evaluations	Municipal Performance Regulations 2006	30 March 2026
	BUDGET	Submission of Section 71 Report to Provincial & National Treasury	S71(1) MFMA	14 January 2026 13 February 2026 13 March 2026
		Submit Section 52(d) Quarterly Report to Council	S52(d) of MFMA	21 January 2026
		Begin the Adjustment Budget Process	S28 of MFMA	26 – 30 January 2026
		Submit the Adjustment Budget to Council for adoption	S28 of MFMA	25 February 2026
		IDP & Budget Steering Committee – Presentation of the 2026/27 Draft Municipal Budget		03 March 2026
		Submit the 2026/27 Draft Budget to Council for adoption	S16 of MFMA	25 March 2026
	SDF/SDP	Alignment of the draft budget and Capital Investment Framework with the SDF		28 February 2026
		Review of Capital Investment Framework and implementation plan		28 February 2026
		Finalization of Local Area Development Planning		25 March 2026
Finalize SDF and SDP mapping			25 March 2026	
Presentation to the Second IDP Representative Forum			05 March 2026	
Submission of Draft SDF/SDP Review			25 March 2026	

QUARTER FOUR APRIL – JUNE 2026				
APPROVAL PHASE	IDP	Advertise the Draft IDP for public comments		30 March 2026 – 20 April 2026
		Submit the Draft IDP Documents to MEC for CoGTA and Provincial Treasury		02 April 2026
		Publicize notices for the Mayoral Stakeholder Engagements tabling the IDP/Budget for 2026/27		20 – 24 April 2026
		IDP & Budget Roadshows/Izimbizo		04 – 08 May 2026
		Draft 2026/2027 IDP Assessment Feedback Sessions		04 – 08 May 2026
		IDP & Budget Steering Committee – Presentation of the IDP & Budget comments, and checklist before the final adoption of the IDP and deliberate the changes to the SDF		20 May 2026
		EXCO consideration and incorporation of public comments in the IDP & Budget		21 May 2026
		Tabling of the 2026/27 Final IDP by Council for adoption		27 May 2026
		Public notice on the approval of the IDP & Budget, and upload to the Municipal Website	S25(4) of MSA	05 June 2026
		Submission of the Final IDP to MEC CoGTA	S32 of the MSA	06 June 2026
	PMS	Submit the 2024/25 Annual Report to AG, Provincial Treasury & CoGTA	S132 of the MFMA	01 April 2026
		Compilation of Quarter 3 Performance Report		15 April 2026
		Submit the 2026/27 Final SDBIP to the Mayor for acknowledgement, 14 days after the adoption of the IDP & Budget	S53(1)(c)(ii) of the MFMA	24 June 2026
		Submit approved SDBIP to National and Provincial Treasury		26 June 2026
	BUDGET	Submission of Section 71 Report to Provincial & National Treasury	S71(1) MFMA	14 April 2026 14 May 2026 12 June 2026
		Submit Section 52(d) Quarterly Report to Council	S52(d) of MFMA	28 April 2026
		Submission of the 2026/2027 Final Budget to Council	S24(1) of the MFMA	27 May 2026
		Submission of the approved annual budget to the National Treasury	S24(3) of the MFMA	10 June 2026
	SDF/SDP	Finalization of sector department alignment process		30 April 2026
		Finalise Capital Investment Framework		30 April 2026
		EXCO recommends adoption of the SDF with IDP to Council		21 May 2026
		Adoption of the SDF by Council		27 May 2026

AMAJUBA DISTRICT DEVELOPMENT MODEL (DDM) – CLUSTER MEETINGS PROPOSED DATES FOR 2025-2026 FINANCIAL YEAR

CLUSTER	MONTHS											
	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
POLITICAL HUB			25			05			27			18
TECHNICAL HUB		28			27			18			29	
SOCIAL CLUSTER	31			31			29			28		
JUSTICE CLUSTER	31			31			29			28		
ECONOMIC CLUSTER	31			31			29			28		
GOVERNANCE CLUSTER	31			31			29			28		

9. OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

An Integrated Development Plan (IDP) is a strategic plan for how the eMadlangeni municipality will allocate its resources for the next five years to address the priority needs of its communities. It is a plan to help us set our budget priorities, and to guide sector departments in compiling its Medium Term Expenditure Framework.

The IDP will therefore form an agreement with the Municipality and the community on what, how and when projects and programmes will be implemented and how it will be monitored.

It is a Plan for the entire municipal area and summarises the interventions of all spheres of government aligning our local plans with National and Provincial priorities. Whilst the needs identified by communities far exceeds the available resources, the attempts to inform the medium terms budget allocations and priorities to be funded from Nationally raised revenue.

The IDP therefore outlines key areas where we must intervene and focus our resources in order to achieve the developmental mandate of local government.

This strategic plan must also inform municipal decision making as well as business processes of the Municipality.

The IDP adopted in 2023 remains the principle IDP document and it is of importance to note that the IDP, PMS and budget processes, (whilst these are distinct processes), are integrally linked processes which must be co-ordinated to ensure that the related policies and tabled budget are mutually consistent and credible.

Management

The strategic objectives in the Integrated Development Plan (IDP) should inform the budget and the Performance Management System. This in turn unpacks into an SDBIP which give effect to the IDP and the budget. The SDBIP sets information on performance indicators, quarterly service delivery targets and monthly budget targets. Managers are required to report monthly and quarterly basis against the targets and Council can then monitor performance of the municipality against the quarterly targets on service delivery.

This is in line with the approved PMS Framework. Furthermore, the MSA and related regulations for Top management (section 56's) must have in place a performance agreement that is aligned to the IDP and PMS. The SDBIP usually is the basis for the development of a Performance plan for a section 56 employees and the monitoring and reporting and evaluation is carried out in terms of relevant regulations. A performance bonus may be paid on formal evaluation through a Panel constituted for this purpose – EVALUATION PANEL and only on adoption of the Annual Report for the year in question.

A PMS calendar has been developed to assist managers in measuring progress. It is also imperative that both the Council play an oversight role in this regard. Furthermore, it is necessary for public participation processes to be streamlined to allow for community input into the performance management process to ensure that the goals as set in the IDP are achieved.

10. MEASURABLE PERFORMANCE OBJECTIVES

10.1 KEY FINANCIAL RATIOS

10.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, eMadlangeni Local Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The composition of the Municipality's debt is one annuity loan which was obtained to fund the Municipal Offices. The following financial performance indicators have formed part of the compilation of the 2026/2027 MTREF:

10.1.2 Borrowing to asset ratio

This ratio is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. While this ratio is decreasing over the years, as repayments are made and there are no intentions of increasing the borrowing levels in the short term.

10.1.3 Capital charges to operating expenditure

This is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has been rather flat at less than 1% since 2009/2010, this is attributed to prudence of the municipality by living within its means, therefore, and limiting borrowings as the revenue streams of the municipality are limited.

10.1.4 Borrowing funding of own capital expenditure

Measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. As alluded to above, due to size and geographical location of the municipality its revenue sources are limited hence the ability to fund capital expenditure out of own revenue is very minimal.

10.1.5 Safety of Capital

10.1.5.1 The debt-to-equity ratio is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. The municipality has one annuity loan and the level of borrowing is relatively negligible.

10.1.5.2 The gearing ratio is a measure of the total long term borrowings over funds and reserves. This ratio has been flat and immaterial as the municipality's debt level is very low.

10.1.6 Liquidity

10.1.6.1 Current ratio is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1.

10.1.6.2 The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the previous financial years, the ratio was above the norm and as part of the financial planning strategy, in line with cash-flow pressure, the ratio has declined over the years. This need to be monitored at all times, as meeting current obligations is critical for the municipality and service delivery.

10.2 Revenue Management

As part of the financial sustainability efforts, an aggressive revenue management framework is being implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the efforts is to enhance the cash flow position of the Municipality.

10.3 Creditors Management

The Municipality is doing its level best to ensure that creditors are settled within the legislated 30 days of invoice. The benefits which will accrued are a favourable impact on suppliers' perception of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders.

10.4 Other Indicators

The electricity distribution losses continue to be a perennial problem for the Municipality. With the expected electricity tariff hikes we envisage the losses to increase as electricity tariffs increase by 9,01% in 2026/2027, which will hard hit the consumers' pockets. Nevertheless, efforts are being made to manage illegal connections and theft of electricity by exploring avenues of rolling out smart metering systems, including prepaid meters.

Employee costs including remuneration of councillors as a percentage of operating revenue is above the threshold, it is currently 43% of the total operating budget. The ratio norm should be between 25% to 40%.

Repairs and maintenance as percentage of carrying amount of Property Plant and Equipment 2026/2027 is budgeted at 4,0% and this indicates movement from the current year 2025/2026. This is below the recommended 8% as guided by MFMA circular 66.

The financial benchmarks reflected in the table below indicate that the municipality continue to strive in ensuring that the institution remain financial viable.

11. OVERVIEW OF BUDGET RELATED POLICIES

The Municipality's budget is guided and governed by relevant legislation and budget related policies. The main purpose of budget related policies is to guide the budget process and inform the projections of the medium-term budget.

The following budget related policies, which have been approved by Council or currently under review, are currently in force to ensure an informed smooth budgetary process and financial management of the Municipality in line with the Municipal Finance Management Act, other relevant legislation and Accounting Standards.

11.1 DRAFT POLICIES FOR 2026/2027

11.1.1 Cost Containment policy

This policy ensures the implementation of reduction on non-essential expenditure. There were no amendments to cost containment policy.

11.1.2 Bad Debt Write Off and Impairment of Debts policy

This policy sets out procedures and processes on debt write off and on debt impairment. There were no amendments to this Policy.

11.1.3 Fleet Management policy

Fleet Management policy ensures that there's no abuse in council vehicles. There were no amendments.

11.1.4 Leave policy

The leave policy gives guidance on leave implementation. There were no amendments to the Leave Policy.

11.1.5 Asset Management policy

The Asset Management Policy is considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance. In addition, the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets). There were amendments made on this policy.

11.1.6 Petty Cash policy

The primary objective is to regulate the use of Petty Cash Float within the municipality. Petty Cash Policy has not amended; it is to be adopted with the current budget.

11.1.7 Virement policy

The primary objective of this policy is to ensure compliance with Section 28 of the MFMA, and the Municipal Budget and Reporting Regulations. It aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework.

11.1.8 Cash and Investment policy

The aim of the policy is to ensure that the Municipality's surplus cash and investments are prudently and adequately managed.

11.1.9 Debt Collection and Credit Control policy

The primary objective of this policy is to ensure that all monies due and payable to the municipality in respect of services are collected efficiently and promptly. As required in terms of section 97 of the Municipal Systems Act, the debt collection and credit control policy.

11.1.10 Budget policy

The budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilized to ensure that underperforming functions are identified and funds redirected to performing functions.

11.1.11 Indigent policy

This policy is intended to guide and provide framework to Free Basic Services. The policy has been reviewed and amended and is to be adopted with the current budget.

11.1.12 SCM policy

The policy reflects and represents the context of a specific government policy that finds expressions within the provisions of the Municipal Finance Management Act 56 of 2003. The principal objectives of the policy are to provide, promote, and implement theoretical guidelines, governing processes and procedures within supply chain management. The policy has been reviewed and amended and is to be adopted with the current budget.

11.1.13 Rates policy

The policy is designed to ensure equitable treatment by Council in the levying of rates as well as other persons who may become liable for the payment of rates. The policy has been reviewed and amended and is to be adopted with the current budget.

12. OVERVIEW OF BUDGET ASSUMPTIONS

12.1 EXTERNAL FACTORS

The effects of a technical recession are evident. After a protracted standstill in interest rates, this has since increased. Upwards pressure is also evident in the inflation rate and the Rand continues to weaken against leading currencies. International oil prices are rising after a significant decrease over the previous months.

12.2 GENERAL INFLATION OUTLOOK AND ITS IMPACT ON THE MUNICIPAL ACTIVITIES

There are five key factors that have been taken into consideration in the compilation of the 2026/2027 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and fuel; and
- The increase in the cost of remuneration. Employee related costs comprise 43% per cent of total operating expenditure in the 2026/2027 MTREF and Councilor's Remuneration is on 3.7% therefore increases above inflation places a disproportionate upward pressure on the expenditure budget

12.2.1 Guidelines

The following are some of the budget percentage increases and assumptions used in preparing 2025/2026 medium-term budget:

Item Description	2026/2027	2027/2028	2028//2029
Assessment Rates	3.7%	3.3 %	3.2%
Electricity tariffs	3.7%	3.3 %	3.2%
Refuse tariffs	3.7%	3.3 %	3.2%
Salaries and allowances	4.75%	3.3 %	3.2%
Councillors Remuneration	3.7%	3.3 %	3.2%
Electricity Bulk Purchases	9.01%	3.3 %	3.2%
General Expenses	3.7%	3.3 %	3.2%

12.3 DEBTORS AND CASHFLOW ASSUMPTIONS

Assumptions- Collection rates

- Property rates – Collection rate:80%
- Electricity Collection rate:85%
- Refuse collection rate:85%
- Other revenue collection: 100%

Debt impairment Assumptions

- 2026/27:40% of Gross Debtors Impaired.
- 2027/28:35% of Gross Debtors impaired
- 2028/29:30% of Debtors Impaired

Debt impairment is expected to decrease downwards as collection rates improve with time as By-laws have now been finalised to enforce robust debt and credit control policy. The Municipality have implemented the Revenue Enhancement strategy.

12.4 LONG TERM LIABILITY

It was settled in October 2022.

12.5 TRADE AND OTHER PAYABLES AND CASHFLOW ASSUMPTIONS

- Payment rate –Creditors 100%
- Payment rate-Employee costs-100% (Except for third party deductions expected to pay in the following month.
- Finance Charges Payment rate- 100%
- Capital Expenditure Payment rate- 100%
- Grant expenditure payment rate-100%
- Bulk Purchases Payment rate-100%

12.6 GRANTS

It is assumed that the National and Provincial grants as per the Division of Revenue Bill (DORA Bill) which has been included in the budget will be received during the 2026/2027 financial year.

12.7 DEPRECIATION

Assets are depreciated on a straight line basis. The useful life varies between **7-50 years**. Depreciation commences when the asset is ready for use.

12.8 PROPERTY RATES

It is assumed that there will be elective exemption granted to consumers based on their property market values

12.9 INDIGENT

It is assumed that the indigent subsidy will increase during the financial year, entitled consumers can apply for indigent subsidy and applications will be evaluated in terms of the approved indigent council policy.

12.10 BULK PURCHASES

It is assumed that electricity tariffs of Eskom will increase based on NERSA guideline as from 1 April 2026.

12.11 ABILITY OF THE MUNICIPALITY TO SPEND AND DELIVER ON THE PROGRAMMES

It is estimated that a spending rate of 95 per cent could be achieved on operating expenditure and 100 per cent on the capital programs for the 2026/27 MTREF.

12.12 IMPACT OF NATIONAL, PROVINCIAL AND LOCAL POLICIES

Integration of service delivery between national, provincial and local government is critical to ensure focused service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

13. OVERVIEW BUDGET FUNDING

13.1 FISCAL OVERVIEW

The Municipality continues to display a sound financial profile which is mainly attributable to:

- Balanced budgets being funded from current financial year's revenue.
- The municipality operates within its annual budget, as approved by council.
- The municipality maintains a positive cash and investments position.

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

13.2 FUNDING OF CAPITAL BUDGET

The Capital budget is funded by the allocations made to the municipality by National and Provincial Government in the form of grants and internally generated funds.

Grant	2026/27	2027/28	2028/29
MIG	12 867 000	11 193 000	11 402 000
Abattoir	03 000 000	04 000 000	05 000 000
Total	15 867 000	15 193 000	16 402 000

13.4 SOURCES OF FUNDING

The municipality's revenue comprises Operating Revenue which includes property taxes, services charges and operating grants- and capital revenue which consists of capital grants 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 city's revenue by increasing its tax base.

13.5 VALUATION ROLL FLACTUATION

Property values have increase with R 4 019 795 000 to R4 879 389 000.

13.6 REVIEW OF COUNCIL OWNED PROPERTIES

The review of all Council owned residential property is being undertaken to assess if the rental is cost effective and market related so that revenue would increase. Tariff changes based on actual property use.

13.7 ELECTRICITY

The disconnection policy is being applied for non-payment and the long outstanding debts are being targeted.

13.8 CHALLENGES IN THE APPROPRIATION OF FUNDS FOR 2026/2027 BUDGET

13.8.1 Sustainability of municipality

The increase in electricity tariffs, which the municipality has no control over, may on the long run impact negatively on the sustainability of the municipality. This is a huge concern for the municipality.

13.8.2 Impact on rates and tariffs

The way that the budget is funded will ensure that tariff increases by 9.01% on certain services while electricity charge to customers will increase base on NERSA guidelines, this will pose a financial strain on already struggling consumers and increase in ESKOM bulk electricity tariffs is a concern, which the municipality has no control over, might have a negative impact on our revenue.

13.8.3 Internal generated fund (Reserves)

The accumulated surplus will be used to finance the depreciation on assets as the impact of the full provision for depreciation will make the tariffs not affordable to residents. The financing of the depreciation will be phased in over a medium to long term period.

13.8.4 Planned savings and efficiencies

The following areas were identified for possible savings after the efficiency of the usage of the assets / services has been evaluated: overtime, fuel usage and non-priority spending not linked to service delivery.

- Salaries and Overtime:

Tight controls need to be implemented within the Infrastructure and Planning Development and Corporate Services to limit overtime worked to 40 hours as required by the Basic Conditions of Employment Act, unless in the case of emergencies or natural disasters, where the Unit Head will pre-authorized and approved overtime exceeding 40 hours per week. A post implementation review will be conducted on overtime in both these Units.

- Fuel usage
Tracking system need to be closely monitored by Manager and generation of report on the monthly basic be submitted to Budget and Treasury unit for reconciliation.

14. GRANT ALLOCATIONS

Municipalities play a critical role in furthering government’s objective of providing services to all. In support of local government, the National Treasury has gazette grants through DORA, to assist the municipality in fulfilling the obligation. The grant allocations have been included in this medium term budget for 2026/2027.

GRANT	Government Sphere	2026/2027	2027/2028	2028/2029
Financial Management Grant	National	03 000 000	03 100 000	03 100 000
Equitable Share	National	39 220 000	39 014 000	41 759 000
Municipal Infrastructure Grant	National	12 867 000	11 193 000	11 402 000
Electrification Grant (INEP)	National	00 000 000	00 000 000	00 000 000
Library Grant	Provincial	02 409 000	02 359 000	02 359 000
Expanded Public Works Programme(EPWP)	Provincial	01 371 000	00 000 000	00 000 000
Abattoir Grant	Provincial	03 000 000	4 000 000	5 000 000

GRANT ALLOCATIONS PROGRAMMES

In terms of the DORA 2024 the purpose of the grants which have been allocated to eMadlangeni municipality for the MTEF are:

14.1 Financial management Grant

The purpose of the FMG is to promote and support reforms in the Budget and Treasury Office building the capacity in the municipalities to implement the MFMA, with the following measurable outputs

- Improved and sustained skills development including an internship programme in the BTO

- Upgrading of the IT system to deliver reports which enhance and improve reporting and the quality of data
- Preparation and implementation of supply chain reforms, accounting reforms, producing quality and timely financial statements
- Preparation of financial recovery plans
- Progressive improvements in audit outcomes
- Improvements to internal and external reporting on budgets, finances, SDBIP and annual Reports
- Implementation of the MFMA

14.2 Municipal Infrastructure Grant

The purpose of the grant is intended for the provision of capital finance for basic municipal infrastructure for the poor households, micro enterprise and social institutions. It is also for provision for new rehabilitation and upgrading of municipal infrastructure, eradicate the bucket sanitation system

Measurable outputs

- Number of new households receiving basic services per annum
- Number of additional kilometres of roads constructed and developed
- Number of sporting facilities constructed and developed
- Number of jobs created using Expanded Public Works Programme (EPWP)
- Number of households where the bucket system has been replaced with an alternative System

14.3 Libraries

14.3.1 Provincial Libraries

The purpose of this grant is to address the constitutional mandate whereby public libraries are an exclusive provincial mandate. The funding will be for staffing costs in public libraries, currently administered by local authorities.

14.3.2 Community Libraries

The purpose of this grant is to provide access to modern day technology and information resources as well as to provide relevant collections of material in libraries which meet the needs of the communities.

14.4 EPWP Grant

The purpose of this grant is for creation of job opportunities to the youth and unemployed communities and also to give them work experience.

13.5 ELECTRIFICATION Grant

The DORA indicated that there will be no electrification grant 2026/27 financial year.

15. LEGISLATION COMPLIANCE STATUS

15.1 DISCLOSURE ON IMPLEMENTATION OF MFMA AND OTHER LEGISLATION

Compliance with the MFMA implementation requirements has been substantially adhered to through the following activities:

15.2 BUDGET

This annual budget has been developed taking the MFMA, Municipal Budget and Reporting Regulations, and National Treasury requirements into account. Budgets are being tabled and approved within the required Legislative timeframes.

15.3 INTERGRATED DEVELOPMENT PLAN

The 2026/2027 process plan was adopted on the 29th of August 2026.

15.4 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

The detail SDBIP document is at a final stage and will be finalized after approval of the 2026/27 MTREF in June 2026 directly aligned and informed by the 2026/2027 MTREF.

15.5 ANNUAL REPORT

The 2026/2027 Annual Report has been developed taking into account the MFMA and National Treasury requirements.

15.6 IN-YEAR REPORTING

100 % compliance with regards to monthly, quarterly and annual reports to Council, Provincial and National Treasury.

15.7 BUDGET AND TREASURY OFFICES

A Budget and Treasury Office has been established in accordance with the MFMA and National Treasury Requirements.

15.8 AUDIT COMMITTEE

The Audit Committee, an independent external committee, and provides an oversight function over the financial and risk management and performance of the municipality.

15.9 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

This committee ensures that the administration is held accountable for their management of municipal funds and assets, and to ensure the efficient and effective utilization of council resources.

16. SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

The SDBIP is a key management, implementation and monitoring tool, which provides operational content to the end-of-year service delivery targets, set in the budget and IDP. The SDBIP provides a credible information management plan to ensure service delivery targets and other performance management indicators be achieved. The mechanism ensures that the IDP and Budget are aligned. The focus of the SDBIP is the creation of both financial and non-financial measurable performance objectives in the form of service delivery targets.

The SDBIP of eMadlangeni Municipality is developed according to the eight-point plan as set out in the Municipal IDP. It contains the Strategic Focus Areas, which is then drilled down into Programs and Projects. It reflects the quarterly and annual targets and the actual achievements/ non achievement of these targets are monitored on a quarterly basis. The ultimate aim of this monitoring is to ensure that the Municipality achieves its objectives. Where targets are not achieved, reasons for non-achievement and corrective action to be implemented are required. The municipality's strategic planning documents i.e. the IDP, Budget, and the SDBIP are all linked.

The SDBIP is not part of this budget. The document will be submitted to Mayor as per section 69 (3) (a) of the MFMA and it will be approved by Council as per section 53(1) (c) (ii) of the MFMA.

17. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

In terms of the Municipality's Supply Management Policy, no contracts are awarded beyond the medium –term revenue and expenditure framework (three years). It is envisaged at this stage that no contract will have budgetary implications beyond a period of three years.

18. MUNICIPAL MANAGER’S QUALITY CERTIFICATE

I, Mrs GN Mavudla, Municipal Manager of eMadlangeni Municipality, hereby certify that the final annual budget and supporting documentation of the 2025/2026 Operating and Capital Budget have been prepared in accordance with the Municipal Finance Management Act, 56 of 2003, and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name : Mrs. GN Mavudla

Municipal Manager : EMADLANGENI MUNICIPALITY

Signature :

Date :

19.
OTHER SUPPORTING TABLE:
BUDGET (ANNEXURE A)

PART OF THE AGENDA.

20.
TARIFFS (ANNEXURE B)

PART OF THE AGENDA

21.

BUDGET RELATED POLICIES (ANNEXURE C)

PART OF THE AGENDA

22.

**TREASURY DRAFT BUDGET
ASSESSMENT COMMENT
(ANNEXURE D)**

**WILL BE ATTACHED ON THE
COUNCIL AGENDA**