DRAFT BUDGET OF

Oudtshoorn Municipality

2026/27 TO 2028/29

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

Prepared: 31 March 2026

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Abbreviations and Acronyms

AMR	Automated Meter Reading
ASGISA	Accelerated and Shared Growth Initiative
BPC	Budget Planning Committee
CBD	Central Business District
CFO	Chief Financial Officer
MM	Municipal Manager
CPI	Consumer Price Index
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
EE	Employment Equity
EEDSM	Energy Efficiency Demand Side Management
EM	Executive Mayor
FBS	Free basic services
GDP	Gross domestic product
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
HR	Human Resources
HSRC	Human Science Research Council
IDP	Integrated Development Strategy
IT	Information Technology
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NDP	National Development Plan
NERSA	National Electricity Regulator South Africa
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisations
PHC	Provincial Health Care
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
PTIS	Public Transport Infrastructure System
RG	Restructuring Grant
SALGA	South African Local Government Association
SAPS	South African Police Service
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises
mSCOA	Municipal Standard Chart of Accounts

Part 1 – Annual Budget

1.1 Mayor's Report

Honourable Speaker, Deputy Mayor, Members of the Mayoral committee, Councilors, Municipal Manager, Directors, guests, ladies and gentlemen, good morning.

Speaker, it is my privilege to present the annual budget and MTREF (medium term revenue expenditure framework) for Oudtshoorn Municipality in accordance with the provisions of the MFMA and Municipal Budget and Reporting Regulations before council today.

This budget was once again drafted under challenging circumstances, where financial resources are limited but the Oudtshoorn community has the right to be provided with high quality reliable, and the efficient utilization of financial resources remains key in delivering on our mandate and ensuring the financial wellbeing of the municipality.

The financial sustainability of the municipality is still a priority for the municipality, but so is remaining affordable for all our residents. Oudtshoorn Municipality has many policies and programs to assist the poorest of the poor in our community through our Indigent Benefits, and our qualifying pensioner residents through the pensioner rebate scheme. The Business Incentive Policy is there to assist and stimulate new commercial developments in town.

As we unpack the 2026/27 annual municipal budget, I would like to take this opportunity to provide some insight into how the municipality goes about compiling its annual financial budget. The municipal budget is compiled with prescriptive guidelines set by National Government. According to these prescripts, municipalities need to set a budget that is realistic, affordable, and with municipal tariffs that are "cost-reflective".

The term "cost-reflective" is essential in determining the revenue and applicable tariffs, and this needs to be applied across all services provided by the municipality. The municipality is mandated to provide specific services in terms of the Constitution, which includes the provision of basic services, the promotion of social and economic development, as well as ensuring the safety of its residents. The provision of these services comes at a cost to the municipality and those costs need to be funded by way of either own funding (municipality generated revenue and loans), and grant funding from Provincial or National government.

To render a service such as refuse removal, the income for this service must cover operating costs, such as salaries, fuel, repairs and maintenance of equipment, office equipment, etcetera as well as capital costs such as the replacement of municipal assets that have reached the end of their life cycle. The number of households registered for this service will help calculate the tariff which residents need to pay to cover the above-mentioned costs. This calculation is applied to all trading services which includes electricity-, water-, refuse removal- and sewerage-services.

Years of neglect in infrastructure maintenance, refurbishment and renewals have now resulted in a bottleneck of infrastructure breakdown that require additional financial resources that needs to be included in the determination of the tariffs as depicted above.

This being said the community of Oudtshoorn also has an obligation to assist the municipality to ensure that financial and other resources are not wasted on non-essential projects that is requiring financial resources that could have been put to better use in addressing basic needs such as the provision of water, sanitation, electricity and maintenance on roads.

National Economic outlook

The South Africa's economic recovery is starting to gain traction. Real GDP growth is forecast to average 1.8 per cent from 2026 to 2028. Improved macroeconomic stability, progress on reforms and South Africa's removal from the Financial Action Task Force grey list have bolstered investor confidence and contributed to a sovereign credit rating upgrade by S&P Global. Consequently, borrowing cost have fallen, supporting the medium-term growth outlook.

The economy continues to face structural constraints, including elevated unemployment, transport bottlenecks and infrastructure backlogs. Sustained growth requires aster implementation of reforms especially in energy, water and transport, continued fiscal prudence, and improved public-sector service delivery and efficiency.

The growth strategy continues to focus on:
- Maintaining macroeconomic stability
- Implementing structural reforms
- Boosting state capability
- Raising the level of public infrastructure investment.

In November 2025 the Minister of Finance announced the reduction in the inflation target 3% with a 1 percentage point tolerance band, for the first time in 25 years. This was a joint decision by the National Treasury and the South African Reserve Bank to structurally reduce inflation, helping to protect real income levels.

Inflation is expected to increase from 3.2 per cent in 2025 to 3.4 per cent in 2026, driven by higher food prices (particularly meat due to supply disruptions linked to foot- and-mouth decease). There are still risks from geopolitical tensions, exchange rate volatility, administered prices and animal disease outbreaks remain elevated.

The macro-economic performance and projections as per MFMA Budget Circular 132 that must be considered when preparing the 2026/27 MTREF municipal budgets are as follow:

Table 1: Macroeconomic performance and projections, 2025 - 2029

Fiscal year	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Forecast		
CPI Inflation	4.4%	3.2%	3.4%	3.3%	3.2%

Source: National Treasury Budget Review 2026.

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

The inflation target now being lower compels municipalities to benchmark tariffs between 3-5% and not 6-10% as historically seen. The reality is however that electricity bulk cost are rising at 9.1% as approved by NERSA, and the sharp rising of oil cost due to the war in the Middle East will notably affect the petrol and diesel cost. All these factors needs to be considered in while compiling municipal budgets.

Focus of the 2026/27 budget

For the 2026/27 financial year, the overall direct allocations to local government amount to R182.3 billion, made up of R110.1 billion in the local government equitable share; R54.7 billion in direct conditional grants and R17.5 billion in the General fuel levy sharing with metros. These allocations alleviate some of the financial pressures, particularly in basic services, where the costs of providing services are rising. The overall direct allocations to local government grow by an annual average rate of 3.1 per cent and the local government equitable share and related allocations grow by 4.4 per cent over the 2026 MTEF period.

For the MTREF 2026 there were notable changes to the conditional grant system. Given the ongoing review of the conditional grants system, there are several local government reforms proposed to conditional grants. The reforms are aimed at streamlining funding flows, reducing duplications, and aligning recurrent obligations with the appropriate funding base:
The merger of the baselines of the integrated national electrification program grant, and the energy efficiency demand side management grant in 2026/27 to focus on energy

- efficiency and renewable energy programs that can lead to more sustainable energy provision and enable the achievement of long-term energy security goals;
- The Infrastructure Skills Development Grant (ISDG) will remain under the management of the National Treasury for the next three financial years when it will cease to exist as a conditional grant. To assist this transformation, the grant has ceased the intake of new graduates to allow the current graduate cohort to complete their training; and
- To protect infrastructure investment from municipal dysfunction, a general clause has been introduced in the 2026 Division of Revenue Bill. It will enable the National Treasury to redirect infrastructure grants from local municipalities that have proven incapable of implementation to the Development Bank of Southern Africa, the Municipal Infrastructure Support Agent or capable district municipalities.

Both national and provincial governments view infrastructure as an important means of promoting sustainable growth and reducing poverty, with the national government having allocated large portions of its budget for this purpose.

Economic infrastructure is again a focus for Oudtshoorn municipality and include electricity transmission, road infrastructure repair and water supply maintenance by replacing ageing asbestos pipes. The dilapidation of infrastructure, especially water mains and roads in the older areas of the municipality has reached a critical stage and large investment in refurbishment is necessary to prevent a total collapse in services. The Upgrading of the Bridgeton Sportsgrounds have also been prioritised as a key project for 2026/27 by the municipality.

Ladies and gentlemen, the provision of infrastructure will be key to the long-term financial sustainability of the municipality. It is crucial that this council and its community at large agree on areas in which growth potential lies and ensure that appropriate infrastructure services are properly funded. It is of the essence that the municipality become investment ready to ensure that demand for services is met when opportunity arises.

Oudtshoorn brief financial overview

The municipality has made great strides in its financial recovery from a position of near bankruptcy during the administration to one where we are in a position to start focusing economic resources towards service delivery, infrastructure refurbishment and maintenance instead of using available resources to pay off overdue debt.

The following needs to be highlighted in respect of the financial results attained to date:

- The cash position remains positive and is generating a cash surplus, minimum liquidity requirements of R108 million have been reached during the past 5 years.
- Trade Creditors are all paid to date with no outstanding long-term debt.
- Debtor collection has decreased slightly the past two financial years from 95% to average of 93%
- The current ratio is stable at 1.9:1, but it is still concerning is raised that no additional funding is available to create a capital replacement reserve.
- The current cost coverage ratio as of 30 June 2025 is only 2:6 which means we have sufficient cash available in the short term to cover 2.6 months of fixed operating expenditure. This within the National Treasury norm of between 1 – 3 months.
- Cost containment measures and curing of non-essential expenditure remains a priority

The current economy with the rising cost of electricity and increase in food prices and fuel has a devastating impact in the ability of the consumers to repay their debt which is reflected in the decreasing debt collection rate of the municipality.

The two largest contributors to the economy of Oudtshoorn is tourism and the agricultural community where exporting of vegetable seeds are the largest revenue source. The second

largest value exporter is for ostrich meat and skins. All of the beforementioned indicates the importance of international trade and tourism to the local economy which needs to be protected, but are indirectly negatively influenced by the USA additional import taxes and the war in the Middle East.

The Tourism industry of Oudtshoorn have recovered almost in full since the Covid lockdown period, with the KKNK now hosting the best local and national shows that will attract thousands of people to Oudtshoorn that will invest in the local economy. Large inter provincial sporting events are hosted by the municipality on the renovated tartan athletic track and NA Smit swimming pool, and numerous National Biathlon championships.

The local agricultural community had an unexpected drought for the first time in 3 years, with very little rainfall during the past year. Together with the rising diesel prices, this gives uncertainty to the future of the farming community to build and generate profits that are invested in Oudtshoorn. There are very limited water resources especially in rural areas such as De Rust and Dysselsdorp, with only the Blossoms Pipeline that supplements the Raubenheimer dam water resource. The effect of climate change has become again evident with dam levels decreasing at a rapid pace, and water restrictions have been instituted to protect the main water resources.

Capital Budget

The capital budget flows from the IDP process and contains information obtained from infrastructure master plans and relevant stakeholders through public participation processes as well as ward committee processes where applicable.

Total funded capital projects for the 2026/27 financial year amounts to R69.6 million with the main focus being the following:

Water Infrastructure	R 19 627 900
Electricity	R 2 818 200
Sanitation	R 3 000 000
Solid Waste	R 0
Roads Infrastructure	R 20 279 300
Sport and recreation facilities	R 7 800 000
Community and Social	R 1 910 800
Other	R 14 218 800
Total	**R 69 655 000**

Critical capital projects include major replacements on water infrastructure, road resurfacing, upgrade of electrical infrastructure and Sport facility upgrades. An asbestos pipe replacement project and road resurfacing has been registered with MIG as a multi-year project in the Greater Oudtshoorn area. In 2026/27 the Bridgton Sporting facilities in town will be upgraded and prioritized from own and borrowed funding.

The capital budget is funded mainly by means of grants from the National and Provincial Government in the amount of R23.4 million. The remainder will be financed from own revenue

generated amounting to R21.3 million and external borrowing to an amount of R24.9 million in respect to major infrastructure refurbishments and replacement.

Operating Budget

The operating expenditure budget for the 2026/27 financial year amounts to R 1 200 075 400 which represents an increase of R 102 223 700 or 9.31 per sent over the 2d revised budget for 2024/25

The cost drivers of the increase in the budget can be summarized as follows:

- Employee related cost only increase with the
- Only existing critical vacancies allowed as per approved organogram.
- Bulk electricity purchases from NERSA of 9.1%
- Decrease of non-essential expenditure items where cost containment measures are being implemented.
- Critical refurbishment and infrastructure replacement are still necessary because of many years of neglect.
- Operational requirements to ensure service delivery standards are complied with, this is specifically in respect of electricity, roads and water and wastewater and refuse removal.

Staffing cost has decreased from prior years to be withing the National Treasury norm, but concerned efforts needs to be maintained without sacrificing operational efficiency and service delivery.

Human Settlement Development Grant for beneficiaries of R5,44 million have been allocated in the Government Gazette nr. 9206 for 2026/27, R5 million in 2027/28 and R20 million for 2028/29.

Revenue sources remain under strain and the municipality has no alternative but to increase tariffs for the 2026/27 financial year in accordance with the operational requirements and other factors influencing price increases and the cost of rendering services. The proposed tariff increases are attached in Annexure A. The municipality have met minimum liquidity requirements as per INCA Long Term Financial Plan in the medium to long term, and the municipality must now start to create a capital replacement reserve to finance capital projects. This can only be done when a concerned effort is taken to implement cost reflective tariffs over the MTREF and curbing non-essential expenditure.

Intelligent financial decisions made in this budget and over the remainder of the MTREF will ultimately lay the foundation of the financial sustainability of the municipality over the medium as well as long term.

As per MFMA Circular 132 and 134 the municipality must conduct a regular cost reflective tariff study based on the full cost to deliver each service. Municipalities must ensure that when tariffs are designed that consumption charges for services are only based on consumption and all other variable costs and fixed costs e.g. salaries and bulk purchases and contracted services should be covered by a fixed charge. Municipalities must also ensure that when tariffs are designed, capital repayment of loans are included in the provision for depreciation that must be budgeted for.

Revenue management is prioritized in MFMA Circular 132 that gives effect to the funding of revenue protection units towards all electricity, water, waste water and refuse services. The recommendation is there that a senior manager must be appointed within the infrastructure department to administer the revenue protection and to meet operational requirements.

Electricity bulk purchase increase by 9.1% for 2026/27 by Eskom to municipalities, which is far above inflation, and must the tariff to consumers increase to be in line with the cost to render the service and is a 9.5% proposed to the consumers of Oudtshoorn but is still subject to approval by NERSA.

With the replacement of aging water infrastructure, the municipality has no alternative but to increase the inclining block tariffs and basic charges for water to cover the cost to deliver the service as per National Treasury prescripts. The application of higher water tariffs is unavoidable considering the increase in cost of ensuring clean sustainable water resources and the maintenance of existing infrastructure.

Various strategies such as pre-paid smart water meters have been introduced to curb water losses and excessive use during the past years, that have been partially funded by the Provincial Treasury.

Sanitation tariffs and Refuse removal tariffs have been increased with only 3.7% overall, but Refuse removal is still not at full cost recovery to render the service and it must increase over the outer years. This is then taking into consideration the growing demand for refuse and cleaning services and the replacement of compactors that have reached the end of their useful life that is essential in delivering the service.

The municipalities countrywide have a dilemma to balance the affordability of consumers with the application of cost reflective tariffs, and in 2026-27 is no different. Setting cost reflective tariffs is a requirement of Sec 74(2) of the Municipal Systems Act and MFMA Budget Circulars 132 and 134. The study must also be submitted to the National Treasury as proof that the municipality have calculated the tariffs to ensure financial sustainability and a funded budget.

Assessment rates represent 14.70 % of own revenue raised. The assessment rates raised serve to fund overhead costs such as general municipal services, including all community related services. The extent to which these services are available to the public determines financial exposure to the municipality as the fees and associated revenue for these services are never sufficient to cover the cost of making the services available to the community.

The new general valuation was implemented on 1 July 2024, that lead to an increase in assessment rates for majority of consumers in 2024/25, therefore only a 5% increase is proposed for the MTREF 2026/27.

Increases in all categories of expenditure have been limited yet critical institutional issues had to be budgeted to ensure that service delivery standards will be met, and prevailing legislative requirements are adhered to. It must also be borne in mind that a variety of fixed and variable cost must be borne by the municipality in fulfilling its legal and constitutional mandate.

An amount of R30.9 million has been set aside for materials in respect of repairs and maintenance and in addition thereto 67 per cent the capital budget is allocated for the upgrading of existing assets representing an amount of R46.7 Million. Major refurbishment of infrastructure is

prioritized to prolong the lifespan of assets and to prevent them from falling further into disrepair. Further provision will be made in the outer years of the MTREF for expenditure in this regard.

The council has in accordance with the National Treasury circulars also once again adopted a pro-poor approach and prioritized the need to provide indigent support and to render basic services to all. Indigent support includes the provision of subsidies to qualifying households and pensioners to value of more than R70 million.

Social and Developmental programs

In total an amount of R8 million is set aside for community support programs, calendar events, youth development, tourism and sport development in 2026/27. An additional R750 000 annually was again set aside for training opportunities for the youth of Oudtshoorn through the provision of external bursaries.

Indigent and other subsidies

The new indigent registration process started in 2025/26 financial year, that again illustrates the challenging economic circumstances faced by municipal customers, that will flow over to the 2026/27 financial year.

Provision is made in the operating budget for the subsidization of indigent households as follows; the first 6Kl of water per month as well as 50 units of electricity will be free of charge, a subsidy for refuse removal (1 removal per week free) and sewerage charges (1 fixed charge and 1 water closet per month free) will be given.

Indigent households are further exempted from paying for the water basic charge as well as the demand charge per Ampere for electricity capacity, to a maximum of 30 Amp. A rebate on assessment rates will also be given for Indigent households up to a valuation of R150 000, that includes the R15 000 impermissible rebate all households receive.

The indigent subsidy package is based on the national norm and stretches the affordability threshold of the municipality due to the growing number of indigent households and the fact that the monetary value of the subsidies exceeds the national allocation. The total amount in respect of free services, inclusive of free services given in Eskom distribution areas, assessment rate rebates and exceed R70 million for the 2026/27 financial year. It is anticipated that in excess of 5500 households will register for indigent support.

In addition to the subsidies provided to indigent consumers, the assessment rates rebate for pensioners has been extended to include pensioner households where combined monthly income is lower than R17 000 that will qualify for a 35% rebate on assessment rates, lower than R19 500 will qualify for 25% rebate on assessment rates and lower than R22 000 will qualify for a 10% rebate on assessment rates. Pensioners qualifying for assessment rates rebates will also be entitled to 6kl free water per month as well as the first 50 units electricity at a zero rate and will also when application for discount is approved qualify for old debt to be written off. The budget also provides for relief to be given to people with disabilities thus qualifying for the same benefits as pensioners in respect of subsidized services.

Provision is also made for 100 free units of electricity for indigent/pensioners/disabled households where occupants are on life support systems that require the use of electricity and refuse removal to be subsidized in full.

Additional support is also provided for indigents with regards to grave fees, for which a rebate of 50% will be provided. During 2026/27 council will not increase the grave fees, to accommodate the indigent consumer.

In conclusion

The budget here today was compiled under very challenging circumstances, with limited revenue sources because of the struggling economy and rising cost of living. To assist the consumer who is already struggling the municipality has decided to increase the tariffs for water, sanitation and refuse removal with only 3.7% and assessment rates with 5%. Electricity increases with a proposed 9.5%, subject to approval by NERSA, and are line with the Eskom increase for bulk purchases which is 9.1%.

Service delivery demands from the communities remain a high priority and it is therefore important that all stakeholders take part in the budget processed to ensure that the needs of all communities are addressed and that resources are distributed equitably.

I would therefore like to invite all councillors, all community members, business, agriculture, and all other stakeholders to continue to take part and provide further input in the budget and IDP processes for the next budget cycle.

Speaker it is therefore my privilege to present the 2026/27 budget and MTREF before council for approval.

I thank you.

EXECUTIVE MAYOR

1.2 Council Resolutions

1. The Council of Oudtshoorn Local Municipality, acting in terms of section 16(2) of the Municipal Finance Management Act, (Act 56 of 2003) tables the budget:
2.

2.1. The annual budget of the municipality for the financial year 2026/27 and the multi-year and single-year capital appropriations as set out in the following are tabled:

2.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 17 on page 42 (MBRR Table A2).

2.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 18 on page 44 (MBRR Table A3).

2.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 19 on page 45 (MBRR Table A4); and

2.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 20 on page 49 (MBRR Table A5).

2.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are tabled as set out in the following:

2.2.1. Budgeted Financial Position as contained in Table 21 on page 51 (MBRR Table A6).

2.2.2. Budgeted Cash Flows as contained in Table 22 on page 53 (MBRR Table A7).

2.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 23 on page 54 (MBRR Table A8).

2.2.4. Asset management as contained in Table 24 on page 55 (MBRR Table A9) as well as Annexure “E”; and

2.2.5. Basic service delivery measurement as contained in Table 25 on page 57 (MBRR Table A10).

3. The Council of Oudtshoorn Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables with effect from 1 July 2026; the tariffs for property rates, the tariffs for electricity, the tariffs for the supply of water, the tariffs for sanitation services, the tariffs for solid waste services as set out in Annexure “A”.

4. The Council of Oudtshoorn Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables with effect from 1 July 2026 the tariffs and fees for other services inclusive of all miscellaneous tariffs as set out in Annexure “A”.

5. To give proper effect to the municipality’s annual budget, the Council of Oudtshoorn Local Municipality tables:

5.1. That cash backing be implemented through the utilisation of a portion of the realisable accumulated surplus that may be realised as at the end of the financial year to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by Section 8 of the Municipal Budget and Reporting Regulations.

6. That the following budget related policies attached as Annexure "B" be tabled

1. Budget Policy
2. Credit Control and Debt Collection procedures/policies.
3. Asset Management Policy
4. Long Term Financial Planning Policy
5. Indigent Policy
6. Property Rates Policy
7. Supply Chain Management Policy
8. Grants in Aid Policy
9. Borrowing Policy
10. Virement Policy
11. Employee Study Assistance Policy
12. Cash Management and Investment Policy
13. Tariff Policy
14. Unauthorised, Fruitless and Wasteful Expenditure Policy
15. Funding and Reserves Policy
16. Petty Cash Policy
17. Infrastructure Procurement Policy
18. Cellular Telephone Policy
19. Travelling and Subsistence Policy
20. Overtime Policy
21. Remuneration policy
22. Creditors, councillors and staff payment policy
23. Cost Containment Policy
24. Municipal Corporate Governance of ICT Governance Policy Framework
25. Municipal Governance of ICT Charter
26. Oudtshoorn Municipality Preferential Procurement Policy
27. Acting Allowance Policy
28. Vehicle Transport Allowance Scheme Policy

7. That the Service Level Standards attached as Annexure “C” be tabled.

8. That updated the Long-term financial plan attached as Annexure “D” be tabled.

9. That the necessary amendments to all relevant by-laws be affected to give effect to the amendments to the policies listed in recommendation 5 above.

10. That the council of Oudtshoorn Municipality, acting in terms of Section 25 of the Local Government Municipal Systems Act, (Act 32 of 2000) tables with effect from 1 July 2026, the amendment of the 2025 – 2028 Integrated Development Plan.

11. That the municipality be permitted to enter into long-term debt agreements for the funding of infrastructure loans as identified in the budget for the 2026/27 financial year to an amount of R24.9 million in accordance with Section 46 of the Municipal Finance Management Act.

12. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

13. That the Draft Service Delivery and Budget Implementation Plan for the 2026/27 financial year be tabled.

14. That the detailed capital program per project, department and funding source attached as Annexure “G” be tabled.

15. That the procurement plan per project attached as “Annexure “H” be tabled.

16. That the mSCOA Implementation Plan as “Annexure I” be tabled to council.

1.3 Executive Summary

The Budget for the 2026/27 financial year and Medium-Term Revenue and Expenditure Framework (MTREF) was once again drafted under challenging circumstances as the municipality is caught up in an underperforming national economy.

It is therefore necessary to continue to apply prudent financial management principles in the budget process of the Oudtshoorn Municipality to ensure that the municipality becomes financially viable and that municipal services are provided sustainably, economically, and equitably to all communities.

The IDP informs the budget and serves to aid in the review of the service delivery priorities as an integral part of the municipality's planning and budgeting process. The budget serves to address crucial service delivery needs which is compounded by infrastructure services failures caused by many years of inadequate maintenance and refurbishment. The current year budget continues to prioritize the improvement in service delivery and focusses on long overdue replacement and refurbishment of infrastructure which is critical to service delivery and to sustain revenue streams.

It is important that available resources are prioritized towards critical service delivery issues and that asset maintenance, refurbishment and replacement receive priority.

National Treasury's MFMA Circulars 89, 91, 93 and 93, 94, 98 and 99,107,108,112 and 115,122, 123, 126, 128,129, 130, 132 and 134 were used as reference to guide in the compilation of the 2026/27 MTREF.

The main challenges experienced during the compilation of the 2026/27 MTREF can be summarized as follows:

- Higher commodity prices due to the geopolitical pressure
- Rising cost of living, specifically transportation and food prices affect the ability of the consumers ability to pay for services,
- Marginal growth in transfers from national government.
- Limitation on own funding for investment in much needed infrastructure, refurbishment, and renewals.
- Risk of failing infrastructure as a result of years of neglect and unfunded maintenance plans in respect of roads and water reticulation networks.
- Municipal staff cost, as well as the need to fill critical vacancies that is needed to ensure basic service delivery needs are met.
- MFMA Budget Circular 132 focus is on funding towards revenue protection initiatives and having dedicated senior management staff to manage the service charges revenue.

The following budget principles and guidelines directly informed us for the compilation of the 2026/27 MTREF:

- The 2025/26 Adjustments Budgets set the baseline for the budget of 2026/27 and where appropriate a zero-base budgeting principle has been used.
- Cost cutting and austerity measures have been applied in all expenditure categories and value for money considerations are made when expenditure is incurred.
- Tariff and property rate increases should be affordable and should generally not exceed the growth parameters or upper limits of inflation as measured by the CPI, except where there are price increases in the input of services that are beyond the control of the

municipality, for instance the continued escalation in the electricity and fuel price increase and the above average increase in specialized goods and services needed in service delivery that are subject to exchange rate fluctuations
- National Treasury Cost reflective tariff tool was updated, and supplementary cost reflective studies was conducted to ensure all tariffs are feasible and affordable over the medium term, without compromising the consumer.
- The further strengthening of the financial position of the municipality and the continued striving towards a position of financial sustainability over the long term.
- Ensuring a cash funded budget and the strict application of prudent financial management principles.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2026/27 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2026/27 MTREF

Description	2d Adjusted Budget	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Total Revenue	R 1 148 531 900	R 1 240 420 400	R 1 314 981 600	R 1 394 714 900
Total Operating Expenditure	R 1 097 851 700	R 1 200 075 400	R 1 271 763 700	R 1 331 612 400
Total Capital Expenditure	R 84 210 300	R 69 655 000	R 63 528 400	R 61 505 300
Surplus / (Deficit) inclusive of capital transfers	R 50 680 200	R 40 345 000	R 43 217 900	R 63 102 500

Total revenue has increase only 8.00 per cent or R 91 888 500 for the 2026/27 financial year when compared to the 2025/26 2d adjustments budget. For the two outer years, total revenue will increase with 6.01 per cent and 6.06 per cent respectively equating to a total revenue growth of R 246 183 000 over the MTREF when compared to the 2025/26 2d revised budget figure. The increase can be attributed to the cost reflective tariffs implemented over the 3-year period.

Total operating expenditure for the 2026/27 financial year has been appropriated at R 1 200 075 400 and translates into a budgeted surplus of R 40 345 000 inclusive of capital transfers.

When compared to the 2025/26 2d adjustments Budget, operational expenditure has increased with 9.31 per cent in the 2026/27 budget and increases with 5.97 per cent for 2027/28 and 4.71 per cent for the 2028/29 financial year being the outer years of the MTREF. The cash surplus for the two outer years are stable. The surpluses would need to increase significantly before additional amounts can be appropriated for capital funding or asset refurbishment.

To attain a sound financial position at current cost, a cash surplus of at least R110 million is necessary to provide a sound operating reserve and to further invest in infrastructure provisioning, which was achieved for the first time during 2019/20, but have fluctuated after the Covid period and is anticipated to stabilize now over the new MTREF.

The capital budget of R 69 655 000 for 2026/27 is -17.28 per cent less than the 2d revised budget for 2025/26, appropriated. The capital program decreases to R 63 528 400 in the 2027/28 financial year and further to R 61 505 300 in the 2027/28 financial year. Capital funded from own revenue over the MTREF amounts to R44 619 300, with borrowing adding another R63 500 000 over the MTREF to address critical needs as well as refurbishment requirements.

A major portion of the capital budget will once again mainly be funded from government grants and subsidies as the municipality has limited financial resources to commit large amounts of its own funds to capital financing. Borrowing as a funding source is recommended for large capital investment in respect of the replacement and refurbishment of infrastructure to underline the user-pays principle, where current and future users of the service will be required to contribute to the cost associated with the raising of funding necessary to execute the programs or projects.

Notwithstanding the new long-term loans taken up over the past 3 years, the Gearing Ratio remained at 16%, which represents a relative low proportion of debt to operational revenue. With the gearing ratio being sound, there is scope to make use of borrowing as a funding alternative for large capital projects over the MTREF. Capital raised from own revenue is not sufficient to fund large renewals and refurbishment and to prevent the assets from further deteriorating.

The current level of own funds used in the financing of capital requirements are not sustainable in the long term at the current financial performance and the rate at which surpluses are generated. It must therefore be emphasized that should overall expenditure not be further reduced, and revenue enhanced over the short and medium term, the municipality will not be in a position where own revenue sources can be used as capital funding.

1.4 Operating Revenue Framework

For Oudtshoorn Municipality to continue improving the quality of life of its communities through the delivery of high-quality services, it is necessary to generate sufficient revenue from rates and services charges. It is also important to ensure that all billable revenue is firstly correctly charged and secondly adequately collected. The revenue enhancement unit under the finance department must be capacitated to aid and ensure that all revenue is accurately and efficiently billed and collected. The prevailing economic circumstances is adding to the difficulties in collecting the revenue that is due to the municipality and the promotion of operational efficiencies as well as savings and austerity measures remain a priority in ensuring the availability of sufficient financial resources to fund the MTREF.

The expenditure required to meet the needs of the community will inevitably always exceed available funding; hence difficult choices must once again be made in relation to tariff increases and balancing expenditure against realistically anticipated revenue streams.

The municipality has since 2016 made significant strides in recovering financially, with all arrear debt being paid off. To aid in the financial recovery, a variety of additional initiatives needed to be implemented to ensure long-term financial sustainability and is again emphasized in MFMA Circular 130, 132 and 134

- Austerity measures – Savings on all general expenditure items, saving on printing cost, stationery, contracted services and a further general limitation on spending within the general expenditure items category.
- Eliminate wasteful and non-core spending, and ensure that we render basic services, maintain our assets and clean environment.
- Successful implementation and monitoring of the Cost Containment Policy and regulations.
- A concerted effort to reduce employee cost over the MTREF to meet acceptable norms for the industry.

- Implementation of the revenue enhancement strategy and sourcing co-funding from Provincial Government to aid in the successful implementation of smart prepaid water meters.
- Strict adherence and enforcement of the Credit Control Debt Collection policy to improve the collection rate.
- Implementation of full Cost Reflective tariffs over the MTREF period.
- Value for money through the strict enforcement of supply chain principles will be ensured in all procurement processes and a zero tolerance to fraud and corruption will be enforced.
- The protection of municipal resources and infrastructure and the utilization of municipal property plant, vehicles and equipment with care and respect to avoid unnecessary repairs and maintenance cost from being incurred.

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

- Strengthening the financial position of the municipality.
- Cost reflective tariff setting – The municipality is continuing to promote the principle of cost reflective tariffs as per MFMA Budget Circulars prior and current year. Cost reflective tariffs will be phased in over the MTREF to move towards cost reflective structure for all services, especially refuse removal.
- An electricity cost of supply study, where the elements contributing to the cost of the service were isolated and proposed tariffs structured in a manner to ensure that relevant cost elements are recovered through appropriate tariff setting was performed and submitted to NERSA.
- National Treasury's guidelines and growth parameters have been considered in tariff increases and where appropriate an explanation is provided for increases higher than 6% under the respective services.
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA).
- The continuation of the financial recovery plan and the revenue enhancement strategy has been approved. The revenue enhancement program will ensure that all revenue is correctly billed in accordance with the category, user type and applicable tariffs and number of service units as determined by the municipality. If correctly applied and implemented, it will ensure that consumers across the board are saved from further above average tariff increases.
- The municipal council has adopted the principle of protecting the poor from excessive tariff increases and will therefore endeavour to limit the increase to lower income consumers in line with inflationary trends as far as possible. Subsidization of free basic services have been extended to pensioners and the most vulnerable category of consumers.
- Efficient revenue management, which aims to ensure a minimum 94.5% annual collection rate for property rates and other key service charges.
- Budgeting for a moderate surplus over the MTREF will enable the municipality to build cash reserves to back statutory funds and provisions and to build a capital replacement reserve.
- Fully subsidizing all indigent households in terms of the relief offered by the municipality.

The aforementioned factors collectively contribute to the financial wellbeing of the municipality and the extent to which it is executed or concluded will either aid or impact negatively on the long-term sustainability of the municipality. It must be emphasized that at the current trend and the ever-escalating cost of service delivery, the municipality will not be able to improve its financial position over the MTREF unless catalytic economic investments and opportunities are sourced.

The current rates base of 2024/25 can no longer support the cost of services and all role-players would need to collectively contribute to ensure not only the financial sustainability of the municipality, but also the economic progression of its citizenry.

The following table is a summary of the 2026/27 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source.

WC045 Oudtshoorn - 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	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Revenue									
Exchange Revenue									
Service charges - Electricity	2	278 339	303 270	356 823	419 959	434 079	476 336	517 701	564 293
Service charges - Water	2	71 445	73 712	76 224	81 609	87 821	93 130	93 878	99 510
Service charges - Waste Water Management	2	36 575	45 309	49 769	53 158	55 235	60 809	64 457	68 324
Service charges - Waste Management	2	25 733	41 708	41 072	47 777	58 831	80 296	85 114	90 220
Sale of Goods and Rendering of Services	2	20 361	24 353	30 519	34 282	34 282	37 427	38 683	38 234
Agency services	2	5 647	5 622	5 870	8 376	8 376	8 685	8 972	9 259
Interest		-	-	-	-	-	-	-	-
Interest earned from Receivables	2	8 848	9 757	10 085	11 078	11 078	11 488	11 867	12 247
Interest earned from Current and Non Current Assets	2	11 878	14 999	15 426	15 404	15 404	15 974	16 501	17 029
Dividends	2	-	-	-	-	-	-	-	-
Rent on Land	2	-	-	-	-	-	-	-	-
Rental from Fixed Assets	2	3 031	2 862	3 767	4 657	4 657	4 830	4 989	5 149
Licence and permits	2	381	454	449	553	553	573	592	611
Special rating levies	2	-	-	-	-	-	-	-	-
Construction Contract Revenue	2	-	-	-	-	-	-	-	-
Development Charges	2	-	-	-	-	-	-	-	-
Operational Revenue	2	2 126	2 536	3 401	1 616	1 616	1 676	1 731	1 787
Non-Exchange Revenue									
Property rates	2	116 473	128 895	161 715	172 528	170 108	182 384	191 504	201 079
Surcharges and Taxes	2	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	2	15 731	17 556	22 454	21 542	21 542	22 339	23 076	23 815
Licences or permits	2	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational	2	102 862	137 929	117 990	124 616	124 616	133 090	131 444	134 983
Interest	2	-	-	-	-	-	-	-	-
Fuel Levy	2	-	-	-	-	-	-	-	-
Operational Revenue	2	-	-	-	-	-	-	-	-
Gains on disposal of Fixed and Intangible Assets	2	-	13	1 964	-	-	-	-	-
Other Gains	2	20 980	2 198	-	70 357	78 086	84 470	88 147	91 861
Discontinued Operations		-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contribution		**720 411**	**811 174**	**897 528**	**1 067 512**	**1 106 284**	**1 213 507**	**1 278 655**	**1 358 400**

Table 3 Growth in revenue by main revenue source

Revenue generated from services charges remain the major source of revenue for the municipality amounting to 55.55 per cent of total revenue.

Description	2026/27 Medium Term Revenue & Expenditure Framework				
R thousand	Budget Year 2026/27	Growth %	Budget Year +1 2027/28	Growth %	Budget Year +2 2028/29
Revenue By Source					
Property rates	182 384 400	5.00	191 503 500	5.00	201 078 500
Service charges - electricity revenu	476 335 600	8.68	517 700 500	9.00	564 293 300
Service charges - water revenue	93 130 300	0.80	93 877 700	6.00	99 510 200
Service charges - sanitation revenu	60 808 700	6.00	64 456 900	6.00	68 324 200
Service charges - refuse revenue	58 831 400	44.67	85 113 600	6.00	90 220 300
Service charges - other					
Rental of facilities and equipment	4 829 600	3.30	4 988 900	3.20	5 148 500
Interest earned - external investmen	15 973 600	3.30	16 500 700	3.20	17 028 800
Interest earned - outstanding debtors	11 488 200	3.30	11 867 300	3.20	12 247 000
Dividends received					
Fines, penalties and forfeits	22 339 200	3.30	23 076 300	3.20	23 814 600
Licences and permits	573 100	3.30	592 000	3.19	610 900
Agency services	8 685 400	3.30	8 972 000	3.20	9 259 100
Transfers and subsidies	160 003 000	4.85	167 771 000	2.10	171 298 000
Other revenue	60 567 500	(33.27)	40 414 200	(0.97)	40 020 700
Gains	84 470 400	4.35	88 147 000	4.21	91 860 800
Total Revenue (excluding capital transfers and contributions)	**1 240 420 400**	6.01	**1 314 981 600**	6.06	**1 394 714 900**

The major sources of revenue for the 2026/27 financial year can be summarized as follows:

Table 4 Major sources of revenue

Main Sources of revenue		
Source	**Amount**	**%**
Property rates	182 384 400	14.70
Electricity revenue	476 335 600	38.40
Water revenue	93 130 300	7.51
Sanitation revenue	60 808 700	4.90
Refuse revenue	58 831 400	4.74
Transfers and subsidies	160 003 000	12.90
Other revenue	208 927 000	16.84
Total	**1 240 420 400**	**100.00**

The 4th largest source is operational grants and subsidies totaling R 160 003 000 and mainly comprise of Equitable Share allocated through the Division of Revenue Act. Other operating grants include the Finance Management Grant, as well as the EPWP incentive grant.

Property rates are the third largest revenue source totaling 14.7% per cent or R 182 384 400 and increases to R 191 503 500 by 2026/27.

Other revenue consists of various items such as; income received from permits and licenses, building plan fees, connection fees, admission fees, fines collected and other sundry receipts and totals R 208 927 000 for the 2026/27 financial year. The principle of cost reflective tariffs for this category of revenue cannot summarily be applied as many of the services provided are freely available and accessible to communities and it is not feasible nor practical of affordable to communities if cost reflective tariffs were to be charged.

The details of operational grants and capital transfers are listed in the table below, the grants vary from unconditional grants such as the equitable share to specific purpose grants such as MIG, FMG, INEP and EPWP.

Table 5 Operating Transfers and Grant Receipts

WC045 Oudtshoorn - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26		2026/27 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
RECEIPTS	1.2								
Operating									
National Government									
Monetary Allocations									
Local Government Equitable Share		89 431	96 434	102 781	108 291	108 291	112 882	117 763	121 026
Local Government Financial Management Grant		2 800	2 802	2 800	2 800	2 800	2 800	2 900	3 000
Expanded Public Works Programme (EPWP)		1 310	1 672	1 492	1 734	1 734	1 874		
Municipal Infrastructure Grant (MIG)		–	–	1 237	1 288	1 288	1 302	1 426	1 466
Disaster Relief Grant		–	–	–	–	–	–	–	–
Municipal Disaster Recovery Grant		26 664	–	–	–	–	–	–	–
Integrated National Electrification Programme Grant (INEP)		–	–	–	–	–	4 000	–	–
Total Monetary Allocations		**120 205**	**100 908**	**108 310**	**114 113**	**114 113**	**122 858**	**122 089**	**125 492**
Total Operating/National Government		**120 205**	**100 908**	**108 310**	**114 113**	**114 113**	**122 858**	**122 089**	**125 492**
Provincial Government									
Monetary Allocations									
Community Development Workers (CDW)		56	57	57	57	57	59	59	59
Emergency Housing Grant		–	2 329	–	–	–	–	–	–
Community Library Services Grant		7 690	6 732	6 973	8 229	8 229	8 078	8 577	8 663
Integrating Housing Settlement Grant		–	–	–	–	–	–	–	–
Maintenance of Road Infrastructure		–	170	990	140	140	150	169	169
Western Cape Financial Management Capacity Bulding Grant		–	–	675	–	–	–	–	–
Thusong Services Grant		150	120	–	–	–	300	–	–
Western Cape Financial Management Capability Grant		700	2 200	–	260	260	1 000	–	–
Library Service: Replacement Funding for Most Vulnerable B3 Municipalities		–	548	–	–	–	–	–	–
Title Deeds Restoration Grant		–	–	58	1 817	1 817	645	550	600
Local Government Public Employment Support Grant		–	–	–	–	–	–	–	–
Waste Management Compliance Grant		–	–	–	–	–	–	–	–
Total Monetary Allocations		**8 596**	**12 156**	**8 753**	**10 503**	**10 503**	**10 232**	**9 355**	**9 491**
Total Operating/Provincial Government		**8 596**	**12 156**	**8 753**	**10 503**	**10 503**	**10 232**	**9 355**	**9 491**
Total Operating	5	**128 801**	**113 064**	**117 063**	**124 616**	**124 616**	**133 090**	**131 444**	**134 983**
Capital									
National Government									
Monetary Allocations									
Municipal Infrastructure Grant		33 325	23 559	23 432	24 468	24 468	24 733	27 101	27 853
Integrated National Electrification Programme Grant (INEP)		3 100	–	–	1 147	1 147	1 516	9 226	8 462
Water services Infrastructure Grant		–	8 060	9 520	12 600	12 600	–	–	–
Energy Efficiency and Demand-Side Management Grant		–	–	–	–	–	–	–	–
Total Monetary Allocations		**36 425**	**31 619**	**32 952**	**38 215**	**38 215**	**26 249**	**36 327**	**36 315**
Total Capital/National Government		**36 425**	**31 619**	**32 952**	**38 215**	**38 215**	**26 249**	**36 327**	**36 315**
Provincial Government									
Monetary Allocations									
Municipal Service Delivery and Capacity Building grant		–	500	–	–	–	–	–	–
Fire Service Capacity Building Grant		–	1 911	–	–	–	250	–	–
Airport Infrastructure Grant		–	–	–	–	–	–	–	–
Municipal Water Resilience Grant		–	3 000	2 000	3 216	3 216	–	–	–
Library Service: Replacement Funding for Most Vulnerable B3 Municipalities		–	–	–	–	–	–	–	–
Development of Sport and Recreation Facilities		–	345	–	–	–	–	–	–
Western Cape Municipal Interventions Grant		250	–	–	–	–	–	–	–
Emergency Municipal Load Shedding Relief Grant		4 665	–	–	–	–	–	–	–
Municipal Energy Resilience Grant		–	–	600	–	–	–	–	–
Municipal Drought Relief Grant		–	–	–	–	–	–	–	–
Upgrade of SMME Infrastructure		–	–	–	–	–	–	–	–
Waste Management Compliance Grant		–	–	257	–	–	–	–	–
Western Cape Financial Management Capability Grant		–	–	1 000	800	800	–	–	–
Community Library Services Grant		–	–	–	–	–	414	–	–
Total Monetary Allocations		**4 915**	**5 756**	**3 857**	**4 016**	**4 016**	**664**	**-**	**-**
Allocations In-kind									
[insert description]		–	–	–	–	–	–	–	–
Total Allocations In-kind		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Capital/Provincial Government		**4 915**	**5 756**	**3 857**	**4 016**	**4 016**	**664**	**-**	**-**
Total Capital	5	**41 340**	**37 375**	**36 809**	**42 231**	**42 231**	**26 913**	**36 327**	**36 315**
TOTAL RECEIPTS OF TRANSFERS AND GRANTS		**170 141**	**150 439**	**153 872**	**166 847**	**166 847**	**160 003**	**167 771**	**171 298**

Tariff Setting

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges are revised under normal circumstances, local economic conditions, input costs and the affordability of services are considered to ensure the financial sustainability of the Municipality.

Reference is made to MFMA Circular 98,123,126,128, 129,130 and 132 the setting of cost reflective tariffs is a requirement of Sec 74(2) of the Municipal Systems Act, 2000 which is meant to ensure that municipalities set tariffs that enable them to recover the full cost of rendering the service.

It is for the above reason a Cost reflective Tariff study was initially performed during 2022/23 and again updated in 2025/26 with the Mid-Year Adjustment budget figures. With the initial study it was clear the tariffs were distorted and not sustainable to recover the full cost of rendering the services. For the years prior to 2023 the municipality applied only an inflation adjustment to the tariff, with exception of the refuse removal tariff for 2023/24. The result is that municipal tariffs did not reflect the total costs of providing services and seldom generate sufficient revenue to cover those costs, and resulted in an underlying deficit of R26 million in 2024/25. A phased in approach was implemented with the proposed tariffs that are based on fixed and variable costs to at least get the municipality to generate a moderate surplus in the outer years. For 2026/27 MTREF Budget a moderate surplus has been achieved for all 3 years.

The cost of providing a service includes day-to-day running costs (which are relatively easy to determine), a share of the overheads required to keep the Municipality as a whole running, and the costs associated with expanding and managing infrastructure.

Direct costs: day-to-day costs incurred in running the service:

- Employee related costs.
- Bulk purchases where relevant.
- Depreciation expenses.
- Distribution losses in the case of electricity and water.
- Repairs and maintenance.
- Contracted services; and
- Other costs - all expenditures not grouped under one of the different categories.

Overheads: costs of running the Municipality as a whole:

These costs are not directly attributable to services but are incurred in running the Municipality as a whole. Examples are Treasury and political functions. Therefore, overheads must be apportioned between services clearly, structured. There are two options for doing this:

- Activity-Based Costing: this is the most accurate way of apportioning costs. It examines the activities undertaken by a unit, determines what causes that activity to be conducted, and then allocates costs based on the distribution of those causative actions between services.
- Pro-rata allocation of cost allocates indirect costs on a proportionate basis by using readily available measures, such as the number of employees or the size of the budget.

The municipality does not currently have an activity-based costing system in place; therefore, the latter, pro-rata allocation, is used to allocate overhead costs

Capital financing costs: costs to expand and manage infrastructure:

The cost of services also includes any costs associated with financing infrastructure expansion and with rehabilitating and replacing existing infrastructure as its ages. Adequate provision for capital financing costs is vital to ensure that service provision is sustainable in the long term.

Capital financing costs include:

External interest and capital repayment: the cost associated with financing capital expenditure using external loans.

Provisions to capital reserves: a cost item used to create a cash surplus on the operating account, which can be transferred to a reserve used to finance asset expansions.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible, and municipalities should justify in their budget documentation all increases in excess of the inflation target of the South African Reserve Bank, in accordance with MFMA budget circular 132. Increasing electricity and property rates tariffs above the CPI Inflation target of 3.7% are necessary as the municipality has no alternative but to embark on this avenue to ensure the financial viability and sustainability.

The price increase for electricity sold to municipalities are 9.1% resulting in municipal customers having to pay a preliminary 9.5% more for electricity. This might still change as NERSA are still in the process of considering the cost of supply study and tariff increases will be communicated formally at a later stage. The municipality has embarked on a cost of supply study to analyze the cost elements of the electricity service in an endeavor to propose user tariffs that adequately cover the cost of the service going forward. The study was based on a revenue neutrality principle where the proposed tariffs were determined to raise the same total revenue amount for electricity.

The tariff study is a requirement from the National Energy Regulator and sets the basis for future tariff determinations, without the study, to support the annual tariff determination the risk of lower than guideline tariff approvals remain immanent placing the sustainability of the electricity service as well as the financial wellbeing of the municipality at risk.

Other factors contributing to the rising cost include the anticipated increases that are above the upper boundary of the inflation target set by the South African Reserve Bank in the price of petrol and diesel as well as chemicals, spares and other materials that collectively contribute to the extent that tariffs need to be increased annually.

Municipalities also use benchmarking to ensure that the tariffs we apply are within the industry norm as operational requirements and service standards of comparable sizes and demographics of municipalities are similar and a deviation from this norm will give an indication of whether a municipality may be heading for disaster in the application of its tariff strategy.

It is important that an environment for economic development is created through the provision of high quality reliable municipal services, and this cannot be achieved if you do not generate enough revenue.

1.4.1 Property Rates

Property rates cover the cost of the provision of various general expenditure services across the municipality. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. The outcome of the cost reflective tariff study concluded for 2026/27 indicated that the municipality is currently at a 5 per cent under recovery rate, if all variable and fixed costs are considered that property rates need to subsidize from operating and capital based on the 2025/26 adjustment budget figures approved.

It is evident from the municipality needs to expand its tax bases by introducing and maximizing new development. During the past financial year there were numerous new commercial developments and a large residential development that will contribute to the property rates revenue in the medium and long term.

The assessment rates tariff will only be increased by 5%, after the new general valuation roll was implemented on 1 July 2024.

From an analysis of the actual performance 2025 and Adjustment Budget 2025/26, it is evident that the general services expenditure is not covered by the charging of assessment rates and unintentionally cross-subsidized through other services fees and charges are needed.

The following stipulations in the Property Rates Policy are highlighted:

- The first R 15 000 of the market value of a property used for residential purposes is exempted from the rate-able value (Section 17(h) of the MPRA).
- In terms of the property rates policy of the municipality and tariff determination of the council in the past, certain categories of ratepayers receive rebates in excess of the ratio determination by the minister in accordance with the Municipal Property rates Act, the municipality thereby forgoes revenue in addition to rebates allowed in terms of the act, the rebate in respect of agricultural properties is partially reduced to bring it more in line with the prescribed ratio as determined and to aid with the financial recovery of the municipality.
- A rebate will be granted to registered indigent in terms of the Indigent Policy exempting this category of consumer from paying rates on the first R150, 000 of valuation.
- Relief measures based on income and ill health are also available under certain conditions as contained in the schedule of tariffs.
- Relief measures on property rates for pensioners are also extended up to a combined monthly income of R17 000 to R22 000 for pensioners under conditions as stipulated in the indigent and subsidy policy of the municipality.
- The following conditions apply to the granting of the rebates.
    - The rate-able property concerned must be occupied only by the applicant and his/her spouse.
    - The applicant must submit proof of his/her age and identity and also proof of the annual income, or disability.
    - The property must be utilized for residential purposes or in the case of agricultural properties for bona-fide farming activities.

- The Municipality may also allow a rebate on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work and public benefit organizations as defined in the property

rates policy of the municipality. The owner of such a property must apply to the Chief Financial Officer in the prescribed format and at the prescribed date in order to qualify for relief.

The categories of ratable properties for purposes of levying rates and the proposed rates for the 2026/27 as follows:

Table 6 Comparison of proposed rates to be levied for 2026/27.

Category	Current Tariff (1 July 2025)	Proposed tariff (from 1 July 2026)	Difference	% increase(-) / Decrease
	c/R	c/R	c/R	
Residential properties	0.0139	0.0146	0.0007	5%
State owned properties	0.0182	0.0191	0.0009	5%
Business/Commercial/Industrial	0.0187	0.0196	0.0009	5%
Agricultural	0.0024	0.0025	0.0001	5%

1.4.2 Sale of Water and Impact of Tariff Increases

South Africa, and more particularly the Western Cape faces similar challenges with regard to water supply as it did with electricity, the country was faced with some of the highest temperatures ever recorded and the drought still has its grip on the country, even after good rainfall the past few months. It is therefore of essence that water tariffs are designed to curb wastage, to protect the valuable resource and to be cost reflective. The municipality must ensure that water complies with all applicable quality standards which also adds to the cost of rendering the service. The water tariff structure must therefore ensure that:

- Water tariffs must be fully cost-reflective – including the cost of maintenance and renewal of purification or treatment plants, water networks and the cost associated with reticulation expansion.
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

A significant amount will be spent on the replacement of critical portions of current water networks that have reached the end of its useful life and is burdening the municipality with excessive maintenance and overtime cost due to continued breakages. The units of water lost in distribution are also excessive as a result of continued failure of infrastructure, and strategies to curb losses needs to be implemented. The focus will be in the areas which encounter the most breakages and critical reservoir repairs will also be undertaken to protect the water resource.

A tariff increase in water basic charges and consumption charges will only be 3.7% and is in line with the National Treasury CPI Inflation target. This is based on input cost assumptions inclusive of the increase in the water levies from the Department of Water, increased wage bill, increased costs on operational expenditure due to inflationary pressure especially on chemicals. The cost of upgrading and renewals amounting to R19 Million funded through the capital allocation from grants, borrowing and own funds. The municipality is under pressure from the Department of

Water Affairs to get blue-drop status, and therefore operational and capital cost needs to be incurred to be compliant with legislation.

Maintenance cost in the amount of R7.8 million is also budgeted in respect of water services infrastructure.

Free basic water will be provided to indigent consumers as well as pensioners qualifying for a rebate on assessment rates subject to the conditions as set out in the assessment rates tariff at 6 kℓ water per month.

The municipality cannot afford to provide free basic water to all the residents as the equitable share allocation to subsidize free basic services is insufficient to cover the cost thereof.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 7 Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS 2025/26	PROPOSED TARIFFS 2026/27
	Rand per kℓ	Rand per kℓ
RESIDENTIAL	**VAT Excluded**	**VAT Excluded**
(i) 0 to 6 kℓ	6.38	6.62
(ii) Above 6 to 15 kℓ	9.26	9.60
(iii) Above 15 to 30 kℓ	12.86	13.34
(iv) Above 30 to 50 kℓ	15.56	16.14
(v) Above 50 to 75 kℓ	19.39	20.11
(vi) Above 75 kℓ	23.00	23.85
RESIDENTIAL GROUP HOUSING, FLATS, OLD AGE HOMES AND SCHOOLS MEASURED AS BULK		
Price per kℓ	17.29	17.93
SPORT CLUBS AND MUNICIPAL		
(i) 0 to 150 kℓ	7.33	7.60
(ii) Above 150 kℓ	9.81	10.17
COMMERCIAL, INDUSTRIAL, GOVERNMENT		
(i) 0 to 75 kℓ	16.62	17.23
(ii) Above 75 to 150 kℓ	19.05	19.76
(iii) Above 150 kℓ	27.08	28.08
Basic charges – conventional	250	259.29
Basic Charges – Pre Paid	156.52	162

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

Table 8 Comparison between current water charges and increases (Domestic)

Monthly consumption	Current amount payable	Proposed amount payable	Difference R/c	% Increase
6	38.28	39.72	1.44	3.8%
20	185.92	192.82	6.90	3.7%
30	314.52	326.22	11.70	3.7%
50	625.72	649.02	23.30	3.7%
75	1 110.47	1 151.77	41.30	3.7%
100	1 685.57	1 748.02	62.45	3.7%
Basic Conventional	250	259.29	9.29	3.7%
Basic Pre-Paid	156.52	162	5.48	3.5%

The proposed water tariffs are still well within the benchmark and compare favorably with that of other municipalities in the Western Cape.

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the proposed revised bulk electricity pricing structure, and an 9.1% increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2026.

Upon considering all the cost elements that make up the cost of electricity such as labor, maintenance, materials, fuel as well as vehicles and the rental of equipment in accordance with the formula provided by NERSA, the average tariff increase is estimated to be 9.5% for municipal customers. The increase can still be amended, NERSA is still in process of approving the tariffs, and will issue an official response per municipality based on the cost of supply study submitted.

The municipality have submitted the cost of supply study to NERSA which when approved will fix the pricing principles that the municipality will apply for the foreseeable future. This will also aide in future tariff increase motivations and will ensure predictability in tariff setting over the MTREF in respect of electricity.

The high electricity prices have resulted in a downward trend in the average consumption patterns of consumers in an attempt to mitigate the effect of the increased cost of electricity, this is resulting in a negative impact on the municipal electricity revenue. Considering higher than normal proposed tariff increases in the budget, it is anticipated that consumption patterns will be similar to that of the current financial year.

Free electricity to registered indigents will be granted at 50 units as per the national norm and allowed in accordance with the equitable share grant to municipalities, Pensioners qualifying for assessment rates rebate will also be given the first 50 units of electricity free of charge, and qualifying indigents/pensioners on life support (oxygen) will be given 100 units.

The following table shows the impact of the average proposed increases in electricity tariffs on the electricity charges for domestic customers:

Table 9 Comparison current vs. new electricity charges (Domestic up to 60A connection)

Monthly Consuption kWh	Current amount payable R	Proposed amount Payable R	Difference (Increase) R	Percentage change
100	305.00	333.98	28.98	9.5%
250	762.50	834.94	72.44	9.5%
500	1525.00	1 669.88	144.88	9.5%
750	2287.50	2 504.81	217.31	9.5%
1000	3050.00	3 339.75	289.75	9.5%
2000	6100.00	6 679.50	579.50	9.5%

1.4.4 Sanitation and Impact of Tariff Increases

A cost reflective tariff study was performed to calculate the base-line fixed and variable charge that is necessary to ensure that service delivery standards are met and to secure the long-term sustainability of the service over the medium term.

As per Sec 74 of the MSA and MFMA Budget Circular 132 tariffs must reflect the cost reasonably associated with rendering the service including capital, operating, maintenance, administration and replacement costs, and interest charges.

The increase in operational cost which includes the wage cost, the increase in electricity used in purification and pumping processes, the increase in fuel prices and the general increase in the price of goods and services also contributes to the tariff necessary to ensure the financial sustainability of the service. It must also be emphasized that the municipality must ensure that purification processes comply with quality standards and that green drop status is achieved in the near future.

In order to ensure compliance with purification standards, it is also necessary to employ suitably qualified staff to operate the wastewater treatment plants which contributes to the cost associated with the service. Provision has been made in the budget for the filling of critical vacancies in the department to ensure compliance with the standards set by the department of Water and Sanitation.

To be equitable to all consumers the municipality embarked on a cost reflective tariff study, and everyone will therefore be charged on the same basis, with a fixed fee per connection point per occupiable property, and a variable rate per additional toilet that serves as the method used to determine the proportion of usage. The variable rate is lower than neighboring towns and was decided to keep to a minimum, to aid the most vulnerable poor residents, especially those with 1 toilet. Registered indigent consumers will be subsidized in full through the Equitable Share.

The portion of free basic services that the municipality contributes will also increase substantially due to the increased number of households that is registering for indigent support.

For the 2026/27 it is proposed to increase the tariff to render the service by an average of only 3.7% that is in line with National Treasury CPI Inflation targets, as per table below.

Table 10 New Proposed Tariff structure for Sanitation fees.

Description	2025/26 Current Tariff per month	2026/27 Tariff per month	Difference	Increase
Residential/Group housing fixed charge dwelling/unit per month	249.86	259.11	9.25	3.70%
Residential/ Group housing addition charged per water closet, per plot per month	70.00	72.59	2.59	3.70%
Business / Multiple use fixed charge per dwelling/unit per month	272.47	282.66	10.19	3.74%
Business / Multiple use additional charged per water closet, per plot per month	70.00	72.59	2.59	3.70%
Government / Schools / Hospitals / Training centres fixed charge per plot per month	272.47	282.66	10.19	3.74%
Government / Schools / Hospitals / Training centres additional charged per water closet, per plot per month	70.00	72.59	2.59	3.70%
Municipal Departments/ Buildings fixed charge per dwelling/unit - (Excluding Rental Buildings)	250.99	260.28	9.29	3.70%
Municipal Departments/ Buildings additional charged per water closet, per plot per month - (Excluding Rental Buildings)	70.00	72.59	2.59	3.70%
Availability charges per month	427.12	442.93	15.81	3.70%
Septic Tank removals	685.70	711.08	25.38	3.70%

1.4.5 Waste Removal and Impact of Tariff Increases

Budget circular 66 and 67 state that municipalities should strive to budget for a moderate surplus in order to ensure that the required funding levels are maintained and to ensure that the provision for the rehabilitation of the landfill site is cash backed. MFMA Budget Circular 132 again emphasizes the fact that tariffs should cover the cost of services and therefore the cost reflective tariff study was updated during 2025/26.

In order to attain a position where tariffs will cover the full cost of the service, tariff increases for refuse removal will have to be implemented as well at 3.7%. The municipality must implement cost reflective tariffs in the MTREF and striving to deliver the service on a sustainable manner. Comparison with neighboring towns have been made, and refuse removal is seen to be well within the average norm.

The Municipality is in a fortunate position that the landfill site still has a long remaining lifespan, yet the cost relating to the provision for rehabilitation of the current cell in use needs to be cash backed once the end of the useful life of the cell has been reached.

The municipality has constructed the fence around the refuse disposal site where-after a recycling and sorting facility will be constructed at a later stage. An additional cell also needs to identified for additional space during the long term, and this will be a funded through the Municipal Infrastructure Grant. This will not only aid in generating revenue for people involved in recycling but will also extend the lifespan of the dumpsite.

It is very unfortunate that littering and illegal dumping are persistently practiced by residents and that is adding to the cost of the cleansing service through additional clean-up campaigns and continuous unscheduled clean-up programs. The ageing plant and equipment need to be replaced over the remainder of the MTREF and provision has been made on the budget for the

replacement of refuse compactors and digger loaders that have reached its end of useful life, and is not further economical to repair or maintain.

The following table compares current and proposed amounts payable from 1 July 2026:

Table 11 Comparison between current waste removal fees and increases

Description	2025/26 Tariff per month	2026/27 Tariff per month	Difference per month	% Increase
Household removal once per wee	325.15	337.18	12.03	3.7%
Business removal per week	443.35	459.75	16.40	3.7%
Business additiona per each bag	2.97	3.08	0.11	3.8%

1.4.6 Overall impact of tariff increases on households.

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to an average of 8.8% for indigents mainly due to the electricity increase proposed by NERSA and the refuse removal increase above NT norm. The increase for indigent households will of course be limited due to the basket of free basic services being subsidized, as per indigent policy.

Table 12 MBRR Table SA14 – Household bills

WC045 Oudtshoorn - Supporting Table SA14 Household bills

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework			
Rand/cent		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27 % incr.	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Monthly Account for Household - 'Middle Income Range'	1										
Rates and services charges:											
Property rates		799.40	879.33	747.39	792.25	792.25	792.25	5.0%	831.88	881.79	934.69
Electricity: Basic levy		58.65	58.20	64.90	73.33	73.33	73.33	9.5%	80.30	85.12	90.23
Electricity: Consumption		2 104.00	2 421.80	2 700.60	3 051.70	3 051.70	3 051.70	9.5%	3 341.60	3 542.10	3 754.62
Water: Basic levy		142.63	159.75	169.33	250.00	250.00	250.00	3.7%	259.29	274.85	291.34
Water: Consumption		306.42	343.19	363.78	314.52	314.22	314.22	3.7%	326.22	345.79	366.54
Sanitation		215.58	354.72	301.06	319.87	319.87	319.87	3.7%	331.70	351.60	372.70
Refuse removal		164.38	273.88	290.31	325.15	325.15	325.15	3.7%	337.18	357.41	378.86
Other		416.40	465.00	519.00	550.14	550.14	550.14	3.7%	570.35	604.57	640.85
sub-total		4 207.45	4 955.87	5 156.37	5 676.96	5 676.66	5 676.66	7.1%	6 078.52	6 443.23	6 829.82
VAT on Services											
Total large household bill:		4 207.45	4 955.87	5 156.37	5 676.96	5 676.66	5 676.66	7.1%	6 078.52	6 443.23	6 829.82
% increase/-decrease									7.1%	6.0%	6.0%
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates		566.00	622.59	529.17	560.94	560.94	560.94	5.0%	588.99	624.33	661.79
Electricity: Basic levy		58.65	58.20	64.90	73.33	73.33	73.33	9.5%	80.30	85.12	90.23
Electricity: Consumption		1 052.00	1 210.85	1 350.30	1 525.85	1 525.85	1 525.85	9.5%	1 670.80	1 771.05	1 877.31
Water: Basic levy		142.63	159.75	169.33	250.00	250.00	250.00	3.7%	259.29	274.85	291.34
Water: Consumption		248.02	277.78	294.45	294.45	294.45	294.45	3.7%	259.52	275.09	291.60
Sanitation		215.58	284.02	301.06	319.87	319.87	319.87	3.7%	331.70	351.60	372.70
Refuse removal		164.38	273.88	290.31	325.15	325.15	325.15	3.7%	337.18	357.41	378.86
Other		208.20	232.50	259.50	275.07	275.07	275.07	3.7%	285.18	302.29	320.42
sub-total		2 655.46	3 119.58	3 259.02	3 624.66	3 624.66	3 624.66	5.2%	3 812.96	4 041.73	4 284.24
VAT on Services											
Total small household bill:		2 655.46	3 119.58	3 259.02	3 624.66	3 624.66	3 624.66	5.2%	3 812.96	4 041.73	4 284.24
% increase/-decrease									5.2%	6.0%	6.0%
Monthly Account for Household - 'Indigent' Household receiving free basic services	3										
Rates and services charges:											
Property rates		268	295	218	238.64	238.64	238.64	5.0%	242.00	256.52	271.91
Electricity: Basic levy									–	–	–
Electricity: Consumption		621	914	873	987.00	987.00	987.00	9.5%	1 081.47	1 146.36	1 215.14
Water: Basic levy									–	–	–
Water: Consumption		143	160	169	147.64	147.64	147.64	3.7%	153.10	162.29	172.02
Sanitation		215.58	284.02	301.06	319.87	319.87	319.87	3.7%	331.70	351.60	372.70
Refuse removal		164.38	273.88	290.31	325.15	325.15	325.15	3.7%	387.76	411.03	435.69
Other										–	–
sub-total		1 411.55	1 927.26	1 851.92	2 018.30	2 018.30	2 018.30	8.8%	2 196.03	2 327.79	2 467.46
VAT on Services											
Total small household bill:		1 411.55	1 927.26	1 851.92	2 018.30	2 018.30	2 018.30	8.8%	2 196.03	2 327.79	2 467.46
% increase/-decrease			36.5%	(3.9%)	9.0%	–	–		8.8%	6.0%	6.0%

References

1.5 Operating Expenditure Framework

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

- Improvement in the quality-of-service delivery across all services.
- Ensuring the financial sustainability of the municipality over the medium and long term.
- Repairs and maintenance expenditure are still limited due to the financial difficulties however an amount of R52 million has been set aside for materials in respect of repairs and maintenance and in addition thereto 65 per cent the capital budget is allocated for the upgrading of existing assets representing an amount of R45 Million.
- Continued provision of basic services remains a high priority as well as the financial sustainability of services.
- Operational gains and efficiencies will be directed to ensure appropriate cash backing of statutory funds, provisions and reserves as well as funding the capital budget and other core services in the medium term.

The following table is a high-level summary of the 2026/27 budget and MTREF (classified per main type of operating expenditure):

Table 13 Summary of operating expenditure by standard classification item

Description	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
Expenditure By Type										
Employee related costs	280 480	295 718	323 546	371 829	352 879	352 879	352 879	375 759	390 712	407 485
Remuneration of councillors	11 391	12 588	13 820	16 135	14 435	14 435	14 435	15 223	15 908	16 592
Bulk purchases - electricity	201 997	245 606	289 499	315 278	315 278	315 278	315 278	343 968	375 269	409 419
Inventory consumed	27 042	57 483	22 236	94 945	91 153	91 153	91 153	102 289	104 186	108 403
Debt impairment	6 589	5 284	31 929	19 726	25 437	25 437	25 437	23 150	33 955	37 958
Depreciation and amortisation	53 248	53 695	63 776	54 514	63 493	63 493	63 493	66 667	70 001	73 501
Interest	7 935	8 468	20 490	23 178	24 233	24 233	24 233	25 445	26 717	28 053
Contracted services	27 135	30 398	47 917	49 348	63 521	63 521	63 521	82 275	83 762	74 942
Transfers and subsidies	3 045	3 434	3 085	4 276	4 521	4 521	4 521	4 646	4 655	4 219
Irrecoverable debts written off	37 993	21 398	34 178	29 174	34 244	34 244	34 244	34 244	34 244	34 244
Operational costs	68 741	70 290	73 168	89 977	92 175	92 175	92 175	101 751	106 952	110 641
Losses on disposal of Assets	1 371	7 007	776	–	–	–	–	–	–	–
Other Losses	–	314	6 231	15 549	16 485	16 485	16 485	24 660	25 404	26 157
Total Expenditure	**726 967**	**811 685**	**930 651**	**1 083 927**	**1 097 852**	**1 097 852**	**1 097 852**	**1 200 075**	**1 271 764**	**1 331 612**

The budgeted allocation for employee related costs for the 2026/27 financial year totals R 375 759 million of the total operating expenditure. Employee related costs will increase by CPI + 0,75% (4.75%) as per the salary and wage collective agreement that was effective from 1 July 2024.

It must be emphasized that employee-related cost is for the first time within the lower bracket of the NT norm of 25% - 40%, and must be maintained to be within affordable levels and council

must caution to not fill vacancies that are not critical and in relation to basic service delivery and its mandated functions.

Emphasis is therefore once again given to the reduction of employee-related cost over the MTREF, bearing in mind operational efficiencies and service delivery needs of the community that must be addressed.

To ensure economic viability and to not overstretch the already limited financial resources, and cash management strategy vacancies have been significantly rationalized downwards, yet more needs to be done to limit the expenditure in this regard over the MTREF. In accordance with the requirements of mSCOA, only staff that are provided for on the approved organogram can be appointed.

Due to the high cost associated with the filling of all positions on the organizational structure, it was once again not possible to fund all requested vacancies for the 2026/27 financial year, therefore only those critical to service delivery that are compelled by legislation has been catered for.

The cost associated with the remuneration of public office bearers is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The remuneration cost of councilors is partially subsidized through the equitable share allocation awarded to the municipality in terms of the division of revenue Act. The total equitable share awarded to Oudtshoorn for the 2026/27 is R112.8 million, inclusive of the subsidy towards councilor remuneration. This is not nearly enough and it is all municipalities pleading with the National Treasury to revise the Equitable Share calculation to take into consideration the demographics of each town in rural areas.

The provision of debt impairment was determined based on an annual collection rate of 94.5% and the Debt Write-off Policy of the Municipality. As per the Updated Long-Term Financial Plan the municipality must maintain a 93.5% collection rate if it wants to be financially sustainable over the long term. It is anticipated that irrecoverable debt in respect of rates, service charges and fines in the amount of R34 million will be written off during the course of the 2026/27 financial year.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate at which assets are consumed. Budget appropriations in this regard remained stable at R66 million for 2026/27 financial year. This expenditure item equates to 5.5% of the total operating expenditure for the year.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital) as well as the repayment of vehicle leases. Finance charges make up 1.93 % (R23.1 Million) of operating expenditure excluding annual redemption for 2026/27 amounting to R18.5 million and remains stable over the MTREF with the new borrowing on capital projects. Oudtshoorn Municipality still has a sound borrowing ratio, and the liquidity position has sufficiently recovered to allow for borrowing to be taken up over the MTREF. It is proposed that borrowing as a funding option be considered over the MTREF in the amount of R63.5 million made up of R24.9 million in respect of the 2026/27, R20 million 2027/28 and R18.6 million in 2028/29 respectively. The Long-Term Financial Plan indicated that borrowing should be considered, as cash reserves remains limited and critical refurbishment and repairs to infrastructure necessitated this funding option to be considered earlier.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from the Department of Water. Bulk purchases equal 28.6% of total expenditure. The annual price increase has been factored into the budget appropriations and directly inform the revenue provisions. The expenditure includes electricity distribution losses which equals approximately 8%. Water distribution losses as of 30 June 2024 amounted to 22% and a concerted effort is necessary to ensure the reduction of the losses to further reduce and stay within acceptable norms.

Maintenance is once again prioritized to ensure the health of assets, yet the financial position still does not enable the municipality to sufficiently budget for all maintenance requirements therefore the focus is once again on critical repairs and maintenance to secure sustainable service delivery.

It is very unfortunate that the necessary care and attention was not given to repairs and maintenance over the last 2 decades resulting in the regression of services and the dilapidation of assets. It has now become critical to set funds aside for the refurbishment and replacement of current assets that have aged beyond their intended useful lives. This has been done through the borrowing program alluded to herein above.

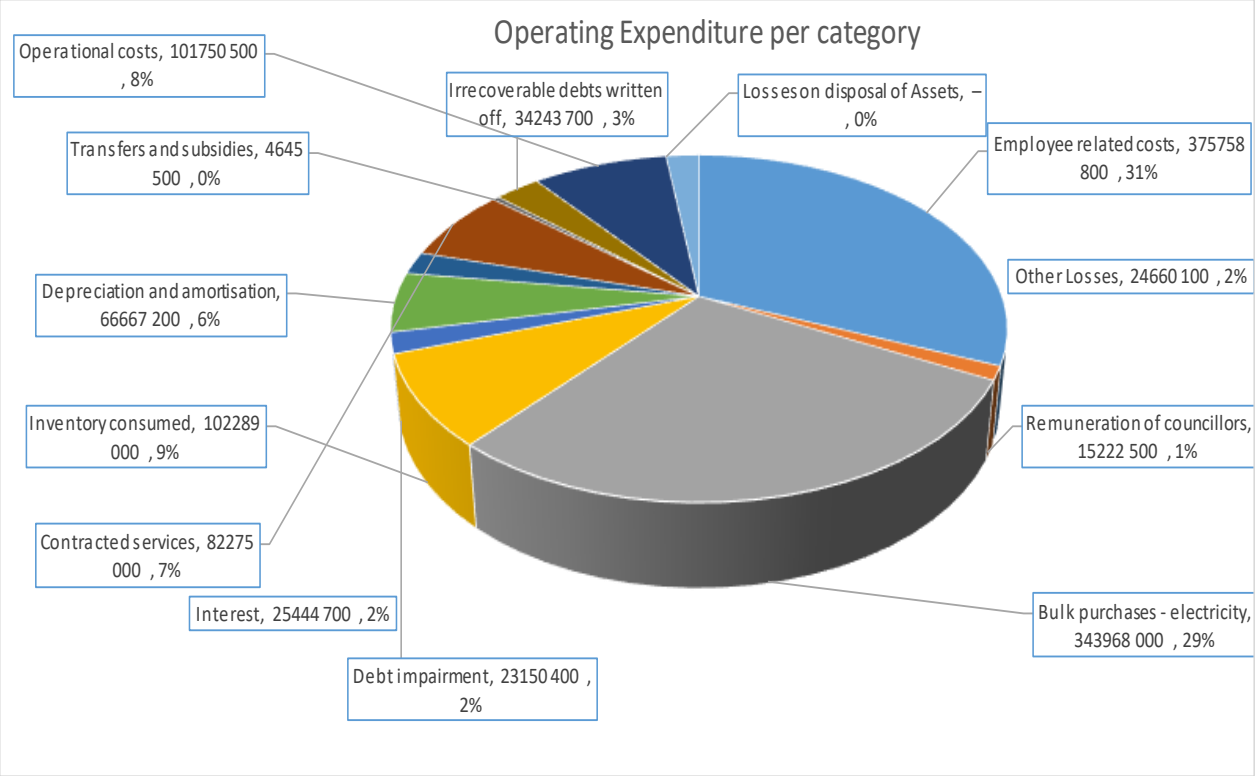
In line with Oudtshoorn Municipality's repairs and maintenance plan, this group of expenditure needs to be prioritized to ensure sustainability of Oudtshoorn Municipality's infrastructure. The 2026/27 allocation for this group of expenditure represents 4.36% of operating expenditure (R52 million) and still does not meet the target as set in the financial recovery plan, but consideration should be given that the amount budgeted on maintenance does not include the full cost of contracted services nor the labour cost associated with maintenance activities. Furthermore, an amount of R21 million of the new capital budgets has been allocated to the refurbishment and renewal of current assets representing 30% of the capital budget for 2026/27.

Contracted services relate to the provision of services by means of the appointment of service providers where the necessary in-house skills are not available or have not yet been adequately developed. Specialist services such as security services, speed fines services as well as technical expertise in both town planning, engineering and finance are also used for specific programs and projects to supplement in-house capacity and to provide professional expertise where required. Certain functions also require the contracting of specialist knowledge contracted from time to time because the municipality cannot afford to employ experts on a full-time basis. This category of expenditure equates to R82 million or 6% of operating expenses for the 2026/27 financial year.

Other general expenditure comprises various line items relating to the daily operations of the municipality. These costs include items such as audit fees in the amount of R6 million, rates rebates, SALGA membership fees, fuel and lubricants, insurance cost, telephone expenses, printing cost, and other domestic expenses as well as a variety of other operating cost. This group of expenditure remains an area in which cost savings and efficiency can be achieved. Other general expenditure amounts to 8.4% or R101 million for the 2026/27 financial year.

The following graph gives a breakdown of the main expenditure categories for the 2026/27 financial year.

Figure 1 Main operational expenditure categories for the 2026/27 financial year



1.5.1 Priority given to repairs and maintenance.

In order to ensure the health of the assets of the municipality and to prolong the useful lives, it is necessary to ensure that repairs and maintenance is adequately budgeted. Budget circular 66 cautions municipalities not to affect savings in repairs and maintenance to balance the budget but to ensure that sufficient budgetary allocation is made for this expenditure item. As already alluded to the financial position is limiting the efforts in ensuring that adequate provision for repairs and maintenance are made this category of expenditure, nonetheless the expenditure in respect of repairs and maintenance materials represent 4.4% of operating expenditure (R52 million) and although it does not meet the target as set in the financial recovery plan it represents a small increase of R29 million since 2022/23.

Repairs and maintenance decreases over the MTREF and financial resources needs to be focused towards this category of expenditure going forward to secure continuity in service delivery and ensure that the health of assets are adequately protected.

The table below provides a breakdown of the repairs and maintenance in relation to each asset class:

Table 14 Repairs and maintenance per asset class

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		**13 950**	**40 144**	**15 600**	**19 693**	**17 704**	**17 704**	**29 603**	**23 557**	**25 294**
Roads Infrastructure		4 917	30 661	8 359	6 943	5 664	5 664	9 200	6 560	7 723
Roads		4 917	30 661	8 359	6 843	5 564	5 564	9 096	6 452	7 611
Road Furniture		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		5 384	4 901	3 694	6 466	4 966	4 966	11 076	7 337	7 586
HV Switching Station		439	370	567	530	530	530	550	570	589
HV Transmission Conductors		–	–	–	–	–	–	–	–	–
MV Substations		–	–	–	–	371	371	371	383	396
MV Networks		4 945	4 531	3 128	5 936	4 065	4 065	6 156	6 383	6 601
Water Supply Infrastructure		3 009	3 847	3 000	4 864	5 874	5 874	7 854	8 133	8 407
Boreholes		122	163	–	153	153	153	159	164	170
Reservoirs		2 463	3 137	2 497	3 873	2 373	2 373	4 016	4 165	4 306
Distribution		399	513	497	674	3 174	3 174	3 499	3 617	3 738
Sanitation Infrastructure		640	735	477	1 120	1 050	1 050	1 162	1 205	1 246
Pump Station		581	720	475	1 050	1 050	1 050	1 089	1 129	1 168
Waste Water Treatment Works		58	15	2	70	–	–	73	76	78
Solid Waste Infrastructure		–	–	–	–	–	–	–	–	–
Landfill Sites		–	–	–	–	–	–	–	–	–
Community Assets		**694**	**1 325**	**834**	**1 137**	**666**	**666**	**1 440**	**1 495**	**1 546**
Sport and Recreation Facilities		694	1 325	834	1 137	666	666	1 440	1 495	1 546
Outdoor Facilities		694	1 325	834	1 137	666	666	1 440	1 495	1 546
Other assets		**4 384**	**4 312**	**2 346**	**4 675**	**5 390**	**5 390**	**6 244**	**6 384**	**6 484**
Operational Buildings		4 384	4 312	2 346	4 675	5 390	5 390	6 244	6 384	6 484
Municipal Offices		3 927	4 005	2 346	4 657	3 122	3 122	3 475	3 606	3 696
Workshops		–	–	–	–	–	–	–	–	–
Depots		35	306	–	–	2 250	2 250	2 750	2 758	2 767
Computer Equipment		278	279	108	262	256	256	283	294	304
Computer Equipment		278	279	108	262	256	256	283	294	304
Furniture and Office Equipment		–	29	39	136	137	137	323	333	345
Furniture and Office Equipment		–	29	39	136	137	137	323	333	345
Machinery and Equipment		3 313	3 539	3 460	5 705	7 873	7 873	11 081	12 093	12 585
Machinery and Equipment		3 313	3 539	3 460	5 705	7 873	7 873	11 081	12 093	12 585
Transport Assets		699	514	185	866	2 799	2 799	3 401	3 586	3 705
Transport Assets		699	514	185	866	2 799	2 799	3 401	3 586	3 705
Total Repairs and Maintenance Expenditure	1	**23 317**	**50 142**	**22 572**	**32 474**	**34 825**	**34 825**	**52 375**	**47 742**	**50 263**

For the 2026/27 financial year 53.30 % (R29 million) of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received 19.94 % (R11 million), road infrastructure receives the bulk being 16.57 % (R9.2 million), sanitation 2.09 % (R1.1 million) and water 14.14 % (R7.8 million). Community assets and buildings and facilities have been allocated R7.7 million of total repairs and maintenance equating to 14% of the repairs and maintenance materials budget.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that have earnings below the poverty threshold as defined by the national treasury of 2 times the government old age pension (or R5500) or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of Oudtshoorn Municipality's Indigent Policy. It is estimated that approximately 5500 households will receive subsidies on tariffs and rates in the 2026/27 financial year by means of the full basket of services given as Indigent subsidies. The estimated expenditure on free and subsidized services, inclusive of assessment rate rebates, will exceed R70 million for the 2026/27 financial year.

The performance on delivery of housing is adding to the quantum of subsidized services as the bulk of new customers qualify to be subsidized. A significant burden is placed on revenue streams as the revenue base is not growing sufficiently to sustain the growing number of free services. The subsidy in respect of free services will be paid strictly in accordance with the national norms and within the limitations of the equitable share that the municipality receives from the national fiscus. The indigent process is one of self-registration therefore households needing assistance must annually apply for the subsidy. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement)

The cost of the social package of the registered indigent households is largely financed by the national government through the local government equitable share received in terms of the annual Division of Revenue Act. The equitable share is therefore proportionately divided between the rates and other services delivery votes as a subsidy towards the services. It needs to be mentioned that the current number of registered indigent households exceeds 5000 and represents approximately 30% of the current customer base, but the new verification process have started in 2025/26 and it is anticipated to again grow substantially.

1.5.3 Cango Caves

The Cango Caves are included as a municipal department in the municipal budget as classified in accordance with the GFS. The caves are run as a municipal function and revenue accrues to the general municipal revenue account and expenditure is accounted for through municipal expenditure votes.

A operating surplus of R7 million is budgeted for the 2026/27 period, that is partially used to finance the upgrading of the building. Employee related cost being the main cost driver of the Cango Caves. Admission fees have increased substantially in the last financial years, which is indication of the tourism sector recovery after the devastating Covid 19 lockdown.

Admission fees tariffs were only increased with inflation financial year, but a cost reflective tariff study is needed to be financially sustainable over the long term, to generate reserves to finance capital refurbishment and maintenance of the cave and building. Cango Caves have always been a mainstay on all Garden Route and Klein Karoo travel packages/itineraries which make it easy to sell to the international wholesalers. That being said, our rates have to be competitive and affordable to ensure long-term business.

The marketing plan for the financial year will be approved by the council and compiled by the board of trustees. An amount of more than R1.4 has been set aside for advertising, marketing, publicity and related expenditure which includes local and international travel cost. This plan will

focus on the sustainability of the Cango Caves as the main tourism attraction of the town, due to the decline in the global and domestic environment.

1.6 Capital expenditure

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

Table 15 2026/27 Medium-term capital budget per vote

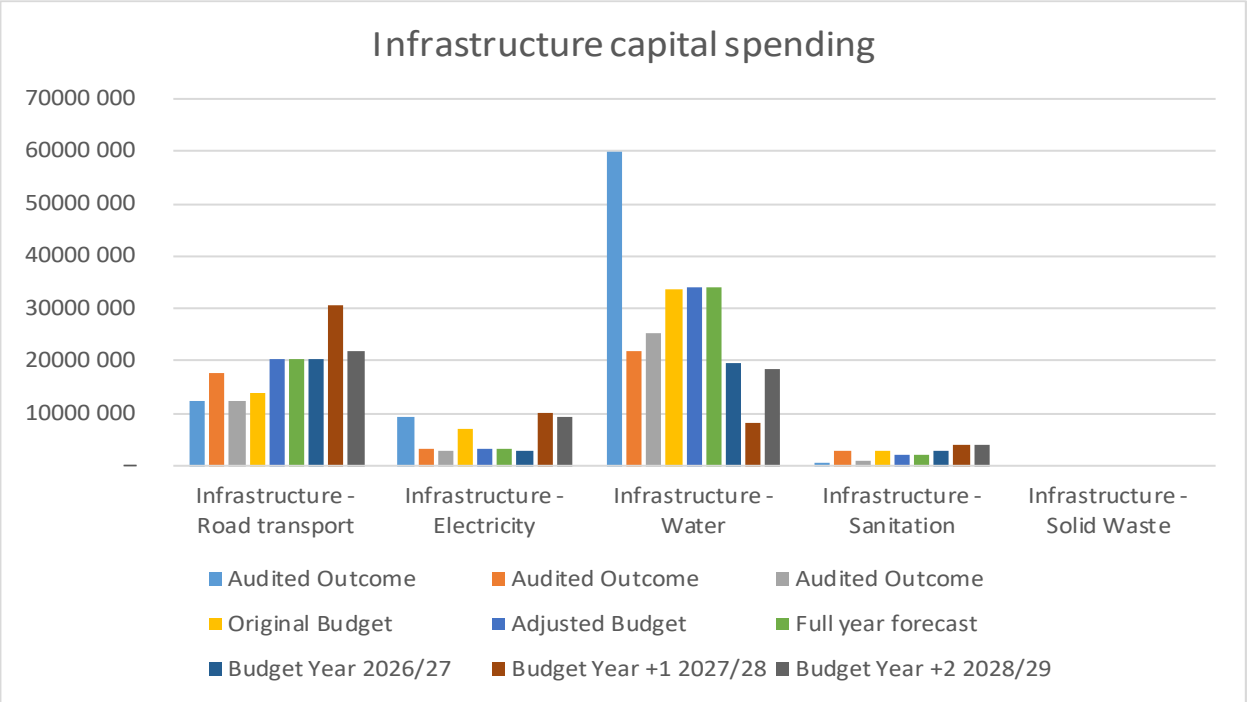
Vote Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26		2026/27 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Capital expenditure - Vote									
Multi-year expenditure *to be appropriated*	2								
Vote 1 - Executive & Council		–	–	–	–	–	–	–	–
Vote 2 - Office of the Municipal Manager		–	–	–	–	–	–	–	–
Vote 3 - Corporate Services		–	–	–	–	–	–	–	–
Vote 4 - Financial Services		–	–	–	–	–	–	–	–
Vote 5 - Community Services		12 872	8 043	3 282	10 000	10 000	1 500	1 700	1 100
Vote 6 - Infrastructure Services		67 393	24 950	23 998	34 835	42 031	39 969	42 166	43 520
Vote 7 - Human Settlement		–	–	–	–	–	–	–	–
Vote 8 - Planning and Development		–	40	1 126	2 300	1 842	1 500	500	520
Capital multi-year expenditure sub-total	7	**80 265**	**33 033**	**28 406**	**47 135**	**53 874**	**42 969**	**44 366**	**45 140**
Single-year expenditure *to be appropriated*	2								
Vote 1 - Executive & Council		–	–	–	–	–	–	–	–
Vote 2 - Office of the Municipal Manager		–	29	170	90	90	358	–	–
Vote 3 - Corporate Services		186	764	444	750	750	220	250	255
Vote 4 - Financial Services		1 261	1 297	1 820	1 610	1 760	4 320	900	900
Vote 5 - Community Services		4 611	4 450	7 830	7 100	7 507	8 122	3 350	1 540
Vote 6 - Infrastructure Services		23 228	20 902	26 409	23 584	19 880	12 217	14 013	13 058
Vote 7 - Human Settlement		–	–	–	–	–	–	–	–
Vote 8 - Planning and Development		1 918	759	510	1 250	350	1 450	650	612
Capital single-year expenditure sub-total		**31 204**	**28 199**	**37 183**	**34 384**	**30 337**	**26 686**	**19 163**	**16 365**
Total Capital Expenditure - Vote		**111 469**	**61 233**	**65 589**	**81 519**	**84 210**	**69 655**	**63 528**	**61 505**

An amount of R45 million has been appropriated for the development and refurbishment of infrastructure which represents the bulk of the capital budget for 2026/27.

New assets represent R21 million of the total capital budgets while asset renewal and upgrading makes up the remainder. Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR A9 (Asset Management). In addition to the MBRR Table A9, MBRR Tables SA34 a,b,d,e provides a detailed breakdown of the capital program relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Following a list of projects to be undertaken over the medium-term in SA36.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

Figure 2 Capital Infrastructure Program



1.7 Annual Budget Tables – Municipality

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2026/27 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing/next page.

Table 16 MBRR Table A1 - Budget Summary

WC045 Oudtshoorn - Table A1 Budget Summary										
Description	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
R thousands	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
Financial Performance										
Property rates	116 473	128 895	161 715	172 528	170 108	170 108	170 108	182 384	191 504	201 079
Service charges	412 092	464 000	523 888	602 503	635 966	635 966	635 966	710 570	761 149	822 348
Investment revenue	11 878	14 999	15 426	15 404	15 404	15 404	15 404	15 974	16 501	17 029
Transfer and subsidies - Operational	102 862	137 929	117 990	124 616	124 616	124 616	124 616	133 090	131 444	134 983
Other own revenue	77 106	65 351	78 509	152 461	160 191	160 191	160 191	171 489	178 058	182 962
Total Revenue (excluding capital transfers and contributions)	720 411	811 174	897 528	1 067 512	1 106 284	1 106 284	1 106 284	1 213 507	1 278 655	1 358 400
Employee costs	280 480	295 718	323 546	371 829	352 879	352 879	352 879	375 759	390 712	407 485
Remuneration of councillors	11 391	12 588	13 820	16 135	14 435	14 435	14 435	15 223	15 908	16 592
Depreciation, amortisation and impairment	53 248	53 695	63 776	54 514	63 493	63 493	63 493	66 667	70 001	73 501
Interest, Dividends and Rent on Land	7 935	8 468	20 490	23 178	24 233	24 233	24 233	25 445	26 717	28 053
Inventory consumed and bulk purchases	229 039	303 089	311 736	410 223	406 431	406 431	406 431	446 257	479 455	517 822
Transfers and subsidies	3 045	3 434	3 085	4 276	4 521	4 521	4 521	4 646	4 655	4 219
Other expenditure	141 829	134 692	194 200	203 774	231 861	231 861	231 861	266 080	284 317	283 941
Total Expenditure	726 967	811 685	930 651	1 083 927	1 097 852	1 097 852	1 097 852	1 200 075	1 271 764	1 331 612
Surplus/(Deficit)	(6 556)	(511)	(33 123)	(16 415)	8 432	8 432	8 432	13 432	6 891	26 787
Transfers and subsidies - capital (monetary allocations)	79 980	36 094	32 820	42 231	42 248	42 248	42 248	26 913	36 327	36 315
Transfers and subsidies - capital (in-kind)	722	–	123	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	74 147	35 583	(179)	25 816	50 680	50 680	50 680	40 345	43 218	63 103
Share of Surplus/Deficit attributable to Associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	74 147	35 583	(179)	25 816	50 680	50 680	50 680	40 345	43 218	63 103
Capital expenditure & funds sources										
Capital expenditure	111 469	61 233	65 589	81 519	84 210	84 210	84 210	69 655	63 528	61 505
Transfers recognised - capital	69 578	31 384	28 706	36 579	36 607	36 607	36 607	23 403	31 588	31 578
Borrowing	26 236	15 887	25 639	28 450	28 450	28 450	28 450	24 900	20 000	18 600
Internally generated funds	15 655	13 961	11 243	16 490	19 154	19 154	19 154	21 352	11 940	11 327
Total sources of capital funds	111 469	61 233	65 589	81 519	84 210	84 210	84 210	69 655	63 528	61 505
Financial position										
Total current assets	229 003	261 897	314 271	282 551	363 999	363 999	363 999	418 292	480 595	567 074
Total non current assets	1 153 810	1 146 916	1 223 452	1 248 713	1 244 170	1 244 170	1 244 170	1 247 158	1 240 686	1 228 691
Total current liabilities	145 649	126 001	161 204	124 381	162 623	162 623	162 623	164 113	165 664	167 276
Total non current liabilities	212 610	222 676	295 252	306 906	313 599	313 599	313 599	329 043	340 106	349 874
Community wealth/Equity	1 024 553	1 060 136	1 081 268	1 099 978	1 131 949	1 131 949	1 131 949	1 172 294	1 215 511	1 278 614
Cash flows										
Net cash from (used) operating	87 550	67 325	87 802	101 304	135 955	135 955	135 955	127 413	133 149	156 375
Net cash from (used) investing	(104 738)	(54 150)	(60 351)	(93 747)	(96 842)	(96 842)	(96 842)	(80 103)	(73 058)	(70 731)
Net cash from (used) financing	2 386	1 584	6 365	9 950	9 950	9 950	9 950	6 400	1 500	100
Cash/cash equivalents at the year end	129 131	143 889	177 706	163 551	226 769	226 769	226 769	280 479	342 071	427 815
Cash backing/surplus reconciliation										
Cash and investments available	129 131	143 889	177 706	163 551	226 769	226 769	226 769	280 479	342 071	427 815
Application of cash and investments	78 911	58 175	66 855	45 460	56 166	56 166	56 166	(8 199)	(6 634)	(5 982)
Balance - surplus (shortfall)	50 220	85 714	110 850	118 091	170 604	170 604	170 604	288 678	348 704	433 796
Asset management										
Asset register summary (WDV)	1 153 810	1 146 916	1 223 452	1 248 713	1 244 170	1 244 170		1 247 158	1 240 686	1 228 691
Depreciation	53 248	53 695	63 492	54 514	63 493	63 493		66 667	70 001	73 501
Renewal and Upgrading of Existing Assets	53 304	49 036	48 464	66 536	73 655	73 655		48 568	46 196	47 921
Repairs and Maintenance	23 317	50 142	22 572	32 474	34 825	34 825		52 375	47 742	50 263
Free services										
Cost of Free Basic Services provided	53 977	80 122	89 435	90 873	54 074	54 074		55 191	58 791	62 633
Revenue cost of free services provided	5 703	8 440	11 417	11 965	10 848	10 848		9 536	10 013	10 514
Households below minimum service level										
Water:	–	–	–	–	–	–		–	–	–
Sanitation/sewerage:	–	–	–	–	–	–		–	–	–
Energy:	–	–	–	–	–	–		–	–	–
Refuse:	–	–	–	–	–	–		–	–	–

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of Oudtshoorn Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. 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.
3. 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 negative over the MTREF
    b. Capital expenditure is funded only by grant funding
        i. Transfers recognized is reflected on the Financial Performance Budget;
        ii. No borrowing is taken up for the MTREF
        iii. No internally generated funds are available for capital funding.
4. The Cash backing/surplus reconciliation shows that the municipality is not in a position to currently cash back any of its non-provisions or other obligations.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase.

Table 17 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

WC045 Oudtshoorn - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification 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	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Revenue - Functional										
Governance and administration		**233 822**	**240 706**	**282 621**	**306 847**	**304 426**	**304 426**	**323 350**	**336 944**	**349 083**
Executive and council		112 595	106 446	116 792	129 680	129 680	129 680	136 342	141 671	145 796
Finance and administration		121 227	134 260	165 829	177 167	174 746	174 746	187 008	195 273	203 288
Internal audit		–	–	–	–	–	–	–	–	–
Community and public safety		**30 138**	**34 146**	**38 821**	**41 666**	**41 683**	**41 683**	**42 177**	**42 999**	**44 219**
Community and social services		6 847	7 280	7 224	8 271	8 287	8 287	8 535	8 622	8 709
Sport and recreation		1 124	1 366	1 598	1 739	1 739	1 739	1 803	1 863	1 922
Public safety		22 167	24 866	29 442	29 839	29 839	29 839	31 193	31 964	32 987
Housing		–	634	558	1 817	1 817	1 817	645	550	600
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		**36 438**	**26 041**	**24 410**	**27 630**	**27 630**	**27 630**	**28 359**	**28 696**	**29 488**
Planning and development		1 870	640	617	–	–	–	300	–	–
Road transport		34 568	25 401	23 793	27 630	27 630	27 630	28 059	28 696	29 488
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		**500 716**	**546 374**	**584 619**	**733 601**	**774 793**	**774 793**	**846 534**	**906 343**	**971 925**
Energy sources		290 630	313 500	368 579	433 254	447 374	447 374	494 576	540 143	586 373
Water management		128 395	124 500	102 120	175 621	189 562	189 562	185 900	190 694	200 289
Waste water management		46 297	56 026	61 204	64 949	67 027	67 027	73 178	77 314	81 569
Waste management		35 393	52 348	52 716	59 776	70 831	70 831	92 880	98 193	103 695
Other	4	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Revenue - Functional	2	**801 114**	**847 268**	**930 472**	**1 109 743**	**1 148 532**	**1 148 532**	**1 240 420**	**1 314 982**	**1 394 715**
Expenditure - Functional										
Governance and administration		**163 586**	**189 440**	**220 112**	**258 710**	**267 246**	**267 246**	**286 685**	**301 820**	**305 454**
Executive and council		75 476	94 797	96 172	106 208	112 969	112 969	117 734	124 586	129 856
Finance and administration		85 360	91 815	120 774	149 212	151 010	151 010	165 498	173 630	171 846
Internal audit		2 750	2 827	3 166	3 290	3 267	3 267	3 453	3 604	3 752
Community and public safety		**128 560**	**132 457**	**136 792**	**154 650**	**141 895**	**141 895**	**152 610**	**159 191**	**162 220**
Community and social services		26 101	28 236	24 047	28 833	25 644	25 644	26 118	27 310	28 463
Sport and recreation		36 295	41 299	45 214	51 471	51 074	51 074	56 436	58 662	57 436
Public safety		51 505	50 262	53 511	56 681	48 904	48 904	51 230	53 768	56 120
Housing		14 660	12 659	14 021	17 665	16 273	16 273	18 825	19 451	20 201
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		**63 802**	**84 588**	**67 827**	**81 637**	**78 838**	**78 838**	**94 980**	**93 756**	**96 235**
Planning and development		22 684	18 400	19 316	24 867	24 690	24 690	31 612	32 743	33 893
Road transport		41 118	66 187	48 511	56 771	54 148	54 148	63 368	61 013	62 343
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		**371 018**	**405 201**	**505 919**	**588 930**	**609 872**	**609 872**	**665 800**	**716 997**	**767 704**
Energy sources		247 679	283 780	347 707	379 123	385 484	385 484	421 083	455 363	493 949
Water management		56 580	60 308	76 476	128 794	145 880	145 880	157 471	165 256	172 502
Waste water management		31 018	29 266	33 548	34 658	28 821	28 821	30 862	32 901	34 336
Waste management		35 741	31 846	48 189	46 356	49 687	49 687	56 384	63 476	66 917
Other	4	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Expenditure - Functional	3	**726 967**	**811 685**	**930 651**	**1 083 927**	**1 097 852**	**1 097 852**	**1 200 075**	**1 271 764**	**1 331 612**
Surplus/(Deficit) for the year		**74 147**	**35 583**	**(179)**	**25 816**	**50 680**	**50 680**	**40 345**	**43 218**	**63 103**

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water but not for the waste management function. Administrative functions have not been charged to the respective service delivery departments and therefore an unintended cross subsidization of rates and general services takes place. Surpluses generated by the service delivery departments are absorbed in the general operations through the allocation of administrative and other overhead cost associated with governance.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under governance and administration.

Table 18 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

WC045 Oudtshoorn - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Revenue by Vote	1									
Vote 1 - Executive & Council		–	–	–	–	–	–	–	–	–
Vote 2 - Office of the Municipal Manager		96 583	87 236	92 047	102 722	102 722	102 722	106 527	110 872	114 011
Vote 3 - Corporate Services		832	563	515	778	778	778	824	870	(791)
Vote 4 - Financial Services		120 395	133 697	165 314	176 388	173 968	173 968	186 184	194 404	204 079
Vote 5 - Community Services		64 407	84 696	89 382	97 886	108 957	108 957	132 609	138 779	145 391
Vote 6 - Infrastructure Services		499 891	519 427	555 696	701 454	731 593	731 593	781 713	836 846	897 719
Vote 7 - Human Settlement		–	–	–	–	–	–	–	–	–
Vote 8 - Planning and Development		19 006	21 650	27 518	30 514	30 514	30 514	32 563	33 212	34 307
Total Revenue by Vote	2	**801 114**	**847 268**	**930 472**	**1 109 743**	**1 148 532**	**1 148 532**	**1 240 420**	**1 314 982**	**1 394 715**
Expenditure by Vote *to be appropriated*	1									
Vote 1 - Executive & Council		–	–	–	–	–	–	–	–	–
Vote 2 - Office of the Municipal Manager		67 428	85 769	89 708	102 115	107 646	107 646	109 994	116 224	120 830
Vote 3 - Corporate Services		29 260	26 116	31 439	37 354	41 114	41 114	40 190	42 692	43 744
Vote 4 - Financial Services		45 314	53 215	72 270	86 853	87 528	87 528	98 189	103 052	99 449
Vote 5 - Community Services		146 696	147 425	166 268	177 238	169 451	169 451	183 141	195 891	201 308
Vote 6 - Infrastructure Services		382 921	445 866	514 046	610 582	625 143	625 143	688 166	730 505	779 690
Vote 7 - Human Settlement		–	–	–	–	–	–	–	–	–
Vote 8 - Planning and Development		55 348	53 295	56 920	69 785	66 971	66 971	80 395	83 400	86 592
Total Expenditure by Vote	2	**726 967**	**811 685**	**930 651**	**1 083 927**	**1 097 852**	**1 097 852**	**1 200 075**	**1 271 764**	**1 331 612**
Surplus/(Deficit) for the year	2	**74 147**	**35 583**	**(179)**	**25 816**	**50 680**	**50 680**	**40 345**	**43 218**	**63 103**

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of Oudtshoorn Municipality. This means it is possible to present the operating surplus or deficit of a vote.

Table 19 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

WC045 Oudtshoorn - Table A4 Budgeted Financial Performance (revenue and expenditure)

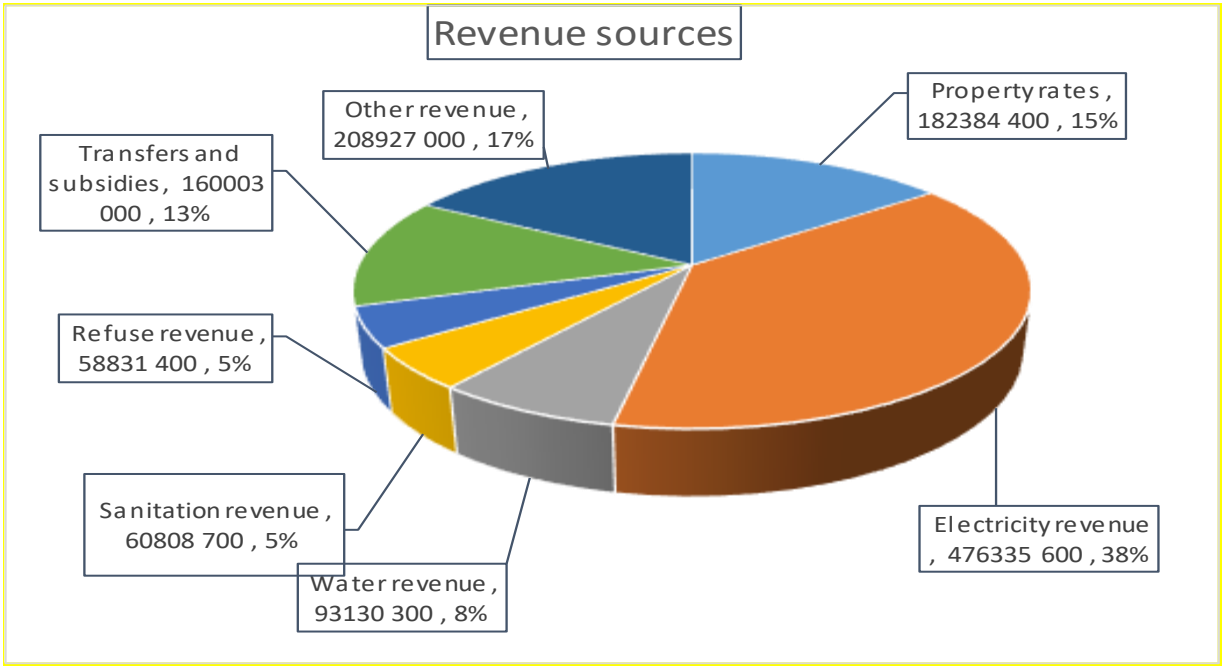
Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26		2026/27 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Revenue									
Exchange Revenue									
Service charges - Electricity	2	278 339	303 270	356 823	419 959	434 079	476 336	517 701	564 293
Service charges - Water	2	71 445	73 712	76 224	81 609	87 821	93 130	93 878	99 510
Service charges - Waste Water Management	2	36 575	45 309	49 769	53 158	55 235	60 809	64 457	68 324
Service charges - Waste Management	2	25 733	41 708	41 072	47 777	58 831	80 296	85 114	90 220
Sale of Goods and Rendering of Services	2	20 361	24 353	30 519	34 282	34 282	37 427	38 683	38 234
Agency services	2	5 647	5 622	5 870	8 376	8 376	8 685	8 972	9 259
Interest		-	-	-	-	-	-	-	-
Interest earned from Receivables	2	8 848	9 757	10 085	11 078	11 078	11 488	11 867	12 247
Interest earned from Current and Non Current Assets	2	11 878	14 999	15 426	15 404	15 404	15 974	16 501	17 029
Dividends	2	-	-	-	-	-	-	-	-
Rent on Land	2	-	-	-	-	-	-	-	-
Rental from Fixed Assets	2	3 031	2 862	3 767	4 657	4 657	4 830	4 989	5 149
Licence and permits	2	381	454	449	553	553	573	592	611
Special rating levies	2	-	-	-	-	-	-	-	-
Construction Contract Revenue	2	-	-	-	-	-	-	-	-
Development Charges	2	-	-	-	-	-	-	-	-
Operational Revenue	2	2 126	2 536	3 401	1 616	1 616	1 676	1 731	1 787
Non-Exchange Revenue									
Property rates	2	116 473	128 895	161 715	172 528	170 108	182 384	191 504	201 079
Surcharges and Taxes	2	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	2	15 731	17 556	22 454	21 542	21 542	22 339	23 076	23 815
Licences or permits	2	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational	2	102 862	137 929	117 990	124 616	124 616	133 090	131 444	134 983
Interest	2	-	-	-	-	-	-	-	-
Fuel Levy	2	-	-	-	-	-	-	-	-
Operational Revenue	2	-	-	-	-	-	-	-	-
Gains on disposal of Fixed and Intangible Assets	2	-	13	1 964	-	-	-	-	-
Other Gains	2	20 980	2 198	-	70 357	78 086	84 470	88 147	91 861
Discontinued Operations		-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contribution		**720 411**	**811 174**	**897 528**	**1 067 512**	**1 106 284**	**1 213 507**	**1 278 655**	**1 358 400**
Expenditure									
Employee related costs	2	280 480	295 718	323 546	371 829	352 879	375 759	390 712	407 485
Remuneration of councillors	2	11 391	12 588	13 820	16 135	14 435	15 223	15 908	16 592
Bulk purchases - electricity	2	201 997	245 606	289 499	315 278	315 278	343 968	375 269	409 419
Inventory consumed	2,8	27 042	57 483	22 236	94 945	91 153	102 289	104 186	108 403
Debt impairment	2,3	6 589	5 284	31 929	19 726	25 437	23 150	33 955	37 958
Depreciation, amortisation and impairment	2	53 248	53 695	63 776	54 514	63 493	66 667	70 001	73 501
Interest, Dividends and Rent on Land	2	7 935	8 468	20 490	23 178	24 233	25 445	26 717	28 053
Contracted services	2	27 135	30 398	47 917	49 348	63 521	82 275	83 762	74 942
Transfers and subsidies	2	3 045	3 434	3 085	4 276	4 521	4 646	4 655	4 219
Irrecoverable debts written off	2	37 993	21 398	34 178	29 174	34 244	34 244	34 244	34 244
Operational costs	2	68 741	70 290	73 168	89 977	92 175	101 751	106 952	110 641
Disposal of Fixed and Intangible Assets	2	1 371	7 007	776	-	-	-	-	-
Other Losses	2	-	314	6 231	15 549	16 485	24 660	25 404	26 157
Total Expenditure		**726 967**	**811 685**	**930 651**	**1 083 927**	**1 097 852**	**1 200 075**	**1 271 764**	**1 331 612**
Surplus/(Deficit)		**(6 556)**	**(511)**	**(33 123)**	**(16 415)**	**8 432**	**13 432**	**6 891**	**26 787**
Transfers and subsidies - capital (monetary allocations)	6	79 980	36 094	32 820	42 231	42 248	26 913	36 327	36 315
Transfers and subsidies - capital (in-kind)	6	722	-	123	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		**74 147**	**35 583**	**(179)**	**25 816**	**50 680**	**40 345**	**43 218**	**63 103**
Income Tax		-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		**74 147**	**35 583**	**(179)**	**25 816**	**50 680**	**40 345**	**43 218**	**63 103**
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		**74 147**	**35 583**	**(179)**	**25 816**	**50 680**	**40 345**	**43 218**	**63 103**
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	**74 147**	**35 583**	**(179)**	**25 816**	**50 680**	**40 345**	**43 218**	**63 103**

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue excluding capital grants is R1,213 billion in 2026/27 and increases to R1.276 billion by 2027/28. This represents a year-on-year increase of 5% for the 2026/27 financial year, but this includes non-financial water inventory gains now compulsory in terms of mSCOA
2. Revenue to be generated from property rates is R182 million in the 2026/27 financial year and increases to R191 million by 2027/28 which represents 14.7% of the operating revenue base of Oudtshoorn Municipality, and therefore remains a significant funding source for the municipality.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of Oudtshoorn Municipality totaling R689 million for the 2026/27 financial year and increasing to R761 million by 2027/28. For the 2026/27 financial year services charges represent 55.5% of the total revenue base.
4. Transfers recognized – operating includes the local government equitable share and other operating grants from national and provincial government. Operational grants in the amount of R133 million represent 10% of revenue for the 2026/27 financial year.
5. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Figure 3 Major revenue Sources

The following graph illustrates the major revenue items per type



The following graph illustrates the major expenditure items per type over the 3-year budget cycle.

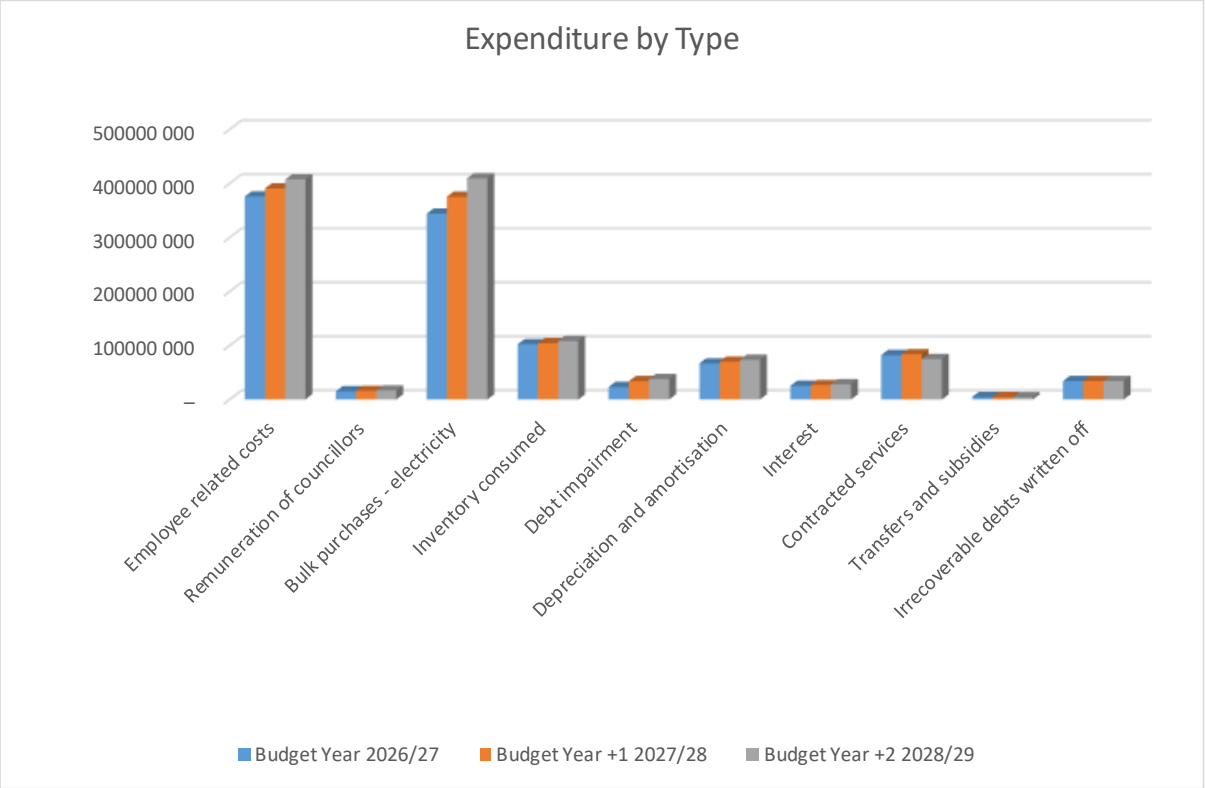


Figure 4 Expenditure by major type

Bulk purchases are significantly increasing over the 5-year horizon from R201 million in the 2022/23 financial year to R345 million in 2026/27. These increases can mainly be attributed to the substantial increase in the cost of bulk electricity from Eskom with very little growth ascribable to the growth of the revenue base.

Table 20 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification, and funding source

Vote 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	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Capital expenditure - Vote									
Multi-year expenditure ***to be appropriated***	2								
Vote 1 - Executive & Council		–	–	–	–	–	–	–	–
Vote 2 - Office of the Municipal Manager		–	–	–	–	–	–	–	–
Vote 3 - Corporate Services		–	–	–	–	–	–	–	–
Vote 4 - Financial Services		–	–	–	–	–	–	–	–
Vote 5 - Community Services		12 872	8 043	3 282	10 000	10 000	1 500	1 700	1 100
Vote 6 - Infrastructure Services		67 393	24 950	23 998	34 835	42 031	39 969	42 166	43 520
Vote 7 - Human Settlement		–	–	–	–	–	–	–	–
Vote 8 - Planning and Development		–	40	1 126	2 300	1 842	1 500	500	520
Capital multi-year expenditure sub-total	7	**80 265**	**33 033**	**28 406**	**47 135**	**53 874**	**42 969**	**44 366**	**45 140**
Single-year expenditure ***to be appropriated***	2								
Vote 1 - Executive & Council		–	–	–	–	–	–	–	–
Vote 2 - Office of the Municipal Manager		–	29	170	90	90	358	–	–
Vote 3 - Corporate Services		186	764	444	750	750	220	250	255
Vote 4 - Financial Services		1 261	1 297	1 820	1 610	1 760	4 320	900	900
Vote 5 - Community Services		4 611	4 450	7 830	7 100	7 507	8 122	3 350	1 540
Vote 6 - Infrastructure Services		23 228	20 902	26 409	23 584	19 880	12 217	14 013	13 058
Vote 7 - Human Settlement		–	–	–	–	–	–	–	–
Vote 8 - Planning and Development		1 918	759	510	1 250	350	1 450	650	612
Capital single-year expenditure sub-total		**31 204**	**28 199**	**37 183**	**34 384**	**30 337**	**26 686**	**19 163**	**16 365**
Total Capital Expenditure - Vote		**111 469**	**61 233**	**65 589**	**81 519**	**84 210**	**69 655**	**63 528**	**61 505**
Capital Expenditure - Functional									
Governance and administration		**1 447**	**2 143**	**3 125**	**3 800**	**4 492**	**6 648**	**1 650**	**1 675**
Executive and council		–	83	861	1 430	1 972	2 050	500	520
Finance and administration		1 447	2 060	2 264	2 360	2 510	4 598	1 150	1 155
Internal audit		–	–	–	10	10	–	–	–
Community and public safety		**17 483**	**12 588**	**10 012**	**17 450**	**15 907**	**9 932**	**4 990**	**2 583**
Community and social services		1 397	12	2 025	100	128	960	1 400	–
Sport and recreation		15 386	9 313	5 414	13 200	13 200	8 754	3 590	2 583
Public safety		700	3 263	2 138	2 000	2 380	217	–	–
Housing		–	–	435	2 150	200	–	–	–
Health		–	–	–	–	–	–	–	–
Economic and environmental services		**14 542**	**18 513**	**13 060**	**15 494**	**22 360**	**24 389**	**33 826**	**24 499**
Planning and development		1 918	649	510	50	100	750	570	529
Road transport		12 624	17 864	12 550	15 444	22 260	23 639	33 256	23 971
Environmental protection		–	–	–	–	–	–	–	–
Trading services		**77 997**	**27 988**	**39 392**	**44 775**	**41 451**	**28 686**	**23 063**	**32 748**
Energy sources		9 841	3 089	11 780	7 243	3 243	3 318	10 023	9 358
Water management		67 154	24 326	25 832	33 732	34 154	22 228	8 900	19 250
Waste water management		1 002	572	246	2 000	2 254	3 000	4 000	4 000
Waste management		–	–	1 535	1 800	1 800	140	140	140
Other		–	–	–	–	–	–	–	–
Total Capital Expenditure - Functional	3	**111 469**	**61 233**	**65 589**	**81 519**	**84 210**	**69 655**	**63 528**	**61 505**
Funded by:									
National Government		63 089	26 497	25 901	33 087	33 087	22 825	31 588	31 578
Provincial Government		6 278	4 887	2 609	3 492	3 505	577	–	–
District Municipality		104	–	–	–	–	–	–	–
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ		107	–	197	–	15	–	–	–
Transfers recognised - capital	4	**69 578**	**31 384**	**28 706**	**36 579**	**36 607**	**23 403**	**31 588**	**31 578**
Borrowing	6	26 236	15 887	25 639	28 450	28 450	24 900	20 000	18 600
Internally generated funds		15 655	13 961	11 243	16 490	19 154	21 352	11 940	11 327
Total Capital Funding	7	**111 469**	**61 233**	**65 589**	**81 519**	**84 210**	**69 655**	**63 528**	**61 505**

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital program in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations. Multi-year projects are those projects that will not be commissioned at the end of the financial year but will stretch over more than one financial year.
3. Single-year capital expenditure has been appropriated at R26.8 million for the 2026/27 financial year and decreases over the MTREF to R19 million in 2027/28 and further to R16 million in year of the MTREF.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of Oudtshoorn Municipality. For the purpose of funding the assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer years.
5. The capital program is funded mainly from capital grants and transfers as cash flow is limited to utilize own resources for the funding of capital. For 2026/27 financial year capital transfers total R23.4 million and increases to R31 million in both 2027/28 and 2028/29. This is mainly due to INEP funds in the outer years that increased.
6. It is envisaged to take up borrowing over the MTREF for a total amount of R63.5 million, divided into R24.9 million for 2026/27, R20 million for 2027/28 and R18.6 in 2028/29.
7. Internally Generated funds are limited and is estimated at R21.3 million for 2026/27 which includes a ringfenced amount of a co-funding to value of R4 million project a main roads project. The own funding is subject to approval of the main project by the Provincial Government, and will be removed in the final budget if not approved.

Table 21 MBRR Table A6 - Budgeted Financial Position

WC045 Oudtshoorn - 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	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
ASSETS									
Current assets									
Cash and cash equivalents	1	129 131	143 889	177 706	163 550	226 769	280 479	342 071	427 815
Short term Investments	2	–	–	–	–	–	–	–	–
Trade and other receivables from exchange transactions	3	79 012	91 561	90 287	93 859	101 224	101 807	102 518	103 253
Receivables from non-exchange transactions	3	15 828	19 166	24 026	17 861	22 908	22 908	22 908	22 908
Current portion of non-current receivables	4	26	65	224	65	224	224	224	224
Inventory	5	5 006	7 216	9 992	7 217	9 992	9 992	9 992	9 992
VAT Receivable	6	–	–	12 037	–	2 883	2 883	2 883	2 883
Other current assets	7	–	–	–	–	–	–	–	–
Total current assets		**229 003**	**261 897**	**314 271**	**282 551**	**363 999**	**418 292**	**480 595**	**567 074**
Non current assets									
Investments	8	–	–	–	–	–	–	–	–
Investment property	9	16 610	18 057	22 463	18 057	22 463	22 763	22 863	23 013
Property, plant and equipment	10	1 123 140	1 114 997	1 187 181	1 216 795	1 207 899	1 210 587	1 204 015	1 191 869
Biological assets	11	–	–	–	–	–	–	–	–
Living resources	12	–	–	–	–	–	–	–	–
Heritage assets	13	13 774	13 774	13 774	13 774	13 774	13 774	13 774	13 774
Intangible assets	14	285	87	34	88	34	34	34	34
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		**1 153 810**	**1 146 916**	**1 223 452**	**1 248 713**	**1 244 170**	**1 247 158**	**1 240 686**	**1 228 691**
TOTAL ASSETS		**1 382 813**	**1 408 813**	**1 537 723**	**1 531 264**	**1 608 169**	**1 665 450**	**1 721 281**	**1 795 764**
LIABILITIES									
Current liabilities									
Bank overdraft	17	–	–	–	–	–	–	–	–
Financial liabilities	18	15 564	7 659	22 990	7 659	22 990	22 990	22 990	22 990
Consumer deposits	19	11 782	12 172	12 870	11 320	12 870	12 870	12 870	12 870
Trade and other payables from exchange transactions	20	48 877	53 472	84 777	50 417	84 779	84 779	84 779	84 779
Trade and other payables from non-exchange transaction	21	27 321	3 670	3 449	3 283	3 432	3 432	3 432	3 432
Provision	22	38 067	41 027	–	35 088	30 448	31 666	32 933	34 250
VAT Payable	23	4 039	8 000	–	8 000	–	–	–	–
Other current liabilities	24	–	–	37 118	8 614	8 103	8 376	8 660	8 955
Total current liabilities		**145 649**	**126 001**	**161 204**	**124 381**	**162 623**	**164 113**	**165 664**	**167 276**
Non current liabilities									
Financial liabilities	25	68 694	74 590	120 821	143 220	130 771	137 171	138 671	138 771
Provision	26	–	–	40 943	37 974	44 000	47 788	52 145	56 651
Long term portion of trade payables	27	–	–	–	–	–	–	–	–
Other non-current liabilities	28	143 916	148 086	133 488	125 711	138 828	144 085	149 290	154 452
Total non current liabilities		**212 610**	**222 676**	**295 252**	**306 906**	**313 599**	**329 043**	**340 106**	**349 874**
TOTAL LIABILITIES		**358 260**	**348 678**	**456 456**	**431 287**	**476 221**	**493 156**	**505 770**	**517 150**
NET ASSETS		**1 024 553**	**1 060 136**	**1 081 268**	**1 099 978**	**1 131 948**	**1 172 294**	**1 215 511**	**1 278 614**
COMMUNITY WEALTH/EQUITY									
Accumulated surplus/(deficit)	29	1 024 553	1 060 136	1 081 268	1 099 978	1 131 949	1 172 294	1 215 511	1 278 614
Reserves and funds	30	–	–	–	–	–	–	–	–
Other	31	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	32	**1 024 553**	**1 060 136**	**1 081 268**	**1 099 978**	**1 131 949**	**1 172 294**	**1 215 511**	**1 278 614**

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table A6 is supported by an extensive table of notes (Table SA3) providing a detailed analysis of the major components of a number of items, including:
   - Call investments deposits;
   - Consumer debtors;
   - Property, plant and equipment;
   - Trade and other payables;
   - Provisions non-current;
   - Changes in net assets; and
   - Reserves

4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 22 MBRR Table A7 - Budgeted Cash Flow Statement

WC045 Oudtshoorn - Table A7 Budgeted Cash Flows									
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	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property rates		116 473	128 895	684 750	163 902	159 051	172 353	179 056	188 008
Service charges		349 036	436 869	–	668 082	696 962	784 506	834 257	901 486
Other revenue		52 040	36 649	–	145 362	146 736	159 660	165 931	170 306
Transfers and Subsidies - Operational	1	128 801	150 439	152 284	124 616	124 616	133 090	131 444	134 983
Transfers and Subsidies - Capital	1	41 506	–	–	42 231	42 231	26 913	36 327	36 315
Interest		19 739	23 597	25 377	25 971	25 818	26 879	27 656	28 542
Dividends		–	–	–	–	–	–	–	–
Payments									
Suppliers and employees		(609 106)	(697 353)	(751 152)	(1 039 955)	(1 029 218)	(1 144 354)	(1 208 553)	(1 269 409)
Finance charges		(7 935)	(8 468)	(20 490)	(24 208)	(25 262)	(26 525)	(27 852)	(29 244)
Transfers and Subsidies	1	(3 003)	(3 303)	(2 967)	(4 696)	(4 978)	(5 110)	(5 117)	(4 612)
NET CASH FROM/(USED) OPERATING ACTIVITIES		**87 550**	**67 325**	**87 802**	**101 304**	**135 955**	**127 413**	**133 149**	**156 375**
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE		–	13	1 964	–	–	–	–	–
Decrease (increase) in non-current receivables		–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		–	–	–	–	–	–	–	–
Insurance Refund - Capital		–	–	–	–	–	–	–	–
Interest on Short Term Investment (Greater then 90 days) and Long Term Investments		–	–	–	–	–	–	–	–
Payments									
Capital assets		(104 738)	(54 163)	(62 315)	(93 747)	(96 842)	(80 103)	(73 058)	(70 731)
Retention (Capital)		–	–	–	–	–	–	–	–
NET CASH FROM/(USED) INVESTING ACTIVITIES		**(104 738)**	**(54 150)**	**(60 351)**	**(93 747)**	**(96 842)**	**(80 103)**	**(73 058)**	**(70 731)**
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans		–	–	–	–	–	–	–	–
Borrowing long term/refinancing		20 700	17 200	23 500	28 450	28 450	24 900	20 000	18 600
Increase (decrease) in consumer deposits		–	–	–	–	–	–	–	–
Payments									
Repayment of borrowing		(18 314)	(15 616)	(17 135)	(18 500)	(18 500)	(18 500)	(18 500)	(18 500)
NET CASH FROM/(USED) FINANCING ACTIVITIES		**2 386**	**1 584**	**6 365**	**9 950**	**9 950**	**6 400**	**1 500**	**100**
NET INCREASE/ (DECREASE) IN CASH HELD		**(14 802)**	**14 758**	**33 816**	**17 507**	**49 063**	**53 710**	**61 592**	**85 744**
Cash/cash equivalents at the year begin:	2	**143 933**	**129 131**	**143 889**	**146 043**	**177 706**	**226 769**	**280 479**	**342 071**
Cash/cash equivalents at the year end:	2	**129 131**	**143 889**	**177 706**	**163 551**	**226 769**	**280 479**	**342 071**	**427 815**

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The cash level of Oudtshoorn Municipality, although positive, is based on a average 94.5% collection rate for 2026/27 and steadily increases over the medium term. According to NT norms and Long Term Financial Plan a collection rate of 95% needs to be achieved to be financially sustainable and to generate sufficient reserves to cash-back all provisions.

Table 23 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

WC045 Oudtshoorn - 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	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	129 131	143 889	177 706	163 551	226 769	280 479	342 071	427 815
Other current investments > 90 days		–	–	–	–	–	–	–	–
Non current Investments	1	–	–	–	–	–	–	–	–
Cash and investments available:		**129 131**	**143 889**	**177 706**	**163 551**	**226 769**	**280 479**	**342 071**	**427 815**
Application of cash and investments									
Unspent conditional transfers		27 321	3 670	3 449	3 283	3 432	3 432	3 432	3 432
Unspent borrowing									
Statutory requirements	2	4 039	8 000	(12 037)	8 000	(2 883)	16 681	16 681	16 681
Other working capital requirements	3	9 484	5 477	38 325	(9 526)	17 065	(59 978)	(59 679)	(60 345)
Other provisions		38 067	41 027	37 118	43 702	38 551	31 666	32 933	34 250
Long term investments committed	4	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	–	–	–	–	–	–	–	–
Total Application of cash and investments:		**78 911**	**58 175**	**66 855**	**45 460**	**56 166**	**(8 199)**	**(6 634)**	**(5 982)**
Surplus(shortfall) - Excluding Non-Current Creditors Trf to Debt Relief Bene		**50 220**	**85 714**	**110 850**	**118 091**	**170 604**	**288 678**	**348 704**	**433 796**
Creditors transferred to Debt Relief - Non-Current portion		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Surplus(shortfall) - Including Non-Current Creditors Trf to Debt Relief Bene		**50 220**	**85 714**	**110 850**	**118 091**	**170 604**	**288 678**	**348 704**	**433 796**

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 and all subsequent MFMA Budget Circulars up and until no 134 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. There is compliance with section 18 of the MFMA because the budget is funded and there is no shortfall.
5. From the table for the financial period 2026/27 a surplus is reflected, it will improve slightly over the MTREF illustrating the effect of implementation of cost reflective tariffs in the prior years and again in the outer years. The municipality is in dire need to generate reserves and it is still necessary to explore additional sources of revenue to further enhance the cash position of the municipality.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the 2026/27 MTREF is funded.

Table 24 MBRR Table A9 - Asset Management

WC045 Oudtshoorn - Table A9 Asset Management									
Description	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
CAPITAL EXPENDITURE									
Total New Assets	**58 165**	**12 197**	**17 125**	**14 983**	**10 556**	**10 556**	**21 087**	**17 333**	**13 584**
Electrical Infrastructure	9 210	3 089	2 851	7 093	3 093	3 093	2 818	10 023	9 358
Water Supply Infrastructure	34 283	2 418	–	–	–	–	–	–	–
Infrastructure	***43 493***	***5 507***	***2 851***	***7 093***	***3 093***	***3 093***	***2 818***	***10 373***	***9 758***
Community Facilities	2 677	–	197	2 350	2 365	2 365	1 650	600	–
Sport and Recreation Facilities	–	–	–	–	–	–	6 000	2 000	–
Community Assets	***2 677***	**–**	***197***	***2 350***	***2 365***	***2 365***	***7 650***	***2 600***	**–**
Operational Buildings	1 246	3 364	–	1 150	150	150	2 467	–	–
Housing	–	–	–	–	–	–	–	–	–
Other Assets	***1 246***	***3 364***	**–**	***1 150***	***150***	***150***	***2 467***	**–**	**–**
Licences and Rights	88	–	–	–	–	–	–	–	–
Intangible Assets	***88***	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Computer Equipment	**829**	**719**	**1 670**	**1 010**	**1 010**	**1 010**	**2 140**	**900**	**900**
Furniture and Office Equipment	**710**	**874**	**678**	**930**	**1 208**	**1 208**	**2 157**	**1 850**	**826**
Machinery and Equipment	**5 403**	**1 733**	**1 266**	**650**	**930**	**930**	**1 854**	**1 610**	**2 100**
Transport Assets	**3 719**	**–**	**10 464**	**1 800**	**1 800**	**1 800**	**2 000**	**–**	**–**
Total Renewal of Existing Assets	**2 063**	**8 556**	**4 742**	**250**	**504**	**504**	**1 800**	**1 700**	**1 750**
Sanitation Infrastructure	316	512	246	250	504	504	–	500	500
Infrastructure	***316***	***512***	***246***	***250***	***504***	***504***	**–**	***500***	***500***
Sport and Recreation Facilities	1 746	8 043	4 496	–	–	–	1 500	1 100	1 100
Community Assets	***1 746***	***8 043***	***4 496***	**–**	**–**	**–**	***1 500***	***1 100***	***1 100***
Total Upgrading of Existing Assets	**51 241**	**40 480**	**43 722**	**66 286**	**73 150**	**73 150**	**46 768**	**44 496**	**46 171**
Roads Infrastructure	12 262	17 551	12 214	13 754	20 465	20 465	20 279	30 466	21 571
Water Supply Infrastructure	25 846	19 468	25 466	33 732	33 963	33 963	19 628	8 250	18 550
Sanitation Infrastructure	185	2 500	690	2 750	1 750	1 750	3 000	3 500	3 500
Solid Waste Infrastructure	–	–	–	–	–	–	–	–	–
Infrastructure	***38 293***	***39 520***	***38 371***	***50 236***	***56 178***	***56 178***	***42 907***	***42 216***	***43 620***
Community Facilities	151	691	2 648	–	380	380	261	–	–
Sport and Recreation Facilities	12 797	–	97	13 000	13 000	13 000	300	30	31
Community Assets	***12 948***	***691***	***2 745***	***13 000***	***13 380***	***13 380***	***561***	***30***	***31***
Operational Buildings	–	269	2 606	3 050	3 592	3 592	3 300	2 250	2 520
Other Assets	**–**	***269***	***2 606***	***3 050***	***3 592***	***3 592***	***3 300***	***2 250***	***2 520***

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40% of their capital budget to the renewal/upgrade of existing assets, and allocations to repairs and maintenance should be 8% of PPE. Although asset renewals/upgrades meet the requirement at 70%, repairs and maintenance are less than the prescribed norm at 4.2% of PPE and it places the health of assets at risk and can lead to a shortened useful life and thus an earlier need for replacement.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights Oudtshoorn Municipality's predicament when it comes to addressing critical maintenance backlogs. It must however be acknowledged that the position has improved over the last 2 financial years and will further improve over the remainder of the MTREF.

Figure 5 Depreciation in relation to repairs and maintenance over the MTREF.

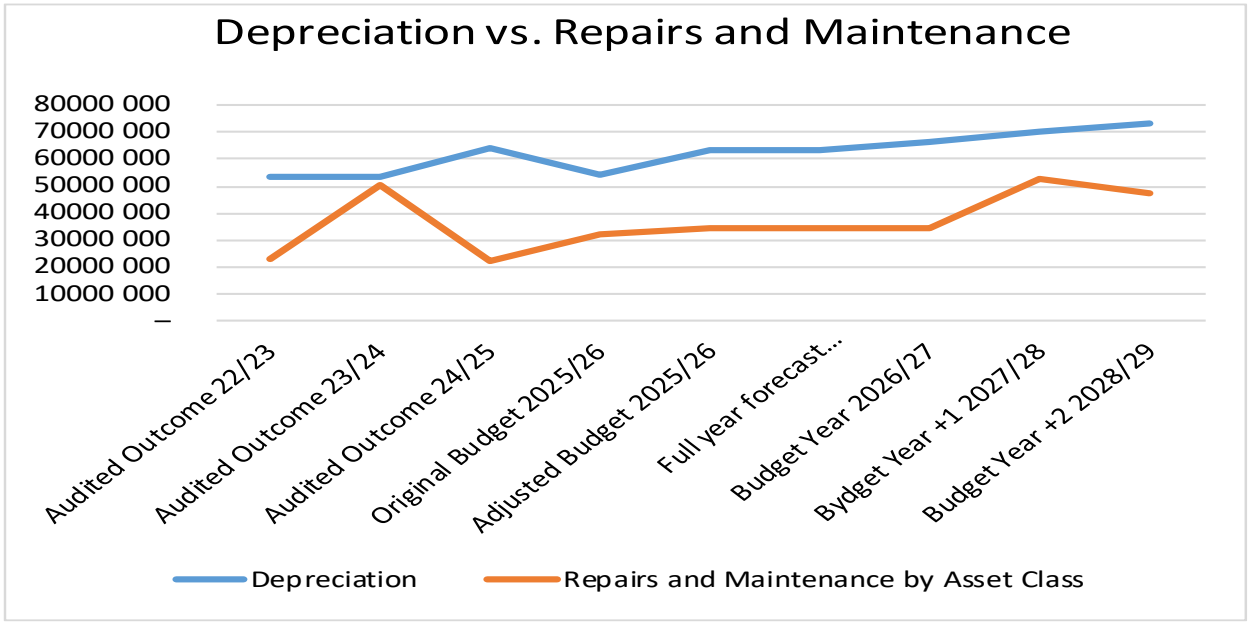


Table 25 MBRR Table A10 - Basic Service Delivery Measurement

WC045 Oudtshoorn - Table A10 Basic service delivery measurement

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Household service targets	1									
Water:										
Piped water inside dwelling		16 635	16 635	16 635	16 635	16 635	16 635	16 635	16 635	16 635
Piped water inside yard (but not in dwelling)		45	45	45	45	45	45	45	45	45
Using public tap (at least min.service level)	2	1 367	1 367	1 367	1 367	1 367	1 367	1 367	1 367	1 367
Other water supply (at least min.service level)	4	–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total		18 047	18 047	18 047	18 047	18 047	18 047	18 047	18 047	18 047
Using public tap (< min.service level)	3	–	–	–	–	–	–	–	–	–
Other water supply (< min.service level)	4	–	–	–	–	–	–	–	–	–
No water supply		–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	**18 047**	**18 047**	**18 047**	**18 047**	**18 047**	**18 047**	**18 047**	**18 047**	**18 047**
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		24 012	24 012	24 012	24 012	24 012	24 012	24 012	24 012	24 012
Flush toilet (with septic tank)		35	35	35	35	35	35	35	35	35
Chemical toilet		1 367	1 367	1 367	1 367	1 367	1 367	1 367	1 367	1 367
Pit toilet (ventilated)		–	–	–	–	–	–	–	–	–
Other toilet provisions (> min.service level)		–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total		25 414	25 414	25 414	25 414	25 414	25 414	25 414	25 414	25 414
Bucket toilet		–	–	–	–	–	–	–	–	–
Other toilet provisions (< min.service level)		–	–	–	–	–	–	–	–	–
No toilet provisions		–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	**25 414**	**25 414**	**25 414**	**25 414**	**25 414**	**25 414**	**25 414**	**25 414**	**25 414**
Energy:										
Electricity (at least min.service level)		–	–	–	–	–	–	–	–	–
Electricity - prepaid (min.service level)		18 789	18 789	18 789	18 789	18 789	18 789	18 789	18 789	18 789
Minimum Service Level and Above sub-total		18 789	18 789	18 789	18 789	18 789	18 789	18 789	18 789	18 789
Electricity (< min.service level)		–	–	–	–	–	–	–	–	–
Electricity - prepaid (< min. service level)		–	–	–	–	–	–	–	–	–
Other energy sources		–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	**18 789**	**18 789**	**18 789**	**18 789**	**18 789**	**18 789**	**18 789**	**18 789**	**18 789**
Refuse:										
Removed at least once a week		24 012	24 012	24 012	24 012	24 012	24 012	24 012	24 012	24 012
Minimum Service Level and Above sub-total		24 012	24 012	24 012	24 012	24 012	24 012	24 012	24 012	24 012
Removed less frequently than once a week		–	–	–	–	–	–	–	–	–
Using communal refuse dump		–	–	–	–	–	–	–	–	–
Using own refuse dump		–	–	–	–	–	–	–	–	–
Other rubbish disposal		–	–	–	–	–	–	–	–	–
No rubbish disposal		–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	**24 012**	**24 012**	**24 012**	**24 012**	**24 012**	**24 012**	**24 012**	**24 012**	**24 012**
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		7 500	7 500	7 500	7 500	7 500	7 500	6 000	6 000	6 000
Sanitation (free minimum level service)		7 500	7 500	7 500	7 500	7 500	7 500	6 000	6 000	6 000
Electricity/other energy (50kwh per household per month)		7 500	7 500	7 500	7 500	7 500	7 500	6 000	6 000	6 000
Refuse (removed at least once a week)		7 500	7 500	7 500	7 500	7 500	7 500	6 000	6 000	6 000
Informal Settlements		–	–	–	–	–	–	–	–	–
Cost of Free Basic Services provided - Formal Settlements (R'000)										
Water (6 kilolitres per **indigent** household per month)		15 095	18 513	20 105	21 145	9 075	9 075	9 075	9 619	10 196
Sanitation (free sanitation service to **indigent households**)		16 757	24 990	27 186	23 881	15 757	15 757	18 082	19 167	20 318
Electricity/other energy (50kwh per **indigent** household per month)		9 217	12 253	14 235	16 131	9 600	9 600	9 621	10 487	11 431
Refuse (removed once a week **for indigent households**)		12 907	24 366	27 909	29 716	19 643	19 643	18 413	19 518	20 689
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		–	–	–	–	–	–	–	–	–
Total cost of FBS provided	8	**53 977**	**80 122**	**89 435**	**90 873**	**54 074**	**54 074**	**55 191**	**58 791**	**62 633**
Highest level of free service provided per household										
Property rates (R value threshold)		70 000	70 000	100 000	100 000	100 000	100 000	150 000	150 000	150 000
Water (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)		1	1	1	1	1	1	1	1	1
Sanitation (Rand per household per month)		1	1	1	1	1	1	1	1	1
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)										
Revenue cost of subsidised services provided (R'000)	9									
Property rates **(tariff adjustment)** (**impermissable values per section 17 of MPRA**)		–	–	–	–	–	–	–	–	–
Property rates exemptions, reductions and rebates **and impermissable values in excess of section 17 of MPRA)**		5 703	8 440	11 417	11 965	10 848	10 848	9 536	10 013	10 514
Water **(in excess of 6 kilolitres per indigent household per month)**		–	–	–	–	–	–	–	–	–
Sanitation **(in excess of free sanitation service to indigent households)**		–	–	–	–	–	–	–	–	–
Electricity/other energy **(in excess of 50 kwh per indigent household per month**		–	–	–	–	–	–	–	–	–
Refuse **(in excess of one removal a week for indigent households)**		–	–	–	–	–	–	–	–	–
Municipal Housing - rental rebates		–	–	–	–	–	–	–	–	–
Housing - top structure subsidies	6	–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–
Total revenue cost of subsidised services provided		**5 703**	**8 440**	**11 417**	**11 965**	**10 848**	**10 848**	**9 536**	**10 013**	**10 514**

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Political overview of the budget process

Section 53 of the MFMA stipulates that the Mayor should exercise general political guidance over the budgeting process and must direct the drafting of the budget.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year, a time schedule that sets out the process to revise the IDP and prepare the budget.

The required IDP and budget time schedule was prepared in August 2022 with relevant key deadlines as follows:

- **October - November 2024**– Public participation meetings with communities.
- **January 2026** – Ward Committee feedback meetings
- **August 2025** – Council Approval of Schedule of Key Deadlines
- **March 2026** – Tabling of the draft budget and IDP to council
- **April 2026** - Public participation meeting for feedback on Draft Budget and IDP
- **May 2026** – Submission of the budget to council for consideration and approval

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The 2026/27 financial leads the amended 5-year IDP and the consultation process was held to ensure appropriate forward planning. Emphasis in MFMA Budget Circular 115 is given to municipalities on the consultation process post elections on the IDP. A Joint Circular No.1 on the transitional measures in relation to the integrated development plan (IDP) consultation process was issued by SALGA/COGTA and NT. This circular indicates that the previous municipal councils had an obligation to ensure that the legislative stipulations were complied with. Therefore, they were expected to continue the process of the development of the IDP starting with the development and adoption of the process plans as provided for in section 28 of the Municipal Systems Act

Oudtshoorn Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan includes the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;

- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2026/27 MTREF, based on the approved 2025/26 MTREF, mid-year review and adjustments budget. The planning process has subsequently been adjusted after considering the revised revenue projections and expenditure patterns contained in the approved adjustments budget. An important factor impacting on the IDP, planning and budgeting processes remain the financial recovery that is well underway and projects, plans and priorities are therefore carefully rolled out as financial resources become available.

With the compilation of the 2026/27 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2025/26 adjusted budget.

2.1.3 Financial Modeling and Key Planning Drivers

As part of the compilation of the 2026/27 MTREF, further extensive financial analysis was undertaken for a variety of expenditure items and categories to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2026/27 MTREF:

- Growth in the local economy;
- Policy priorities and strategic objectives;
- Asset maintenance;
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns and need for housing);
- Performance trends where available;
- The approved 2025/26 adjustments budget and year-to-date performance;
- Cash flow management strategy, the financial recovery process and continued service delivery demands;
- Debtor payment levels;
- Investment possibilities;
- The need for cost reflective tariff increases to aide in the recovery versus the ability of the community to pay for services;
- Improved and sustainable service delivery under extreme financial distress.

In addition to the above, the contents of the National Treasury's MFMA previous budget related circulars and recent ones in Circular 78, 79, 85, 86, 89, 91, 93, 94, 96, 97,98 and 99,107, 108,112,115,122, 123, 126, 129, 130, 132 and 134 have been considered in the planning and prioritisation process.

2.1.4 Community Consultation

The 2026/27 MTREF will be made public on electronic platforms and the website after tabling, to ensure all communities and stakeholders are included in the budget process for transparency in the financial management processes of the municipality.

Public participation meetings will be held during April 2026.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society as highlighted in the National Development Plan can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery. This is the second review of the current IDP cycle of 5 years and it is of essence that all stakeholders actively participate in the IDP process in order to ensure appropriate priorities are linked to scarce funding sources.

One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and Oudtshoorn municipality's response to these requirements. The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- The National Development Plan (NDP)
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and

Table 26 IDP Strategic Objectives

The IDP strategic objectives for Oudtshoorn are listed below:

1	To crease sustainable integrated human settlements and safe neighbourhoods where communities can prosper
2	To provide basic services to all residence in an environmentally sustainable manner.
3	To achieve financial sustainability and strengthen municipal transformation and development

4 To promote social, rural and spatial economic development.
5 An Ethical and transparent local government that is responsive to the needs of the community and encourage public participation

In order to ensure integrated and focused service delivery between all spheres of government it was important for Oudtshoorn Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. To create sustainable integrated human settlements and safe neighbourhoods where communities can prosper
    a. Effective implementation of the Human settlements program;
    b. Extending waste removal services and ensuring an effective cleansing service;
    c. Creating a safe environment for our communities in collaboration with the SAPS;
    d. Ensuring safe working environments by effective enforcement of building and health regulations;
    e. Promote viable, sustainable communities through proper zoning; and
    f. Promote environmental sustainability by protecting the environment and key public open spaces

2. Provision of quality basic services and infrastructure which includes, amongst others:
    - Provide electricity;
    - Provide water;
    - Provide sanitation;
    - Provide waste removal;
    - Provide housing;
    - Provide roads and storm water;
    - Provide public transport;
    - Provide city planning services; and
    - Maintaining the infrastructure of Oudtshoorn Municipality.
    - Ensuring all waste water treatment works are operating optimally and obtaining green drop status;

3. Ensure financial sustainability through:
    a. Carefully evaluating all spending decisions
    b. Implementing savings measures across the board
    c. Limiting the use of consultants and reviewing the use of contracted services
    d. Ensuring value for money spending in all procurement processes.
    e. Protecting assets from falling into a state of disrepair and implement the infrastructure renewal strategy and the repairs and maintenance plan in accordance with availability of financial resources.
    f.

4. Economic growth and development that leads to sustainable job creation by:
    - Ensuring there is spatial development framework for Oudtshoorn Municipality;
    - Ensuring planning processes function in accordance with set timeframes;
    - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.

4.1 Integrated Social Services for empowered and sustainable communities
    - Work with provincial departments to ensure the development of community infrastructure such as schools, hospitals and clinics are properly coordinated.

5. An ethical and transparent local government that is responsive to the needs of the community and encourage public participation

1.1 Promote sound transparent and accountable governance through:
    - Publishing the outcomes of all tender processes on the municipal website
    - Establishing a well-functioning audit- and oversight committee and MPAC

5.2 Foster participatory democracy and Batho-Pele principles through a caring, accessible and accountable service by:
    - Optimizing effective community participation in the ward committee system; and
    - Implementing Batho-Pele in the revenue management strategy.

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
    - Implementation of the revised organizational structure to optimize the use of personnel;

In line with the Municipal Systems Act, the IDP constitutes a single, inclusive strategic plan for Oudtshoorn Municipality. The five-year programme responds to the development challenges and opportunities faced by the municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, Oudtshoorn Municipality needs to undertake an extensive planning and developmental strategy that will primarily focus on a longer-term horizon; 15 to 20 years. This process is necessary to influence the future development path and to set clear goals for the future development within the municipal area. The strategy needs to target future developmental opportunities in traditional dormitory settlements. It should provide direction to Oudtshoorn Municipality's IDP, associated sectorial plans and strategies, and the allocation of resources from the municipality and other service delivery partners.

The long-term plan was updated as part of the budget process provides financial direction to the municipality over the next 10 years setting out revenue, expenditure and capital requirements and funding predictions. It considers, not only the financial analysis, but a broader analysis which includes condition of the infrastructure, social and economic trends as part of the analysis to properly plan for the future sustainability of the municipality.

The 2026/27 MTREF has therefore been informed by the IDP process and the following tables provide reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 27 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

WC045 Oudtshoorn - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	MTDP Service Outcome	IUDF	Ref	2023/24	2024/25	Current Year 2025/26		2026/27 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Basic Services & Infrastructure	An ethical, capable, and professional public service	04		580 520	623 440	775 267	816 476	888 711	949 342	1 016 144
	An ethical, capable, and professional public service	04								
Municipal Transformation & Institutional Development	An ethical, capable, and professional public service	04		106 446	116 792	129 680	129 680	136 342	141 671	145 796
Municipal Financial Viability and Management	An ethical, capable, and professional public service	04		133 697	165 314	176 388	173 968	186 184	194 404	204 079
Local Economic Development	An ethical, capable, and professional public service	04		26 041	24 410	27 630	27 630	28 359	28 696	29 488
Good Governace & Community Participation	An ethical, capable, and professional public service	04		563	515	778	778	824	870	(791)
Allocations to other priorities			2							
Total Revenue (excluding capital transfers and contributions)			1	847 268	930 472	1 109 743	1 148 532	1 240 420	1 314 982	1 394 715

Table 28 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

WC045 Oudtshoorn - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	MTDP Service Outcome	IUDF	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	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Basic Services & Infrastructure	An ethical, capable, and professional public service	04		499 579	537 658	642 712	743 580	751 768	751 768	818 410	876 188	929 923
	An ethical, capable, and professional public service	04										
Municipal Transformation & Institutional Development	An ethical, capable, and professional public service	04		78 226	97 624	99 338	109 498	116 236	116 236	121 187	128 190	133 607
Municipal Financial Viability and Management	An ethical, capable, and professional public service	04		56 100	65 700	89 335	111 858	109 896	109 896	125 308	130 938	128 102
Local Economic Development	An ethical, capable, and professional public service	04		63 802	84 588	67 827	81 637	78 838	78 838	94 980	93 756	96 235
Good Governace & Community Participation	An ethical, capable, and professional public service	04		29 260	26 116	31 439	37 354	41 114	41 114	40 190	42 692	43 744
Allocations to other priorities												
Total Expenditure			1	726 967	811 685	930 651	1 083 927	1 097 852	1 097 852	1 200 075	1 271 764	1 331 612

Table 29 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

WC045 Oudtshoorn - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)													
Strategic Objective	MTDP Service Outcome	IUDF	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	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Basic Services & Infrastructure	An ethical, capable, and professional public service	04		95 294	39 812	48 960	61 475	56 608	56 608	38 398	27 803	35 076
	An ethical, capable, and professional public service	04										
Municipal Transformation & Institutional Development	An ethical, capable, and professional public service	04		–	83	861	1 430	1 972	1 972	2 050	500	520
Municipal Financial Viability and Management	An ethical, capable, and professional public service	04		1 447	2 060	2 264	2 370	2 520	2 520	4 598	1 150	1 155
Local Economic Development	An ethical, capable, and professional public service	04		14 542	18 513	13 060	15 494	22 360	22 360	24 389	33 826	24 499
Good Governace & Community Participation	An ethical, capable, and professional public service	04		186	764	444	750	750	750	220	250	255
Allocations to other priorities			3									
Total Capital Expenditure			1	111 469	61 233	65 589	81 519	84 210	84 210	69 655	63 528	61 505

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, Oudtshoorn Municipality needs to develop and implement a performance management system which is constantly refined as the integrated planning process unfolds. The Municipality must target, monitor, assess and review organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

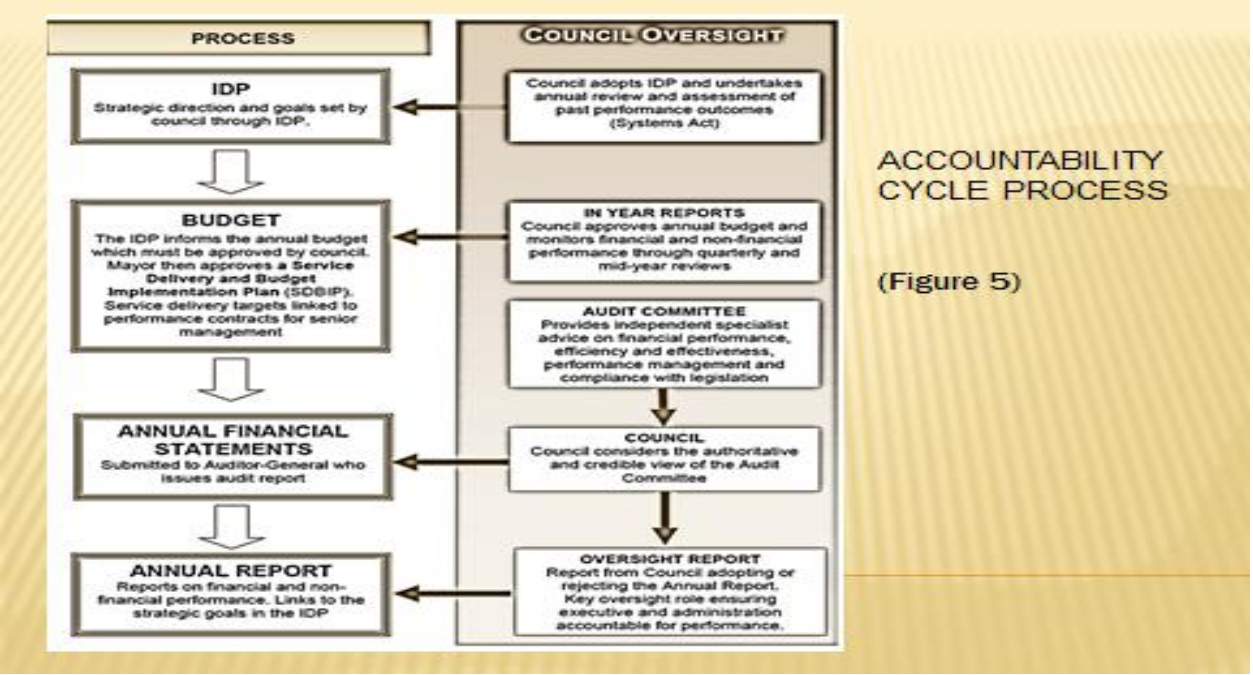


Figure 6 Planning, budgeting and reporting cycle

The performance of Oudtshoorn Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. Oudtshoorn Municipality therefore must adopt one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by Oudtshoorn Municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:

The following table provides some of the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 30 MBRR Table SA7 - Measurable performance objectives

WC045 Oudtshoorn - Supporting Table SA7 Measureable performance objectives										
Description	Unit of measurement	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Office of the Municipal Manager (Performance										
Internal Audit and Risk Management	RBAP compiled and submitted to the Audit Committee		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Compile and submit the three year Risk Based										
Internal Audit and Risk Management	90% of audits completed		90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Complete 90% of audits as per Internal Audit Plan		90.0%								
Internal Audit and Risk Management	**Risk register completed and submitted to the Audit Committee**		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Complete the annual risk register and submit to		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Performance Management										
Conduct the performance evaluations of sec 57			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Financial Services										
Free Basic Services				7200 (water)	5 400	5 400	5 400	5 400	5 400	5 400
Provide subsidies for free basic water to indigent households as at 30 June	Number of indigent households receiving subsidies for free basic water as per PROMUN financial system. The Ontec management report is also used as unit of measurement		7 841	6900(Sanitation)	5 200	5 200	5 200	5 200	5 200	5 200
				6900 (Refuse removal)	5 200	5 200	5 200	5 200	5 200	5 200
Provide subsidies for free basic electricity to indigent households (including ESKOM supply area) as at 30 June	Number of indigent households receiving subsidies for free basic electricity as per PROMUN financial system. The Ontec management report is also used as unit of measurement		7 800	7000(electricity)	5 350	5 350	5 350	5 350	5 350	5 350
Number of residential properties which are billed for sewerage in accordance with the financial system as at 30 June.Provide subsidies for free basic sanitation to indigent households as at	Number of residential properties which are billed for sewerage in accordance with the Promun Financial System as at 30 June		14728	15 200	15 200	1520+I+G21	15 200	15 000	15 000	15 000
Provide piped water to residential properties which	Number of residential properties that receive piped water as per the		16155	15 200	15 400	15 400	15 400	16 000	16 000	16 000
Provide electricity to residential properties connected to the municipal electrical infrastructure network and billed for the service as well as prepaid electrical metering as at 30 June	Number of residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering) as per the Promun Financial System as at 30 June. The Ontec management report is also used as unit of measurement		17286	16 500	16 600	16 600	16 600	16 000	16 000	16 000
Debt obligations										
Provide subsidies for free basic sanitation to indigent	Number of indigent households receiving subsidies for free basic									
Provide refuse services to residential properties for	Number of residential properties which are billed for refuse removal as per		15208	14 600	14 800	14 800	14 800	15 000	15 000	15 000
Municipal Capital Budget										
The percentage of the municipal capital budget actually spent on capital projects as at 30 June {(Actual amount spent on capital projects /Total amount budgeted for capital projects)X100}	% the capital budget spent on capital projects as at 30 June	85.0%	96.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Debt obligations										
Financial viability measured in terms of the municipality's ability to meet it's service debt obligations as at 30 June((Short Term Borrowing + Bank Overdraft + Short Term	% of debt coberage as at 30 June	21.0%	14.5%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%

Outstanding service debtors										
Insert measure/s description	% of outstanding service debtors (total outstanding debtors refers to total	15.0%	18.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Financial viability measured in terms of the outstanding										
Cover Fixed Operating Expenditure	Number of months it takes to cover fix operating expenditure with	0.8%	2.3%	1.6%	1.6%	1.6%	1.6%	1.9%	1.9%	1.9%
Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))										
Debtor payment achieved	% debtor payment achieved as at 30 June	96.0%	93.7%	93.0%	93.0%	93.0%	93.0%	93.0%	93.0%	93.0%
Achieve a debtor payment percentage of 93% {(Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off)/Billed Revenue x 100}										
Corporate Services										
Employment Equity	Number of people employed in the three highest levels of management			100.0%	100.0%	100.0%	100.0%	1	1	1
Number of people from employment equity target groups employed in the three highest levels of management in compliance with the municipality's approved employment equity plan.		100.0%	200.0%	100.0%	100.0%	100.0%	100.0%	3	3	3
Limit vacancy rate to less than 20% of budgeted	% Vacancy rate	20.0%	11.5%	20.0%	20.0%	20.0%	20.0%	15.0%	15.0%	15.0%
Skills Development	% of the budget spent	50.0%	60.0%	100.0%				90.0%	90.0%	90.0%
The percentage (%)	Percentage of budget spent on scheduled training within the financial year.		60.0%	80.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Technical Services										
Job oppertunities										
Create temporary jobs - FTE's in terms of EPWP by 30	Number of job opportunities created by 30 June	65	125	150	150	150	150	150	150	150
Raods Constructed										
Construct 0.5 km of new roads (upgrade surface standard) by 30 June	KM's of new roads constructed	50.0%								
Rehabilitation of Roads			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Resurface/rehabilitate 2km's of roads by 30 June	Number of km's of roads resurfaced/rehabilitated									
Limit unaccounted for electricity to less than 13%	% unaccounted electricity by 30 June		6.4%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Spend 90% of the electricity maintenance budget	% Budget Spent		n/a	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Spend 90% of the roads and stormwater	% Budget Spent		n/a	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Spend 90% of approved project budget for the	% Budget Spent		n/a	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Spend 90% of the sewerage maintenance budget by	% Budget Spent		n/a	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Limit unaccounted for water to less than 25% by 30	% unaccounted water		23.5%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Spend 90% of the water maintenance budget by 30	% Budget Spent		n/a	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Strategic Services										
Review and submit the final IDP for 2024/2025 to	IDP reviewed and submitted to Council by 31 May 2019	1	1	1	1	1	1	1	1	1
Economic Growth Development										
Review and submit the LED strategy to Council by 30	LED strategy reviewed and submitted	1	n/a	1	1	1	1	1	1	1

The following table sets out the municipality's main performance objectives and benchmarks for the 2026/27 MTREF.

Table 31 MBRR Table SA8 - Performance indicators and benchmarks

WC045 Oudtshoorn - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	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
Borrowing Management											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	3.6%	3.0%	4.0%	3.8%	3.9%	3.9%	3.9%	3.7%	3.6%	3.5%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	3.6%	3.0%	4.2%	3.9%	3.9%	3.9%	3.9%	3.6%	3.5%	3.4%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	132.2%	123.2%	209.0%	172.5%	148.5%	148.5%	148.5%	116.6%	167.5%	164.2%
Safety of Capital											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity											
Current Ratio	Current assets/current liabilities	1.6	2.1	1.9	2.3	2.2	2.2	2.2	2.5	2.9	3.4
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.6	2.1	1.9	2.3	2.2	2.2	2.2	2.5	2.9	3.4
Liquidity Ratio	Monetary Assets/Current Liabilities	1.4	1.9	1.7	2.1	2.0	2.0	2.0	2.3	2.7	3.2
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	0.0%	107.6%	115.9%	123.5%	130.7%	127.7%	127.7%	127.7%	127.9%	126.7%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		107.6%	115.9%	123.5%	130.7%	127.7%	127.7%	127.7%	127.9%	126.7%	126.6%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	5.2%	5.5%	7.6%	4.0%	5.3%	5.3%	5.3%	4.8%	4.6%	4.3%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (within`MFMA' s 65(e))	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Creditors to Cash and Investments		37.9%	37.2%	47.7%	30.8%	37.4%	37.4%	37.4%	30.2%	24.8%	19.8%
Other Indicators											
	Total Volume Losses (kW) technical	6 638 319	8 192 140	10 867 919	10 867 919	10 867 919	10 867 919	10 867 919	10 867 919	10 867 919	10 867 919
	Total Volume Losses (kW) non technical										
Electricity Distribution Losses (2)	Total Cost of Losses (Rand '000)	–	–								
	% Volume (units purchased and generated less units sold)/units purchased and generated	5%	6%	8%	8%	8%	8%	8%	8%	8%	8%
	Bulk Purchase										
Water Volumes :System input	Water treatment works										
	Natural sources										
	Total Volume Losses (kℓ)	757 553	1 341 878	1 443 304	1 443 304	1 443 304	1 443 304	1 443 304	1 443 304	1 443 304	1 443 304
	Total Cost of Losses (Rand '000)	0	0								
Water Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated	14%	21.4%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
Employee costs	Employee costs/(Total Revenue - capital revenue)	38.9%	36.5%	36.0%	34.8%	31.9%	31.9%	31.9%	31.0%	30.6%	30.0%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	40.5%	38.0%	37.6%	36.3%	33.2%	33.2%	35.3%	32.2%	31.8%	31.2%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	3.2%	6.2%	2.5%	3.0%	3.1%	3.1%	4.7%	4.3%	3.7%	3.7%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	8.5%	7.7%	9.4%	7.3%	7.9%	7.9%	7.9%	7.6%	7.6%	7.5%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	18.4	19.1	20.1	24.1	25.0	25.0	24.4	26.3	27.2	28.9
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	4.8%	5.3%	8.2%	3.9%	5.3%	5.3%	5.3%	4.7%	4.4%	4.1%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	1.8	1.8	2.2	2.0	2.8	2.6	2.4	2.9	5 864 065.7	7 220 499.6

2.3.1 Performance indicators and benchmarks

2.3.1.1 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, Oudtshoorn Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of Oudtshoorn Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2026/27 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. This ratio is 12% at the end of June 2025 actual audited and remains stable to MTREF starting in July 2026, this leaves scope for borrowing to be considered as a funding option for capital expenditure during the 2026/27 financial year and over the remainder of the MTREF as indicated in the Long term Financial Plan.

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing will remain in a narrow band over the MTREF with a current ratio of 2%. Borrowing is considered a prudent financial instrument in financing capital infrastructure and the current financial position of the municipality allows for moderate amounts of gearing to be used as a capital funding option.

- 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. We envisage to raise in the amount of R63.5 million over the duration of the MTREF.

Oudtshoorn Municipality's debt profile provides some interesting insights on Oudtshoorn Municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

Oudtshoorn Municipality has raised mainly amortising loans in prior years, hence effectively 'front-loading' its debt service costs. This is reflected in Oudtshoorn Municipality's debt service profile, which predicts firstly a decline and then a consolidation of the debt position over a 7-year horizon.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of Oudtshoorn Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs.

2.3.1.2 Safety of Capital

- *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, and overdraft as well as tax provisions as a percentage of funds and reserves.

2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark Oudtshoorn Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. The liquidity ratio in 2015/16 was 0.1, but has improved substantially and reflects 1.9:1 as at 30 June 2025.

- *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 2015/16 financial year the ratio was 0.1 and increased substantially to 1.9:1 at end of June 2025, and is forecasted to improve further to 2.5:1 over the MTREF to indicate that the municipality has sufficient financial resources to meet its current obligations.

2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, this include engaging with revenue enhancement services to ensure all revenue remains in the revenue net, as well as strict application of the credit control policy to collect all debt current and debt that has fallen in arrears. The strategy also includes a cost reflective tariff study that reflects above CPI tariff determinations over the entire MTREF to aid in the financial sustainability of the municipality.

2.3.1.5 Creditors Management

- Oudtshoorn Municipality has through the financial recovery ensured that all creditors are strictly paid within the 30-day legal requirement, recovering from a position over the past 5 years where it was not possible. All creditors are therefore being paid within 30 days of invoice in accordance with the legislative requirement.

2.3.1.6 Other Indicators

- The electricity distribution losses are managed and was 8 % as at 30 June 2025 which is within the best practice norm of between 7% to 10%, and must be maintained at this level. The initiatives to ensure that these targets are achieved include managing illegal connections, replacement of meters, minimizing unread meters and revenue enhancement initiatives.

- The water distribution losses will also be carefully managed, it is currently at approximately 22% and although within an acceptable norm it must be carefully managed to prevent revenue losses. Losses are managed through a combination of exception reports, meter deviation reports and revenue enhancement initiatives.

- Employee costs + Remuneration Councilors as a percentage of operating revenue is increasing as a ratio to total expenditure. The employee-related cost has declined from the prior year and is within the norm of 25 - 40%. Employee-related cost continues to be one of the major costs related to service delivery and will be managed to be within acceptable norms and benchmarks for future budgets.

- Repairs and maintenance as percentage of operating revenue is increasing when compared to prior year budgets. The cash flow situation is still not ideal and to allow for adequate provision to be made in the 2026/27 financial year repairs and maintenance expenditure need to receive further priority over the MTREF to ensure the management of the asset base.

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of Oudtshoorn Municipality. Registered indigents qualify for free basic services as prescribed by the National Treasury and also receives a rebate on assessment rates.

For the 2026/27 financial year it is estimated that approximately 5500 households will receive free basic services. In terms of the Municipality's indigent policy registered households are entitled to 6kℓ fee water, 50 kwh of electricity, free sanitation and free waste removal services, as well as a discount on their property rates. In addition, thereto indigent consumers will not be held liable for the basic water charge, nor the electricity ampere charge to maximum of 30 Amp. Other benefits towards indigents are detailed in the Indigent Relief Policy. The total cost in this regard is estimated to be in excess of R70 Million for the 2026/27 financial year.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 25 MBRR A10 (Basic Service Delivery Measurement).

Note that the number of households in Eskom distribution areas that receive free services and the cost of these services are not considered in the table referred to above.

2.3.3 Providing clean water and managing waste water

Oudtshoorn Municipality is the Water Services Authority for the entire municipal area in terms of the Water Services Act, 1997 and also acts as water services provider.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

Oudtshoorn Municipality needs to strive towards meeting blue Drop status in 2026/27, indicating that Oudtshoorn Municipality's drinking water is of exceptional quality. It must however be emphasized that Oudtshoorn municipality does not have a water purification plant and is therefore faced with many challenges in respect of water quality as a result of environmental and climate change issues. It is estimated that a water purification plant for the area of jurisdiction will cost no less than R120 million, funds that the municipality currently does not have and will not be able to raise in the short term.

Oudtshoorn also needs to ensure that waste water complies with minimum standards of treatment and purification in order to ensure that no harm comes to the environment when treated waste water is disposed of.

The following is briefly the main challenges facing Oudtshoorn Municipality with regards to water and waste water management.

- The infrastructure at the waste water treatment works is old and require large capital investment to ensure that purification standards are continuously met;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Water sources are scarce and bulk water augmentation is critical for the immediate future especially considering the current drought situation.

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget, subject to funding availability;
- Upgrading of the Waste Water treatment works from national government
- Asbestos pipe replacement project financed from national government
- The filling of vacancies will be prioritized to ensure adequately skilled staff are appointed for service delivery.
- The installation of a bulk water pipeline from the Blossoms area is currently in process to ensure the security of water provision in the drought and as a long-term supplementation scheme for future water security.

2.3.4 OVERVIEW OF BUDGET RELATED POLICIES

The Oudtshoorn Municipality's budgeting process is guided and governed by relevant legislation, strategies and related policies. The purpose of policies is to ensure that there are controls and procedures in place that are not in contravention with the Acts. The policies harmonise with the environment and regulate the municipality. Below is reference to the budget related policies that have been reviewed during the course of 2026/27 for implementation on 1 July 2026 for the 2026/27 financial year in accordance with MBRR regulation 7. All budget policies will be available for scrutiny and input with the budget documentation.

2.3.5 Budget policy

The objective of the budget policy is to set the principles to which the municipality will follow with the preparation of each medium-term revenue and expenditure framework budget, the responsibilities of the Executive Mayor, the Accounting Officer, the Chief Financial Officer and other senior managers in compiling the budget. To further establish and maintain procedures to ensure adherence to Oudtshoorn Municipality’s IDP review and budget processes and to provide the Oudtshoorn Municipality with the necessary work documentation and procedures to ensure that the Municipality is in a position to compile, implement, control and report on the annual budget of the Municipality as prescribed by the best practices, act and internal workflows.

The Chief Financial Officer has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control. A municipality’s budget policy and its underlying administrative process within the system of delegations is one of these controls. It

is the responsibility of each Head of Department and other senior management with financial responsibilities in charge of departments or sections to which funds are allocated, to plan and conduct assigned operations so as not to expend more funds than budgeted and to ensure that allocated funds are utilized economically, effectively and efficiently and for approved purpose(s).

No amendments are proposed.

2.3.6 Credit control and debt collection procedures/policies

To ensure council collects all debts in respect of rates, service fees and to provide a framework for credit control and debt collection procedures and mechanisms. This strategy further seeks to explore other sources of revenue to enhance the financial muscle of the municipality.

While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate.

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While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate.

The policy amendments are attached as Annexure B to the budget, and will be workshopped with council during April/May 2026.

2.3.7 Asset management policy

Asset Management promotes efficient and effective management, monitoring and control of assets and the objectives of having an Asset Management Policy are:

i. To ensure accurate recording of asset information and accurate recording of asset movements.
ii. To ensure compliance with Council's Insurance Policy, Supply Chain Management Policy and Payment Procedure thereby enforcing the effective and efficient control, utilisation, and optimisation of usage, safeguarding and management of municipal assets.
iii. To ensure that all responsible parties are aware of their roles and responsibilities regarding the assets of the municipality and to prescribe the accounting treatment of assets acquired and used in accordance with the applicable accounting standards approved by National Treasury.

The policy was amended to state the economic useful lives of assets in accordance with the current accounting policy, and to be in line with new GRAP standards that were amended.

2.3.8 Long term financial planning policy

The purpose of this long-term financial plan policy is to set out details of the financial issues that need to be addressed in a financial year. It is meant to be a tool to highlight any financial shortcomings.

No amendments to the policy are proposed.

2.3.9 Indigent policy

The policy serves to regulate the subsidization of indigent customers in respect of the free allocation of electricity, water, refuse and sanitation services during a budget year. It also allows for limited subsidization in respect of assessment rates up to a certain valuation.

The policy amendments are attached as Annexure B to the budget, and will be workshopped with council during April/May 2026.

2.3.10 Property Rates policy

The Local Government Municipal Property Rates Act (No. 6 of 2004) and section 62(1) of the Municipal Finance Management Act (No 56 of 2003) requires municipalities to develop, adopt and implement a rates policy on the levying of rates on rateable properties in the municipality.

The municipality needs a reliable source of revenue to provide basic services and perform its functions. Property rates are the most important source of general revenue for the municipality. Revenue from property rates is used to fund services that benefit the community as a whole as opposed to individual households. These include installing and maintaining streets, roads, sidewalks, lighting, and storm drainage facilities; and building and operating clinics, parks, recreational facilities and cemeteries. Property rates revenue is also used to fund municipal administration, such as computer equipment and stationery, and costs of governance, such as council and community meetings, which facilitate community participation on issues of Integrated Development Plans (IDPs) and municipal budgets.

The policy amendments are attached as Annexure B to the budget, and will be workshopped with council during April/May 2026.

2.3.11 Supply Chain Management policy

No Amendments to the policy are proposed.

2.3.12 Grants in Aid policy

This policy aims to provide the framework for grants-in-aid to non-governmental organisations, community-based organisations or non-profit organisations and bodies that are used by government as an agency to serve the poor, marginalised or otherwise vulnerable as prescribed in sections 12 and 67 of the Municipal Finance Management Act (No. 56 of 2003)

No amendments to the policy are proposed

2.3.13 Borrowing policy

The purpose of the policy is to govern the taking up of short-term or long-term debt according to the legislative framework.

No amendments to the policy are proposed

2.3.14 Virement policy

The objective of the Virement Policy is to regulate the shifting of funds between votes and sub-votes of an approved budget.

The policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and Oudtshoorn Municipality's system of delegations.

The following amendments to the policy are proposed to be in line with mSCOA regulations and MFMA Budget Circular 134.

5.6 Virements are not permissible across or between votes (Directorate), or between funding sources, and is only allowed through an adjustment budget process approved by council.

5.8 The budget transfer from one operational or capital line items to another line item within a vote will only be approved by the Municipal Manager in consultation with the Chief Financial Officer and is limited to R 1 million in total for the year.

6.3.2.3 Virements to ad-hoc allowances, such as acting allowance, are allowed from other expenditure categories subject to approval of the Chief Financial Officer.

6.3.4.1 Virements to and from cost elements within these categories are allowed, given that it does not give rise to a new mSCOA project (Virements are allowed from General Expenditure to Repairs and Maintenance).

6.3.4.2 No virements are allowed to change an mSCOA Segment (for example the introduction of a new project, a change in region or a change in funding source), such a change is not permitted as a virement and must be processed through a formal adjustment budget process approved by council

6.3.4.4 Repairs and Maintenance (primary) virements are not allowed between different projects within the mSCOA project segment.

2.3.15 Employee Assistance Policy

The objective of the policy is to encourage employees to engage in or to continue studies in order to develop skills and the level of academic achievement to improve the quality of life, increase the levels of investment in education, encourage Managers to facilitate active learning in workplace, provide employees with opportunities to acquire new skills and knowledge, encourage employees to participate in training programme, improve the advancement of previously disadvantage employees, meet the objective determined by career paths, learner ship contracts and progression policies and establish a pool of suitable candidates in order to support employment equity policy and planning.

The policy amendments are proposed as follows:

7. GUIDELINES FOR CONSIDERATION OF APPLICATIONS

All applications must be assessed/ prioritized, subject to availability of funds, in accordance with the following criteria:

Priority 1

Employees who are currently in receipt of a bursary must still complete their qualifications.

Priority 2

Employees who want to study towards their qualification (ABET including) up to and including NQF level 4 (Grade 12). Employees whose study fields are within the scarce and critical skills category as determined by Council.

Priority 3

Employees who must obtain a qualification in order to meet the requirements of the post that they currently occupy.

Priority 4

The priorities as identified in the relevant Workplace Skills Plan, integrated Development Plan and Employment Equity Plan (including people with disabilities).

10.2.5 Print, books, internet and binding cost will ~~not~~ be funded to a limit of R 2500 subject to availability of funding.

A Standard operating procedure is now included in the policy and will be workshopped with council during April/May 2026.

2.3.16 Cash Management and Investment policy

The intention of the investment policy is to ensure investments are made in an efficient and effective manner which generates the best returns for the municipality while considering preservation and safety of the principal and appropriate liquidity.

No amendments to the policy are proposed

2.3.17 Tariff policy

The General Financial Management functions covered in Section 62 of the Municipal Finance Management Act (No 56 of 2003) includes the implementation of a Tariff Policy. Specific legislation applicable to each service has been taken into consideration when the Policy was drafted.

The policy amendments are attached as Annexure B to the budget, and will be workshopped with council during April/May 2026.

2.3.18 Unauthorised, Irregular, Fruitless and Wasteful Expenditure policy

The aim of this policy is to prevent, identify, and investigate and to respond appropriately in accordance with the law and address instances of unauthorised, irregular or fruitless and wasteful expenditure conclusively.

There are no amendments proposed on this policy.

2.3.19 Funding and reserves policy

The funding and reserves policy are aimed to ensure that the municipality has sufficient and cost-effective funding in order to achieve its objectives through the implementation of its operating and capital budgets.

The following amendments are proposed:

2.3.20 Petty Cash Policy

The petty cash policy sets out the process as well as the requirements for petty cash purchases, a cash limit per transaction is set at R 300.00

No amendments are proposed

2.3.21 Infrastructure Procurement Policy

The National Treasury in 2004 issued the Supply Chain Management Regulation which gave rise to the supply chain management model policy for adoption by municipalities and municipal entities in terms of section 111 of the Municipal Finance Management Act, No 56 of 2003. The model policy prescribes the minimum requirements and principles which municipalities and municipal entities must adhere to for their supply chain management systems. The above-mentioned policy was issued principally for the acquisition of goods and services.

In October 2015 via NT circular 77, the National Treasury issued a Supply Chain Management Model Policy for Infrastructure Procurement and Delivery Management, in terms of Section 168 of the Municipal Finance Management Act of 2003 (Act 56 of 2003) in reference to SCM Regulation 3(2), this model policy prescribes the standards and gateways system requirements and principles which municipalities and municipal entities must adhere to when procuring infrastructure related services linking to CIDB and ISO standards and ethos, therefore the model policy for infrastructure Delivery and procurement serves as a conduit for the alignment between CIDB Act and supply chain management systems.

No proposed amendments to policy.

2.3.22 Cellular telephone Policy

The cellular telephone policy regulated the allowances payable to staff and councilors for the use of privately owned or council cellular telephones for official purposes. It sets out the annual limitations as well as rules regarding the use of cellular telephones for official purposes.

Amendments to the policy are proposed as follows:

2.3.23 Travelling and Subsistence Policy

The travelling and subsistence policy determine the rate for travelling, accommodation, subsistence, incidental expenses allowable when it is required of an official to travel for official purposes on behalf of the municipality.

The following amendments were proposed:

Rates per km and subsistence was adjusted to be in line with latest published figures from SARS.

2.3.24 Overtime Policy

The overtime policy regulates the circumstances for the working of overtime, the authorization, approval as well as the basis of remuneration. Being such a large component of the employee related cost, it is necessary that the overtime be regulated adequately.

The following amendments were proposed:

2.3.25 Remuneration Policy

This policy serves to regulate the payment of salaries and benefits to staff members of the municipality and sets out the principles to be followed when determining salaries upon recruitment, promotions.

The following amendments are proposed:

2.3.26 Creditors, councillors and staff payment policy

This policy regulates the payment from the municipal bank account to Creditors, Staff and councilors, it sets out procedures, requirements, and cut-off dates for submissions and processing of payments to support cash flow management principles and operational efficiency.

Amendments to the policy are proposed and will be workshopped with council. Changes relate to the daily operations of the creditors and salary department and legislative requirements that must be adhered to.

2.3.27 Cost Containment Policy

The purpose of this policy is to direct the Municipality on cost containment measures that must be implemented to ensure that resources of the Municipality are used effectively, efficiently and economically.

The following amendments to the policy are proposed, in line with the Cost Containment Regulations:

Paragraph 9 : USE OF CONSULTANTS

The prescripts and limitations set out in Regulation 5(1) to 5(9) apply, read together with the MFMA, the SCM Regulations and the Supply Chain Management Policy.

Regulation 5 does not prohibit the use of consultants but requires that before the service of consultants is procured, the need thereof must be assessed against the available internal capacity for the specific services required.

The criterion for such assessment is contained in the Consultant Assessment to be completed (Annexure A)

The practice of procuring consultants on a percentage fee is not permitted

The Consultant Assessment Form is to be attached to the Tender request form and submitted to SCM.

To give effect to regulation 5(1) the following must be addressed in the request for the appointment of consultants:

whether there are legislative requirements for consultants to be appointed.

whether the specialized consultant skills are not ordinarily required (day-to-day operations);

Whether it is necessary to maintain these skills in-house i.e. does a skills transfer program apply or is the demand a once-off or a=on a temporary basis (including an intermitted service)

the urgency, in terms of time-based demands, example statutory reporting deadlines and/or specialist's skillset not part of the skillset of the fulltime employee resources, and should be detailed in the SCM Specification; and

Each directorate must develop and maintain a consultancy reduction plan to reduce the reliance on consultants

2.4 Overview of budget assumptions

2.4.1 External factors

It is expected that the economic growth over the medium term will be 1.8 per cent between 2026 and 2028 as per budget policy statement issued by the Minister of Finance.

Oudtshoorn municipality still finds itself in a position where economic growth is stagnant and the cash flow is under pressure resulting in limited financial resources being available for service delivery, this is also evident in the effort that needs to be made for the recovery of debt owed to the municipality. It is also therefore necessary to carefully evaluate spending decisions and to ensure value for money in all procurement processes.

2.4.2 General inflation outlook and its impact on the municipal activities

There are many factors that have been taken into consideration in the compilation of the 2026/27 MTREF the list hereunder represents a few of these:

- National Government macro-economic targets.
- The general inflationary outlook and the impact on the municipality's residents and businesses.
- The impact of municipal cost drivers.
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration. Employee related costs is in line with the Bargaining Council Collective Agreement and only includes only critical vacancies identified.
- The increase rising fuel cost and the continuing reduction in disposable household income.

2.4.3 Credit rating outlook

The Municipality has not had a credit rating done and considering the current financial position it is not advisable to have it performed.

2.4.4 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. Oudtshoorn Municipality intends to take up new loans during the 2026/27 MTREF budget year to fund critical infrastructure replacement and refurbishment projects as alluded to in the report above.

Interest rates for investment purposes increased in 2025 and the average interest rate on investment is anticipated to average 9% for the 2026/27 financial year with little upward movement anticipated for the remainder of the MTREF. The municipality currently has limited funds available

for investment purposes other than ad hoc call account deposits representing unspent grants as well as a limited operating reserve.

2.4.5 Collection rate for revenue services

The base assumption is that service charges tariffs will only increase with 3.7 per cent and property rates by 5 per cent. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term, it is however anticipated that interest rates will stabilise in the medium term providing some form of relief to cash strapped consumers.

The rate of revenue collection is currently expressed as a percentage of annual billings. Cash flow is assumed to be 94.5% of billing, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

It must be pointed out that as a result of the challenging economic circumstances as well as past deficiencies in the application of the credit control and debt collection policy, a write-off of debt that has become irrecoverable will once again be inevitable during the course of the 2025/26 financial year and will flow over to the 2026/27 financial period.

2.4.6 Growth or decline in tax base of the municipality.

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of Oudtshoorn Municipality, household formation growth rate and the poor household change rate. These factors considered do not reflect as an environment conducive to growth and economic stimulus is of essence to ensure the financial progression of the citizenry of Oudtshoorn and the municipality alike.

The municipality implemented a new general valuation roll on 1 July 2025, that gave council the opportunity to broaden its tax base and incorporate market related prices for all properties for the first time in 7 years. National Treasury also now prescribes the general valuation roll reconciliation that must be performed and submitted monthly and annually, to prove that all properties are billed accurately as per the categories prescribed by legislation.

As per MFMA Circulars the municipality must use their entire revenue base as the basis for the revenue budget projections, but a major part of buildings relate to RDP houses which is not adding to the rates base, and places a subsidy burden on the municipality as Local economic development is currently stagnant and catalytic development initiatives are required to grow the revenue base. New residential and capital investment initiatives towards business developments have been identified and it is anticipated that this will contribute in the long term to the increase the tax basis for the municipality.

2.4.7 Salary increases.

As per MFMA Budget Circular 134, and Salga Circular 4 of 2026 the salary and wage increase is 4.75%, this is in line with the Salary and Wage Collective Agreement that was renewed on 1 July 2024 where increases are allowed to be CPI + 0.75% for 2026/27.

The organogram is in process of review, and the municipality must continue to apply control over salary and related expenses to curb escalating staff cost as in the prior years to prevent to ratio from increases again over 35%.

2.4.8 Impact of national, provincial, and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed 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 through labor intensive programs and projects as well as full participation in the EPWP;
- Enhancing education and skills development;
- Improving quality of life of all residents;
- Protection of the poor through appropriate subsidization and tariff setting
- Rural development and agriculture; and
- Creating a conducive environment for economic development

2.4.9 Ability of the municipality to spend and deliver on the programmes.

It is estimated that a spending rate of 100% will be achieved on operating expenditure and at least 90% on the capital programme for the 2026/27 MTREF of which performance has been factored into the cash flow budget. As the municipality needs to recover financially and austerity measures are still applied to ensure savings on all categories of expenditure. The spending on the operating budget will be dependent on the realising of the revenue as per the revenue and cash flow estimates for the MTREF.

2.5 Overview of budget funding

Funding of the Budget

Section 18(1) of the MFMA determines that an annual budget can only be funded from:

- Realistically expected revenue to be collected;
- Cash-backed accumulated funds of preceding years' surpluses not earmarked for other purposes; and
- Borrowed funds, but only for the capital budget referred to in Section 17.

Full achievement of this requirement effectively entails that a Council 'balances' its budget by ensuring that the budgeted outflow balances with a combination of planned inflow.

Credible Budget

A credible budget, among other things, is a budget, which:

- Only funds activities which are in line with the revised IDP and vice versa and which ensure that the IDP is realistically achievable while taking account of the financial restrictions of the municipality;
- Is achievable in respect of agreed service delivery and performance targets;
- Contains revenue and expenditure projections that are in line with current and previous performance and that are supported by documented evidence of future assumptions;
- Does not compromise the financial viability of the municipality (ensures that the financial position is contained within generally accepted prudent limits and that obligations can be met in the short, medium and long term); and
- Provides managers with suitable levels of delegation to enable them to fulfill their financial and managerial responsibilities.

A budget sets out certain service delivery levels and accompanying financial implications. Consequently, the community must realistically expect to receive these promised service levels and to understand the accompanying financial implications. High under spending due to under collection of revenue or poor planning is a clear example of a budget that is not credible and realistic.

Furthermore, budgets tabled as early as 90 days before the start of the budget year, must remain credible and fairly close to the final approved budget.

Long term financial planning

The long-term financial plan has been revised and is updated with current financial and statistical information for the MTREF. It clearly sets out funding needs as well as economic, demographic and socio economic as well as other factors that may influence the financial performance of the municipality over the next 10 to 15 years. Borrowing as a funding option is required as a result of the fact that internally generated funds are insufficient to cover the cost of ailing infrastructure that needs to be replaced or repaired on an urgent basis.

The municipality needs to plan for cash-backed provisions and reserves and is barely able to do so over the MTREF. The current portion of long-term employee benefits consisting of medical aid contributions for retired personnel and for the payment of long service bonuses should be cash backed and was included in table A8, but no funding is available for reserves. The fact that salary related expenditure has reached the upper limits of the acceptable norm for this ratio is very concerning as there is virtually no room for growth in this category of expenditure over the MTREF and therefore a concerted effort will be made to rationalize and reduce this expenditure going forward.

The budget is fully compliant with GRAP standards and have also been compiled in accordance with mSCOA (Municipal Standard Chart of Accounts). This will assist the basis for sound financial practices and compliance in terms of the MFMA, mSCOA and GRAP.

Sources of funding

Interest earned from investments is recorded in the operating revenue budget. The interest earned is expected to add little to revenue over the MTREF as all funds generated through investment are necessary to enhance operations and to fund capital acquisitions from own revenue as well as to meet current operational commitments.

Contributions

The Municipality receives augmentation fees which serve as bulk service levies from new developers to provide infrastructure and other works as part of the conditions set with the granting process. This revenue source is not very predictable but with the prevailing economic climate it is expected that new developments will not follow past trends and these revenue streams are very dependent on economic recovery.

2.5.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 32 Breakdown of the operating revenue over the medium-term

Description	2026/27 Medium Term Revenue & Expenditure Framework				
R thousand	Budget Year 2026/27	Growth %	Budget Year +1 2027/28	Growth %	Budget Year +2 2028/29
Revenue By Source					
Property rates	182 384 400	5.00	191 503 500	5.00	201 078 500
Service charges - electricity revenu	476 335 600	8.68	517 700 500	9.00	564 293 300
Service charges - water revenue	93 130 300	0.80	93 877 700	6.00	99 510 200
Service charges - sanitation revenu	60 808 700	6.00	64 456 900	6.00	68 324 200
Service charges - refuse revenue	58 831 400	44.67	85 113 600	6.00	90 220 300
Service charges - other					
Rental of facilities and equipment	4 829 600	3.30	4 988 900	3.20	5 148 500
Interest earned - external investmer	15 973 600	3.30	16 500 700	3.20	17 028 800
Interest earned - outstanding debtors	11 488 200	3.30	11 867 300	3.20	12 247 000
Dividends received					
Fines, penalties and forfeits	22 339 200	3.30	23 076 300	3.20	23 814 600
Licences and permits	573 100	3.30	592 000	3.19	610 900
Agency services	8 685 400	3.30	8 972 000	3.20	9 259 100
Transfers and subsidies	160 003 000	4.85	167 771 000	2.10	171 298 000
Other revenue	60 567 500	(33.27)	40 414 200	(0.97)	40 020 700
Gains	84 470 400	4.35	88 147 000	4.21	91 860 800
Total Revenue (excluding capital transfers and contributions)	**1 240 420 400**	6.01	**1 314 981 600**	6.06	**1 394 714 900**

The following graph is a breakdown of the operational revenue per main category for the 2026/27 MTREF.

Figure 7 Breakdown of operating revenue over the 2026/27 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. Oudtshoorn Municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc.) are other forms of revenue.

The revenue strategy is a function of key components such as:

- Growth in Oudtshoorn Municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 94.5% annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and Property rates amendment Act, 2015
- And the ability to extend new services and obtain cost recovery levels.
- Curbing of excessive usage subsidized allocations in respect of indigent households

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The current financial position is still a factor contributing to the tariff determinations and the municipality has no alternative but to increase the service tariffs in excess of CPI for certain services as a result of cost reflective tariff studies that were performed in previous and current financial years, coupled to the need to move towards cost reflective status where tariffs are sufficient to ensure the financial viability of services. The need for infrastructure repairs, refurbishment and renewals are also placing an untenable operational burden on the municipal resources and requires higher than inflation tariff increases to cover the cost of ailing and failing infrastructure.

The original 2016 financial recovery plan is complete in respect of daily liquidity and associated cash flow activities, yet incomplete in respect of the building of a capital replacement reserve and ensuring that current provisions and reserves are adequately cash backed to prevent future cash flow difficulties. It is proposed by management to continue the recovery plan activities to ensure financial sustainability on the long term, and application for co-funding of the programs will be made to the Provincial Government.

The proposed tariff increases for the 2026/27 MTREF on the different revenue categories are reflected in the table below, the outer years of the MTREF reflect the continuation of the recovery

plan as per the cost reflective tariff studies conducted. This is necessary to be financial sustainable and to deliver basic services to the general public of the Greater Oudtshoorn.

Table 33 Proposed tariff increases over the medium-term

Revenue Category	Budget Year 2026/27	Proposed Budget Year 2027/28	Proposed Budget Year 2028/29
Rates	5.0%	6.0%	6.0%
Refuse	3.7%	6.0%	6.0%
Sanitation	3.7%	6.0%	6.0%
Water (block tariffs)	3.7%	6.0%	6.0%
Electricity	9.5% (Nersa)	9% (Nersa)	9% (Nersa)

The tables below provide detail investment information and investment particulars by maturity.

Table 34 MBRR SA15 – Detail Investment Information

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The MTREF therefore provides for a break-even upon the conclusion of the MTREF. Surpluses needs to be generated through a combination of revenue enhancement and savings initiatives. Any surplus generated is intended to partly fund capital expenditure from own sources as well as ensure adequate cash backing of reserves and funds in future budgets.

2.5.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2026/27 medium-term capital programme:

Table 35 Sources of capital revenue over the MTREF

The above table is graphically represented as follows for the capital funding.

R thousand	Audited Outcome 22/23	Audited Outcome 23/24	Audited Outcome 24/25	Original Budget 2025/26	Adjusted Budget 2025/26	Full year forecast 2025/26	Pre-audit outcome	Budget Year 2026/27	Bydget Year +1 2027/28	Budget Year +2 2028/29
Funded by:										
National Government	63 089	26 497	25 901	33 087	33 087	33 087	33 087	22 825	31 588	31 578
Provincial Government	6 278	4 887	2 609	3 492	3 505	3 505	3 505	577	–	–
District Municipality	104	–	–	–	–	–	–	–	–	–
Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions)	107	–	197	–	15	15	15	–	–	–
Transfers recognised - capital	**69 578**	**31 384**	**28 706**	**36 579**	**36 607**	**36 607**	**36 607**	**23 403**	**31 588**	**31 578**
Borrowing	26 236	15 887	25 639	28 450	28 450	28 450	28 450	24 900	20 000	18 600
Internally generated funds	15 655	13 961	11 243	16 490	19 154	19 154	19 154	21 352	11 940	11 327
Total Capital Funding	**111 469**	**61 233**	**65 589**	**81 519**	**84 210**	**84 210**	**84 210**	**69 655**	**63 528**	**61 505**

Figure 8 Sources of capital revenue for the 2026/27 financial year over 7-year period

Capital grants and receipts equates to 44% of the total funding source which represents R36 million for the 2026/27 financial year and remains the main source of funding for capital over the MTREF.

As already alluded to in the preceding report, the municipality intends to raise capital through borrowing over the MTREF in the amount of R67.15 million to address critical infrastructure refurbishment and renewal needs and to prevent current infrastructure from falling further into disrepair.

The following table is a detailed analysis of Oudtshoorn Municipality's current borrowing liability.

Table 36 MBRR Table SA 17 - Detail of borrowings

	Audited Outcome 22/23	Audited Outcome 23/24	Audited Outcome 24/25	Original Budget 2025/26	Adjusted Budget 2025/26	Full year forecast 2025/26	Budget Year 2026/27	Budget Year +1 2027/28	Bydget Year +2 2028/29
Long-Term Loans	68 694	74 590	120 821	143 220	130 771	130 771	137 171	138 671	138 771

The following graph illustrates the increase in outstanding borrowing from the 2022/23 because towards the MTREF 2026/27 for major capital replacement and upgrades. The Long-Term Financial analysis performed indicated the municipality is in a sound position to take up new borrowing, with the gearing ratio relatively low at 16%.

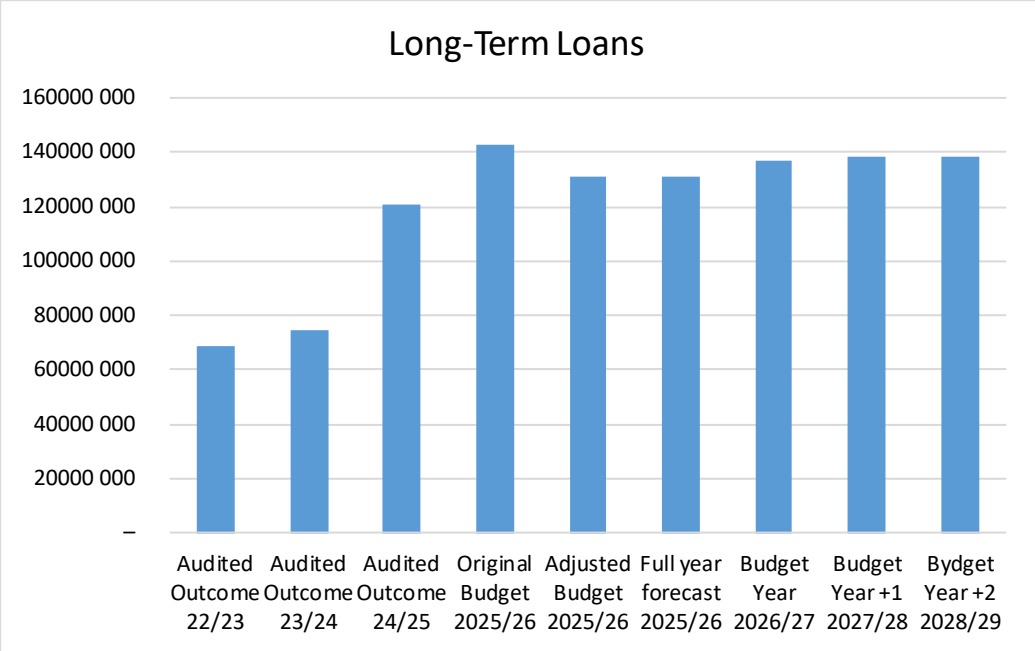

Figure 9 Growth / Decline in outstanding borrowing (long-term liabilities)

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source, it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below. Internally generated funds are currently under strain, and should be used conservatively going forward as the municipality needs to build reserves to fund future capital requirements.

Table 37 MBRR Table SA 18 - Capital transfers and grant receipts

WC045 Oudtshoorn - Supporting Table SA18 Transfers and grant receipts									
Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26		2026/27 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
RECEIPTS	1.2								
Operating									
National Government									
Monetary Allocations									
Local Government Equitable Share		89 431	96 434	102 781	108 291	108 291	112 882	117 763	121 026
Local Government Financial Management Grant		2 800	2 802	2 800	2 800	2 800	2 800	2 900	3 000
Expanded Public Works Programme (EPWP)		1 310	1 672	1 492	1 734	1 734	1 874		
Municipal Infrastructure Grant (MIG)		–	–	1 237	1 288	1 288	1 302	1 426	1 466
Disaster Relief Grant		–	–	–	–	–	–	–	–
Municipal Disaster Recovery Grant		26 664	–	–	–	–	–	–	–
Integrated National Electrification Programme Grant (INEP)		–	–	–	–	–	4 000	–	–
Total Monetary Allocations		120 205	100 908	108 310	114 113	114 113	122 858	122 089	125 492
Total Operating/National Government		120 205	100 908	108 310	114 113	114 113	122 858	122 089	125 492
Provincial Government									
Monetary Allocations									
Community Development Workers (CDW)		56	57	57	57	57	59	59	59
Emergency Housing Grant		–	2 329	–	–	–	–	–	–
Community Library Services Grant		7 690	6 732	6 973	8 229	8 229	8 078	8 577	8 663
Integrating Housing Settlement Grant		–	–	–	–	–	–	–	–
Maintenance of Road Infrastructure		–	170	990	140	140	150	169	169
Western Cape Financial Management Capacity Bulding Grant		–	–	675	–	–	–	–	–
Thusong Services Grant		150	120	–	–	–	300	–	–
Western Cape Financial Management Capability Grant		700	2 200	–	260	260	1 000	–	–
Library Service: Replacement Funding for Most Vulnerable B3 Municipalities		–	548	–	–	–	–	–	–
Title Deeds Restoration Grant		–	–	58	1 817	1 817	645	550	600
Local Government Public Employment Support Grant		–	–	–	–	–	–	–	–
Waste Management Compliance Grant		–	–	–	–	–	–	–	–
Total Monetary Allocations		8 596	12 156	8 753	10 503	10 503	10 232	9 355	9 491
Total Operating/Provincial Government		8 596	12 156	8 753	10 503	10 503	10 232	9 355	9 491
Total Operating	5	128 801	113 064	117 063	124 616	124 616	133 090	131 444	134 983
Capital									
National Government									
Monetary Allocations									
Municipal Infrastructure Grant		33 325	23 559	23 432	24 468	24 468	24 733	27 101	27 853
Integrated National Electrification Programme Grant (INEP)		3 100	–	–	1 147	1 147	1 516	9 226	8 462
Water services Infrastructure Grant		–	8 060	9 520	12 600	12 600	–	–	–
Energy Efficiency and Demand-Side Management Grant		–	–	–	–	–	–	–	–
Total Monetary Allocations		36 425	31 619	32 952	38 215	38 215	26 249	36 327	36 315
Total Capital/National Government		36 425	31 619	32 952	38 215	38 215	26 249	36 327	36 315
Provincial Government									
Monetary Allocations									
Municipal Service Delivery and Capacity Building grant		–	500	–	–	–	–	–	–
Fire Service Capacity Building Grant		–	1 911	–	–	–	250	–	–
Airport Infrastructure Grant		–	–	–	–	–	–	–	–
Municipal Water Resilience Grant		–	3 000	2 000	3 216	3 216	–	–	–
Library Service: Replacement Funding for Most Vulnerable B3 Municipalities		–	–	–	–	–	–	–	–
Development of Sport and Recreation Facilities		–	345	–	–	–	–	–	–
Western Cape Municipal Interventions Grant		250	–	–	–	–	–	–	–
Emergency Municipal Load Shedding Relief Grant		4 665	–	–	–	–	–	–	–
Municipal Energy Resilience Grant		–	–	600	–	–	–	–	–
Municipal Drought Relief Grant		–	–	–	–	–	–	–	–
Upgrade of SMME Infrastructure		–	–	–	–	–	–	–	–
Waste Management Compliance Grant		–	–	257	–	–	–	–	–
Western Cape Financial Management Capability Grant		–	–	1 000	800	800	–	–	–
Community Library Services Grant		–	–	–	–	–	414	–	–
Total Monetary Allocations		4 915	5 756	3 857	4 016	4 016	664	-	-
Allocations In-kind									
[insert description]		–	–	–	–	–	–	–	–
Total Allocations In-kind		-	-	-	-	-	-	-	-
Total Capital/Provincial Government		4 915	5 756	3 857	4 016	4 016	664	-	-
Total Capital	5	41 340	37 375	36 809	42 231	42 231	26 913	36 327	36 315
TOTAL RECEIPTS OF TRANSFERS AND GRANTS		170 141	150 439	153 872	166 847	166 847	160 003	167 771	171 298

2.5.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councilors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from Rates and Services to provide for as cash inflow based on actual performance. In other words, the *actual collection rate* of billed revenue, and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long-term borrowing (debt).

Table 38 MBRR Table A 7 – Budgeted Cash flows

WC045 Oudtshoorn - Table A7 Budgeted Cash Flows									
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	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property rates		116 473	128 895	684 750	163 902	159 051	172 353	179 056	188 008
Service charges		349 036	436 869	–	668 082	696 962	784 506	834 257	901 486
Other revenue		52 040	36 649	–	145 362	146 736	159 660	165 931	170 306
Transfers and Subsidies - Operational	1	128 801	150 439	152 284	124 616	124 616	133 090	131 444	134 983
Transfers and Subsidies - Capital	1	41 506	–	–	42 231	42 231	26 913	36 327	36 315
Interest		19 739	23 597	25 377	25 971	25 818	26 879	27 656	28 542
Dividends		–	–	–	–	–	–	–	–
Payments									
Suppliers and employees		(609 106)	(697 353)	(751 152)	(1 039 955)	(1 029 218)	(1 144 354)	(1 208 553)	(1 269 409)
Finance charges		(7 935)	(8 468)	(20 490)	(24 208)	(25 262)	(26 525)	(27 852)	(29 244)
Transfers and Subsidies	1	(3 003)	(3 303)	(2 967)	(4 696)	(4 978)	(5 110)	(5 117)	(4 612)
NET CASH FROM/(USED) OPERATING ACTIVITIES		**87 550**	**67 325**	**87 802**	**101 304**	**135 955**	**127 413**	**133 149**	**156 375**
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE		–	13	1 964	–	–	–	–	–
Decrease (increase) in non-current receivables		–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		–	–	–	–	–	–	–	–
Insurance Refund - Capital		–	–	–	–	–	–	–	–
Interest on Short Term Investment (Greater then 90 days) and Long Term Investments		–	–	–	–	–	–	–	–
Payments									
Capital assets		(104 738)	(54 163)	(62 315)	(93 747)	(96 842)	(80 103)	(73 058)	(70 731)
Retention (Capital)		–	–	–	–	–	–	–	–
NET CASH FROM/(USED) INVESTING ACTIVITIES		**(104 738)**	**(54 150)**	**(60 351)**	**(93 747)**	**(96 842)**	**(80 103)**	**(73 058)**	**(70 731)**
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans		–	–	–	–	–	–	–	–
Borrowing long term/refinancing		20 700	17 200	23 500	28 450	28 450	24 900	20 000	18 600
Increase (decrease) in consumer deposits		–	–	–	–	–	–	–	–
Payments									
Repayment of borrowing		(18 314)	(15 616)	(17 135)	(18 500)	(18 500)	(18 500)	(18 500)	(18 500)
NET CASH FROM/(USED) FINANCING ACTIVITIES		**2 386**	**1 584**	**6 365**	**9 950**	**9 950**	**6 400**	**1 500**	**100**
NET INCREASE/ (DECREASE) IN CASH HELD		**(14 802)**	**14 758**	**33 816**	**17 507**	**49 063**	**53 710**	**61 592**	**85 744**
Cash/cash equivalents at the year begin:	2	**143 933**	**129 131**	**143 889**	**146 043**	**177 706**	**226 769**	**280 479**	**342 071**
Cash/cash equivalents at the year end:	2	**129 131**	**143 889**	**177 706**	**163 551**	**226 769**	**280 479**	**342 071**	**427 815**

2.5.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. The MTREF shows a consolidation of the cash position over the MTREF with a moderate increase over the 3-year period.

Table 39 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation.

WC045 Oudtshoorn - 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	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	129 131	143 889	177 706	163 551	226 769	280 479	342 071	427 815
Other current investments > 90 days		–	–	–	–	–	–	–	–
Non current Investments	1	–	–	–	–	–	–	–	–
Cash and investments available:		**129 131**	**143 889**	**177 706**	**163 551**	**226 769**	**280 479**	**342 071**	**427 815**
Application of cash and investments									
Unspent conditional transfers		27 321	3 670	3 449	3 283	3 432	3 432	3 432	3 432
Unspent borrowing									
Statutory requirements	2	4 039	8 000	(12 037)	8 000	(2 883)	16 681	16 681	16 681
Other working capital requirements	3	9 484	5 477	38 325	(9 526)	17 065	(59 978)	(59 679)	(60 345)
Other provisions		38 067	41 027	37 118	43 702	38 551	31 666	32 933	34 250
Long term investments committed	4	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	–	–	–	–	–	–	–	–
Total Application of cash and investments:		**78 911**	**58 175**	**66 855**	**45 460**	**56 166**	**(8 199)**	**(6 634)**	**(5 982)**
Surplus(shortfall) - Excluding Non-Current Creditors Trf to Debt Relief Bene		**50 220**	**85 714**	**110 850**	**118 091**	**170 604**	**288 678**	**348 704**	**433 796**
Creditors transferred to Debt Relief - Non-Current portion		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Surplus(shortfall) - Including Non-Current Creditors Trf to Debt Relief Bene		**50 220**	**85 714**	**110 850**	**118 091**	**170 604**	**288 678**	**348 704**	**433 796**

From the above table it can be seen that there is limited unencumbered cash and investments available for the 2026/27 financial year, but it improves over the remainder of the MTREF.

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year.
- Statutory requirements include VAT owing to timing differences resulting from year- end obligations, for which there is currently non-anticipated.
- Other provisions include current employee provisions to be paid within the year.

It can be concluded that Oudtshoorn Municipality has a cash surplus over the MTREF and that sufficient funds will be available for current operations. The challenge for Oudtshoorn Municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate. The main cost driver of the budget being employee related cost must be managed downward for the municipality to gather sufficient financial resources to address critical maintenance and capital needs.

2.5.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position, and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 40 MBRR SA10 – Funding compliance measurement

WC045 Oudtshoorn Supporting Table SA10 Funding measurement

Description	MFMA section	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
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	129 131	143 889	177 706	163 551	226 769	226 769	226 769	280 479	342 071	427 815
Cash + investments at the yr end less applications - R'000	18(1)b	2	50 220	85 714	110 850	118 091	170 604	170 604	170 604	288 678	348 704	433 796
Cash year end/monthly employee/supplier payments	18(1)b	3	1.8	1.8	2.2	2.0	2.8	2.6	2.4	2.9	5 864 065.7	7 220 499.6
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	74 147	35 583	(179)	25 816	50 680	50 680	50 680	40 345	43 218	63 103
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	6.2%	9.6%	7.0%	(2.0%)	(6.0%)	(6.0%)	4.8%	0.7%	1.4%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	41.5%	43.3%	40.6%	53.6%	54.5%	54.5%	54.5%	115.9%	115.0%	114.8%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	1.2%	0.9%	4.7%	2.5%	3.2%	3.2%	3.2%	2.6%	3.6%	3.7%
Capital payments % of capital expenditure	18(1)c;19	8	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowing receipts % of capital expenditure (excl. transfers	18(1)c	9	49.4%	57.6%	63.7%	63.3%	59.8%	59.8%	59.8%	53.8%	62.6%	62.2%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	16.8%	3.4%	(2.4%)	11.2%	0.0%	0.0%	0.5%	0.6%	0.6%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	2.0%	4.4%	1.9%	2.6%	2.8%	2.8%	4.2%	3.9%	4.1%	0.0%
Asset renewal % of capital budget	20(1)(vi)	14	1.9%	14.0%	7.2%	0.3%	0.6%	0.6%	0.0%	2.6%	2.7%	2.8%
High Level Outcome of Funding Compliance												
Total Operating Revenue			720 411	811 174	897 528	1 067 512	1 106 284	1 106 284	1 106 284	1 213 507	1 278 655	1 358 400
Total Operating Expenditure			726 967	811 685	930 651	1 083 927	1 097 852	1 097 852	1 097 852	1 200 075	1 271 764	1 331 612
Surplus/(Deficit) Budgeted Operating Statement			(6 556)	(511)	(33 123)	(16 415)	8 432	8 432	8 432	13 432	6 891	26 787
Surplus/(Deficit) Considering Reserves and Cash Backing			50 220	85 714	110 850	118 091	170 604	170 604	170 604	288 678	348 704	433 796
MTREF Funded (1) / Unfunded (0)		15	1	1	1	1	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded ✖		15	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

2.5.5.1 Cash/cash equivalent position

Oudtshoorn Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements. In the case of Oudtshoorn this is again positive over the entire MTREF

2.5.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement.

2.5.5.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of Oudtshoorn Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. The Municipality needs to achieve at least three month's cash coverage in the medium term, and then gradually move towards five months coverage. This measure will have to be carefully monitored going forward.

2.5.5.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

2.5.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

2.5.5.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyze the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget.

2.5.5.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues.

2.5.5.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.5.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded.

2.5.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100% could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. Oudtshoorn Municipality has budgeted for all transfers.

2.5.5.11 Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long-term receivables, both from the Budgeted Financial Position.

2.5.5.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

2.5.5.13 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorize each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarize and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

The following budget supporting tables are included in the schedule of budget tables attached as Annexure "E" where appropriate a brief discussion is given to explain the context thereof underneath.

2.6 Expenditure on grants and reconciliations of unspent funds

Table 41 MBRR SA19 - Expenditure on transfers and grant programs

This table gives a brief summary of the programs funded through the respective grant receipts for the current as well as outer years of the MTREF.

Table 42 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

This table provides an overview of the grants to be received as well as any amounts carried over from previous financial years as approved by the granting authority.

2.7 Councillor and employee benefits

Table 43 MBRR SA22 - Summary of councilors and staff benefits

This table provides an overview of remuneration paid inclusive of benefits and allowances in respect of councilors, management and staff over the MTREF.

Table 44 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councilors/ senior managers)

This table provides a summary of salaries and benefits payable to public office bearers and senior management of the municipality

Table 45 MBRR SA24 – Summary of personnel numbers

This table provides a summary of employee numbers divided into the different functional categories of the municipality

2.8 Monthly targets for revenue, expenditure and cash flow

Table 46 MBRR SA25 - Budgeted monthly revenue and expenditure

This table sets out the monthly revenue as well as expenditure requirements by revenue source and expenditure category over the 2026/27 financial year and is indicative of the operational requirements on a monthly basis

Table 47 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

This table sets out the monthly revenue as well as expenditure requirements by municipal vote over the 2026/27 financial year and is indicative of the operational requirements on a monthly basis

Table 48 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

This table sets out the monthly revenue as well as expenditure requirements by standard classification as determined by the National Treasury over the 2026/27 financial year and is indicative of the operational requirements on a monthly basis.

Table 49 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

This table illustrates the extent to which the capital program will be executed during the financial year.

Table 50 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

This table illustrates the extent to which the capital program will be executed during the financial year classified in accordance with the treasury standard classification.

Table 51 MBRR SA30 - Budgeted monthly cash flow

This table reflects the monthly cash flow anticipated over the duration of the financial year and the anticipated cash flow result at the conclusion of the financial year.

2.9 Contracts having future budgetary implications

In terms of Oudtshoorn Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.10 Capital expenditure details

The following four tables included in Annexure "E" present details of Oudtshoorn Municipality's capital expenditure program, firstly on new assets, then the upgrading of assets, the repair and maintenance of assets and finally the renewal of assets. The tables as indicated below form part of the budget supporting tables included in Annexure "E"

Table 52 MBRR SA 34a - Capital expenditure on new assets by asset class

Table 53 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class

Table 54 MBRR SA34c - Repairs and maintenance expenditure by asset class

Table 55 MBRR SA34e – Capital expenditure on upgrading existing assets

Table 56 MBRR SA35 - Future financial implications of the capital budget

This table illustrates the impact of the capital budget on future financial year's operational budget and the extent to which it will impact on projected revenue and expenditure

Table 57 MBRR SA36 - Detailed capital budget per municipal vote

The detailed capital program is listed under point 1.6 of the budget report and full detail available in SA36 in Annexure "G"

2.11 Legislation compliance status

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

1. In year reporting
   Reporting to National Treasury in electronic format is fully complied with on a monthly basis up until the last section 71 reporting to the Executive Mayor (within 10 working days) and has progressively improved and includes monthly published financial performance on Oudtshoorn Municipality's website.

2. Internship program
   Oudtshoorn Municipality is participating in the Municipal Financial Management Internship program. Five interns have been appointed which are funded through the FMG in the current

financial year. Vacancies that occur from time to time are filled once they are available in accordance with the grant conditions.

3. Budget and Treasury Office
   The Budget and Treasury Office has been established in accordance with the MFMA, the municipality is currently suffering as critical vacancies exist in the BTO, especially the Revenue Enhancement Section. The appointment of adequate management staff in the BTO will therefore be receiving priority and the necessary budgetary allocation has been made in the MTREF.

4. Audit Committee
   An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan
   The detail SDBIP document is submitted as draft with the MTREF and will be approved in accordance with the legislative framework after the budget approval it is directly aligned and informed by the 2026/27 MTREF.

6. Annual Report
   Annual report is compiled in terms of the MFMA and National Treasury requirements. The annual report was tabled in Council and is currently available for public comments before submission to the oversight committee and thereafter final adoption by Council.

7. Minimum competency training
   Minimum competency training is underway and all required staff members are enrolled for the completion of the required training. Extension for the compliance has been granted by the National Treasury. Our participation in this program is in line with the assessment of current skills pool and capacity building to ensure less reliance on consulting services. The filling of critical vacancies will also require compliance by candidates to the minimum competency requirements.

8. Policies
   Various policy amendments are proposed as part of the budget process, all policies being revised are to be made available with budget documentation for public input.

9. mSCOA Readiness

   The municipality is compliant in respect of all mSCOA requirements yet certain modules of the core financial system such as asset management still needs to be implemented. All data strings submitted by the municipality have been validated and have been found to be in order and perfectly aligned with budget schedules.

2.12 Other supporting documents

Table 56 MBRR Table SA1 - Supporting detail to budgeted financial performance

Table 57 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

Table 58 MBRR Table SA3 – Supporting detail to Statement of Financial Position

Table 59 MBRR Table SA9 – Social, economic and demographic statistics and assumptions

The supporting schedules are included in Annexure “E” and provide supporting information to the main budget tables and figures as alluded to in the budget report.

2.13 Public Input and responses thereto

Public participation will be followed April 2026 as per legislation and the inputs from the public.

2.14 Municipal manager's quality certificate

I, M Yekani, Municipal Manager of Oudtshoorn Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act 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: M Yekani

Municipal Manager of Oudtshoorn Municipality (WC045)

Signature: _____

Date 31 March 2026