

**FINAL MTREF BUDGET OF
PRINCE ALBERT MUNICIPALITY**



2026/2027 TO 2028/2029

**FINAL MEDIUM TERM REVENUE
AND EXPENDITURE FRAMEWORK**

Original budget – Prescribed in Section 28 of the MFMA. The formal way a municipality can revise its budget during the year.

Budget – The financial plan of the Municipality.

Budget-related Policy – Policy of a municipality affecting the budget or affected by the budget, such as the tariff policy, rates policy and credit control and debt collection policy.

Capital expenditure – Expenditure on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's balance sheet.

Cash flow statement – A statement showing when actual cash is to be received and spent by the Municipality. Cash payments do not always correspond with budgeted expenditure frameworks. For example, when an invoice is received by the Municipality, it is regarded as expenditure in the month; even it is not paid within the same period.

DORA – Division of Revenue Act. Annual legislation containing the total allocations by national government to provincial and local governments.

Equitable share – A general allocation paid to municipalities. It is mainly aimed at rendering assistance with free basic services.

Fruitless and wasteful expenditure – Expenditure done in vain and that could have been avoided if reasonable care was exercised.

GFS – Government Finance Statistics. An internationally recognised classification system making a type-by-type comparison between municipalities.

Grants – Money received from Provincial or National Government and other municipalities.

GRAP – Generally Recognised Accounting Practice. Standards set by the Accounting Standards Board for generally recognised accounting practice to be used for municipal accounting.

IDP – Integrated Development Plan. The main strategic planning document of the Municipality.

Irregular Expenditure - in relation to a municipality or municipal entity, means:

- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act.
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-bearers Act, 1998 (Act No. 20 of 1998); or
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law but excludes expenditure by a municipality which falls within the definition of unauthorised expenditure.

KPI's – Key Performance Indicators. Measurement of service outputs and/or outputs.

MFMA – The Municipal Financial Management Act – No. 56 of 2003. The main legislation applicable to municipal financial management.

MTREF – Medium term Revenue and Expenditure Framework. A Medium-term financial plan, usually 3 years, based on a fixed first year and indicative further two years budgetary allocations. Also includes details of the financial position of the preceding and current year.

Nett Assets –Nett assets are the residual interest in the assets of the entity after all its liabilities have been deducted. This means that the net assets of the municipality equal the "net welfare" of the municipality, after all assets had been sold/recovered and all liabilities had been paid. Transactions that do not fall under the description of Revenue or Expenditure, such as increase in the value of Property, Plant and Equipment, where no in- or outflow of resources occurs, are recorded under Nett Assets.

Operational expenditure – Expenditure on the day-to-day expenses of the Municipality, such as salaries and wages.

Property rates – Property rates are levied in terms of the Local Government: Property Rates Act, (Act 6 of 2004). Local authority rates based on the assessed value of a property. In order to calculate the rates payable, the assessed value is multiplied by the rate in the rand.

SDBIP – Service Delivery and Budget Implementation Plan. A detailed plan consisting of quarterly performance targets and monthly budget estimates. The SDBIP is used to measure the implementation of the budget as the guideline for expenditure in terms of the IDP.

Strategic Objectives – The main priorities of the Municipality as set out in the IDP. Budgeted expenditure must contribute to the achievement of the strategic objectives.

Unauthorised expenditure – in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11 (3) of the MFMA, and includes:

- overspending of the total amount appropriated in the municipality's approved budget.
- overspending of the total amount appropriated for a vote in the approved budget.
- expenditure from a vote unrelated to the department or functional area covered by the vote.
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.
- spending of an allocation referred to in paragraph (b) or (c) of the definition of "allocation" otherwise than in accordance with the conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with this Act.

Virement – A budget transfer.

Vote – One of the main segments of a budget.

Abbreviations and Acronyms

AMR	Automated Meter Reading
MFMA	Municipal Financial Management Act
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
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

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1.1 MAYOR’S REPORT

Honourable Speaker, Deputy Mayor, Chairpersons of the Portfolio Committees, Councillors, Municipal Manager, Directors, Guest, Ladies and Gentlemen, good morning.

It is my honour to present the Final MTREF 2026/2027 Budget, of the Prince Albert Local Municipality to you.

This budget reflects our vision, mission, policies, and long-term financial planning.

The entire country is experiencing a difficult economic climate. We must therefore make every possible effort to alleviate poverty, while also ensuring that the municipality remains financially stable and sustainable to deliver good-quality basic services to the communities we serve.

This budget was once again drafted under challenging circumstances, with the South African economy under severe pressure. The economy was slowly recovering from the international challenges affecting key economic drivers when the conflict in the Middle East introduced further uncertainty across investment environments. This uncertainty raises questions about whether the cost of basic goods and services will increase, and what the broader macro-economic impact on South Africa, and the micro-economic impact on Prince Albert Municipality, will be.

The municipality's credit control measures, designed to assist all consumers, are faced with micro-economic challenges. These mean that consumers battle to service their monthly utility bills. The municipality continually puts processes in place to achieve financial sustainability at an affordable level for consumers.

National Treasury annually issues MTREF Budget Circulars (MFMA Circulars 132 and 134) to guide the budget process for the MTREF period. Among the objectives of these circulars is to demonstrate how municipalities should undertake annual budget preparation in accordance with the budget and financial management reform agenda, by focusing on key "game changers." These include ensuring that municipal budgets are funded, that revenue management is optimised, that assets are managed efficiently, that supply chain management processes are adhered to, that mSCOA is implemented correctly, and that audit findings are addressed.

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.

Headline 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 disease. Inflation is forecast to ease to 3.3 per cent in 2027 and 3.2 per cent in 2028, although risks from geopolitical tensions, exchange rate volatility, administered prices, and animal disease outbreaks remain elevated. The reduction of the inflation targets to 3 per cent with a 1 percentage point tolerance band is expected to structurally reduce inflation, helping to protect real income levels

In April 2024, the National Treasury initiated a comprehensive review of the budget process, with the goal of identifying and implementing reforms that would enhance the efficiency, transparency, and effectiveness of public resource allocation. This review has resulted in a set of accountable reform proposals outlined below.

For the 2026/2027 financial year, 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' municipalities face, particularly in basic services where the cost of delivery continues to rise. Overall direct allocations to local government grow at 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 MTREF period.

Prince Albert Municipality is in the fortunate position of honouring all its commitments and is not on the brink of bankruptcy, however, we will need to maintain strict financial discipline to ensure that this position does not deteriorate. Many municipalities are unable to pay basic commitments such as their Eskom accounts.

To become more sustainable, the municipality must grow its revenue base. Expenditure management remains a constant challenge - it is extremely difficult to address all the needs of the community. Requests for grant funding consistently exceed the availability of funds. Therefore, difficult decisions were required to arrive at realistic and achievable outcomes.

Cost containment measures, as emphasised in MFMA Circulars 82 and 97 and the Cost Containment Regulations effective 1 July 2019, have been implemented. It is important to emphasise that the continued implementation and enforcement of savings and austerity measures remains essential to

ensure the municipality's financial sustainability and its ability to focus on delivering basic services to all.

Cost Containment Best Practices

Elimination	Conventional cost containment approach whereby all non-essential and nice-to-have expenses are reduced.
Adaption	Cost saving opportunities associated with the new-way-of-work.
Bundling	Combining services to reduce costs. Typical example would be to make use of a single service provider for certain important business functions, shared service model.
Automation	Significant efficiency made by automating certain business processes. However capital intensive and can lead to job redundancies, increased training costs etc.
Optimisation	Identifying and reviewing case, project and process workflows to remove bottlenecks, and promote system integration.
Substitution	Exploring more cost-effective alternative goods and services without compromising service level standards.
Repurposing	Consideration of how the life cycle of certain strategic assets can be extended beyond its original design.
Deferment	Strictly applies to non-essential goods and services only. Municipalities should under no-circumstances defer financial obligations or repairs and maintenance.

 Western Cape

Prince Albert Municipality income and expenditure budget for the 2026/2027 MTREF period, can be summarised as follow:

2026/2027 MTREF			
Type	Budget Year 2026/2027 R '000	Budget Year 2027/2028 R'000	Budget Year 2028/29 R'000
Revenue	123 436	129 095	147 122
Expenditure	136 716	141 204	156 103
Surplus / Deficit before capital transfers	(13 280)	(12 109)	(8 980)
Capital Transfer	23 602	31 368	25 627
Surplus / Deficit inclusive of capital transfers	10 322	19 259	16 646

The income and expenditure figures in the table above are influenced by the following factors, among others:

- The municipality's Final MTREF Budget 2026/2027 reflects a deficit before capital transfers, of R13.280 million, as indicated in the table above. The tabled MTREF budget reflected a deficit before capital transfers of R 21.178 million, before capital transfers. As per Provincial Treasury SIME2 Assessment, Prince Albert Municipality's tabled MTREF 2026/2027 budget was not

funded, and was not sustainable over the MTREF. The municipality's available cash in its A8 schedule was in total unfunded to the amount of R 32.008mil for 2026/2027, R 44.651 for 2027/2028 and R 90.294 for 2028/2029, financial years respectively. This was concerning to the municipality and drastically financial reforms measures was introduced, in its Final MTREF 2026/2027 budget.

- Prince Albert Municipality operates on an absolute minimum staff complement. The municipality is unable to fill most vacant posts on its organogram. The vacant positions budgeted in the Tabled MTREF Budget 2026/2027 were identified in the Auditor General Report and the SIME2 Report by Provincial Treasury as critical to legislative compliance and operational procedures.
- Employee-related costs reduced from R 51 613mil in the tabled MTREF 2026/2027 financial year, to R 51 197mil, reduction of R416k, in the final MTREF Budget 2026/2027 financial year. Employee related cost excludes remuneration of councillors, as councillors' remuneration are funded out of the equitable share.
- Overtime was reduced in the final MTREF budget from R 2.300mil to R 1.700mil, reduction of R600k over the final MTREF 2026/2027 financial year.
- Standby was reduced in the final MTREF budget from R 2.100mil to R 1.700mil, reduction of R400K over the final 2026/2027 MTREF financial year.
- Annual salary and benefit increases are negotiated between SALGA (representing all municipalities), IMATU, and SAMWU on a multi-year basis. Salary increases for officials other than the Municipal Manager, Directors, and Councillors have been budgeted at 4.75%, with a corresponding 4.75% increase on related fringe benefits, representing a total increase of 8.75% on employee-related costs.
- The municipality's annual SALGA membership fee of R500 000 has been provided for in the budget.
- Provision in the Final 2026/2027 MTREF budget for Auditor General of South Africa, amounts to R 3.200 million, representing 2.44% of budgeted expenditure.
- The municipality has budgeted for a 9.01% increase in bulk electricity purchases from Eskom. Bulk electricity purchases represent 18.62% of total operating expenditure.
- The municipality submitted its Electricity Cost of Supply Study to NERSA on 20 March 2026. The study indicated that the municipality needed to increase its electricity tariffs by 25.00% to recover costs and to recoup the estimated R3 million losses incurred during the 2024/2025 financial year, when no electricity tariff increase was implemented. Public participation was conducted from 20 February to 5 March 2026, during which a proposed increase of 25.00% was presented. Following consideration of the inputs, comments, and objections received, the municipality was able to reduce the proposed increase from 25.00% to 17.50%. A transitional

Electricity Tariff Application for 17.50% was submitted to NERSA, which was subsequently approved by NERSA.

- The municipality reduced its contracted services expenditure by R 1.885mil, from Tabled MTREF Budget 2026/2027, to the Final MTREF 2026/2027 budget. Contracted services represent 10.53% of the total expenditure in the Final MTREF Budget 2026/2027.
- Provision in the Final MTREF 2026/2027 budget has been made for the repair and maintenance, of municipal assets to sustain basic service delivery. Repairs and maintenance represent 21.96% of the total expenditure in the Final MTREF 2026/2027 budget.
- The revenue collection rate has been budgeted at 88%. This is below the National Treasury norm of 95%. The revenue department will do everything in its power to institute vigorous credit control and debt collection processes to improve this rate.
- Municipal services tariff increases in the MTREF 2026/2027 budget are summarised in the tables below. They are based on a property with a market value of R70 000, monthly water consumption of 14kl and monthly electricity consumption of 350 units. This consumer account is based on a prepaid electricity meter connection, of 30A. This is qualified approved indigent household.

Service	2025/2026 Budget Year	2026/2027 Budget Year	Increase
Property Rates	R0	R0	R0
Electricity	R 93.84	R 101.38	R 7.54
Water	R 681.00	R 798.00	R 117.00
Sewerage	R0	R0	R0
Refuse	R 0	R0	R0
Total	R 774.84	R 899.38	R 124.54

- Municipal services tariff increases in the MTREF 2026/2027 budget are summarised in the tables below. They are based on a property with a market value of R70 000, monthly water consumption of 14kl and monthly electricity consumption of 350 units. This consumer account is based on a prepaid electricity meter connection, of 30Amps. This is non-qualified indigent household.

Service	2025/2026 Budget Year	2026/2027 Budget Year	Increase
Property Rates	R 15.17	R 16.59	R 1.42
Electricity	R 1 577.80	R 1 855.53	R 277.73
Water	R 359.31	R 397.41	R 38.10
Sewerage	R 258.28	R280.23	R 21.95
Refuse	R 202.10	R 219.28	R 17.18
Total	R 2 412.66	R 2769.04	R 356.38

- Municipal services tariff increases in the MTREF 2026/2027 budget are summarised in the tables below. They are based on a property with a market value of R500 000, monthly water consumption of 25kl and monthly electricity consumption of 500 units. This consumer account is based on a conventional electricity meter connection, of 45Amps.

Service	2025/2026 Budget Year	2026/2027 Budget Year	Increase
Property Rates	R 133.78	R 146.31	R 12.53
Electricity	R 2 400.79	R 3 353.63	R 952.84
Water	R 436.45	R 485.80	R 49.35
Sewerage	R 258.28	R 280.23	R 21.95
Refuse	R 202.10	R 219.28	R 17.18
Total	R 2 412.66	R 2769.04	R 356.38

- Municipal services tariff increases in the MTREF 2026/2027 budget are summarised in the tables below. They are based on a property with a market value of R1 000 000, monthly water consumption of 30kl and monthly electricity consumption of 1 500 units, 2 sewer points. This consumer account is based on a conventional electricity meter connection, of 60Amps

Service	2025/2026 Budget Year	2026/2027 Budget Year	Increase
Property Rates	R 271.70	R 297.14	R 25.44
Electricity	R 5 318.97	R 7 011.09	R 1 692.12
Water	R 500.13	R 556.67	R 56.54
Sewerage	R 800.11	R 868.12	R 68.01
Refuse	R 202.10	R 219.28	R 17.18
Total	R 7 093.01	R 8 952.30	R 1 859.29

- The municipality has made provision for capital expenditure to the amount of R 5.646 million, funded from its own reserves, for various capital projects during the Final MTREF Budget 2026/2027.
- Compulsory statutory provisions have been made for the devaluation of assets, bad debt and GRAP provisions for post-employment medical contributions and long service awards.
- Prince Albert Municipality had been allocated conditional grants totalling R34.748 million in National and Provincial allocations for the MTREF 2026/2027 budget.

Council's strategic objectives of service delivery include the continuation of an acceptable level of services and improvement in areas still in need of development. It remains a priority of Council to maintain service delivery within affordable levels. I want to commend the combined efforts of the political leadership and management of Prince Albert Municipality for their work in balancing this MTREF 2026/2027 budget under extremely difficult conditions.

I thank you.

Executive Mayor: Prince Albert Municipality
Cllr. Linda Jaquet

1.2 COUNCIL RESOLUTIONS

Stipulations in Section 24 (1) of the MFMA, the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.

The following resolutions are presented to Council for the approval of the Final MTREF 2026/2027 Budget:

Resolutions:

1. The Council of Prince Albert Local Municipality, acting in terms of section 24 (1) of the Municipal Finance Management Act, (Act 56 of 2003) approve the Final 2026/2027 MTREF Budget as presented by the Executive Mayor:
 - 1.1. The annual budget of the municipality for the financial year 2026/2027 and the multi-year and single-year capital appropriations as set out in the following be approved:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) (MBRR Table A2).
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained (MBRR Table A3).
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained (MBRR Table A4); and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in (MBRR Table A5).
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are presented as set out in the following:

- 1.2.1. Budgeted Financial Position as contained in (MBRR Table A6).
 - 1.2.2. Budgeted Cash Flows as contained in (MBRR Table A7).
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table (MBRR Table A8).
 - 1.2.4. Asset management as contained in (MBRR Table A9) as well as Annexure “E”; and
 - 1.2.5. Basic service delivery measurement as contained in (MBRR Table A10).
2. The Council of Prince Albert Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves 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 attached be approved.
 3. The Council of Prince Albert Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves with effect from 1 July 2026 the tariffs and fees for other services inclusive of all miscellaneous tariffs as attached by approved.
 4. To give proper effect to the municipality’s annual budget, the Council of Prince Albert Local Municipality approves:
 - 4.1. 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 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.
 5. That the following budget related policies attached be approved by Council.
 1. Budget Policy
 2. Credit Control and Debt Collection procedures/policies.
 3. Asset Management Policy
 4. Asset Disposal Policy
 5. Petty Cash Policy

6. Remuneration Policy
7. Indigent and Subsidy Policy
8. Property Rates Policy
9. Supply Chain Management Policy
10. Virement Policy
11. Tariff Policy
12. Cash Management and Investment Policy
13. Unauthorised, Fruitless and Wasteful Expenditure Policy
14. Funding and Reserves Policy
15. Travelling and Subsistence Policy
16. Overtime Policy
17. Prince Albert Municipality Preferential Procurement Policy
18. Prince Albert Municipality Relocation Policy
19. Vehicle Allowance Perk Scheme
20. Acting Allowance and Additional Responsibility Policy
21. Cell phone Allowance Policy
22. Standby Policy
23. Borrowing Policy

6. That the Service Level Standards attached be approved.
7. That the Report on the Cost Reflective Study and Long-Term Financial Plan be noted.
8. 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 be approved.
9. That the council of Prince Albert Municipality, acting in terms of Section 25 of the Local Government Municipal Systems Act, (Act 32 of 2000) approves with effect from 01 July 2026, the amendment of the 2024 – 2027 Integrated Development Plan.
10. That the Final Service Delivery and Budget Implementation Plan for the 2026/2027 financial year be approved.
11. That the detailed capital program per project, department, and funding source, already included in the 2024 – 2027 Integrated Development Plan.

12. That the procurement plan per project attached be approved.
13. Supply Chain Management Systems of Delegations be approved
14. That the Unauthorised, Irregular, Fruitless and Wasteful Reduction plan be approved by council.
15. mSCOA Road Map be noted by Council.
16. That the SIME2 Assessment be noted by Council.

1.3 EXECUTIVE SUMMARY

A budget is funded from realistically anticipated revenues to be collected; cash backed accumulated funds from the previous year as well as borrowed funds to be utilised for capital projects. A budget is realistic if it considers projected revenue for the current year based on the collection levels to date and actual revenue collected in the previous financial year. Municipal budgets must be prepared on this basis. The economic climate influenced the ability of municipalities to collect arrear debt. This inability to exercise credit control measures decreased the collection rate in many municipalities.

The Budget for the 2026/2027 financial year and Medium-Term Revenue and Expenditure Framework (MTREF) was once again drafted under challenging circumstances as the municipality is currently caught up in an in a national economy that commence positive, but now have the economic uncertainty due to the conflict in middle east, that could have potential to put households further under severe financial pressure. It is therefore necessary to continue to apply prudent financial management principles in the budget process of the Prince Albert 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 aide 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.

National Treasury's MFMA Circulars No. 132 and 134 as well as prior years circulars were used to guide and inform the compilation of the 2026/2027 MTREF.

Prince Albert Municipality collection rate for the 2026/2027 financial year is anticipated to be 88%. We will have to make a concerted effort to increase this rate on all debtors' accounts to achieve a 95% collection rate in future years.

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

- The low economic growth.
- The continued rise in unemployment.

- Inflation risk that remains relevant in the current political and global economic climate.
- The current military conflict in the Middle East, and the continuous war between Russia and Ukraine.
- Ageing water, roads, stormwater, sewer and electricity infrastructure and the need to maintain current infrastructure versus the demand for new services.
- The need to reprioritise projects and expenditure within the existing resource envelope given the current cash flow reality of the municipality.
- The increase in the cost of bulk electricity from Eskom which is again placing upward pressure on service tariffs to residents and resulting in a decline in units sold.
- The demand for services that continue to outstrip the available resources.
- Decrease in capital and operational grants from National and Provincial Government.

The following budget principles and guidelines directly informed the compilation of the 2026/2027 MTREF:

- The 202/2026 Adjustments Budgets set the baseline for the budget of 2026/2027 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.
- Ensuring a cash funded budget and the strict application of prudent financial management principles.

In view of the, the following table is a consolidated overview of the annual 2026/202 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2026/2027 MTREF:

2026/2027 MTREF			
Type	Budget Year 2026/2027 R '000	Budget Year 2027/2028 R'000	Budget Year 2028/29 R'000
Revenue	123 436	129 095	147 122
Expenditure	136 716	141 204	156 103
Surplus / Deficit before capital transfers	(13 280)	(12 109)	(8 980)
Capital Transfer	23 602	31 368	25 627
Surplus / Deficit inclusive of capital transfers	10 322	19 259	16 646

Revenue increases with R 10.138mil to an amount of R 123.436mil for the 2026/2027 financial year when compared to the 2025/2026, 4th adjustments budget. This is due to additional revenue raised through increased tariffs. Total operating expenditure for the 2026/2027 financial year has been appropriated at R 136.716mil and translates into a budgeted deficit of R 13.280 before capital contributions. When compared to the 4th adjustments budget, operational expenditure increases with R 4.488mil in 2026/2027. The expenditure for the two outer years, increases with R23.548 mil and with R 19.387mil respectively towards the 3rd year of the MTREF. The capital transfers of R23.602mil for 2026/2027 increased with R 11.570mil when compared to the 4th adjustments budget of 2025/2026.

1.4 OPERATING REVENUE FRAMEWORK

For Prince Albert 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 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's revenue strategy is built around the following key components:

- Strengthening the financial position of the municipality.
- Cost reflective tariff setting – The municipality will be appointed a 2026/2027 financial year to conduct a cost reflective study, which might result that the municipality's future tariff structure, may be amended in the future.
- An electricity cost of supply study was submitted to NERSA, to ensure that relevant cost elements are recovered through appropriate tariff setting.
- National Treasury's guidelines and growth parameters have been considered in tariff increases and where appropriate an explanation is provided for increases higher than 3.40% under the respective services.
- Above average tariff increases are proposed for the 2026/2027 financial year, this is of essence to sustain and improve on service delivery standards and to ensure the long-term financial sustainability of the municipality.
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA), subject to affordability as a once-off increase, will be implemented during the 2026/2027 financial year, unless otherwise communicated by the municipal council.
- The municipal council has adopted a 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 95% annual collection rate for property rates and other key service charges. Currently the municipal MTREF 2025/2026 budget makes provision for an 85% debt collection rate.
- 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 aide or impact negatively on the long-term sustainability of the municipality. It must be emphasized that at the current trend of staff expenditure, 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 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 2026/2027 MTREF (classified by main revenue source):

WC052 Prince Albert - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Revenue											
Exchange Revenue											
Service charges - Electricity	2	18 442	17 251	17 013	22 803	22 686	22 686	22 686	26 656	31 321	36 802
Service charges - Water	2	4 787	6 532	3 642	5 167	5 112	5 112	5 112	5 598	6 130	6 712
Service charges - Waste Water Management	2	5 898	6 541	7 225	7 964	7 964	7 964	7 964	8 641	9 376	10 173
Service charges - Waste Management	2	2 641	2 987	3 523	4 106	4 205	4 205	4 205	4 562	4 950	5 371
Sale of Goods and Rendering of Services	2	509	403	403	410	610	610	610	452	488	527
Agency services	2	294	287	323	230	230	230	230	248	268	289
Interest earned from Receivables	2	1 131	1 605	2 219	2 339	2 257	2 257	2 257	2 471	2 706	2 965
Interest earned from Current and Non Current Assets	2	4 071	6 183	5 412	5 418	4 068	4 068	4 068	4 312	4 570	4 845
Rent on Land	2	56	61	61	63	63	63	63	68	74	80
Rental from Fixed Assets	2	624	452	721	806	802	802	802	866	935	1 010
Development Charges	2	-	75	33	9	9	9	9	9	10	11
Operational Revenue	2	84	1 985	2 015	1 867	1 867	1 867	1 867	3 282	3 316	3 350
Non-Exchange Revenue											
Property rates	2	5 073	5 754	5 941	6 726	7 239	7 239	7 239	7 926	8 679	9 504
Fines, penalties and forfeits	2	9 575	8 162	11 207	8 165	8 165	8 165	8 165	8 818	9 524	10 286
Licences or permits	2	89	90	112	102	102	102	102	110	119	128
Transfer and subsidies - Operational	2	34 804	32 714	35 760	35 663	39 315	39 315	39 315	39 864	35 873	42 927
Interest	2	(761)	2 434	458	436	436	436	436	478	523	573
Operational Revenue	2	-	4 468	6 275	7 069	7 069	7 069	7 069	8 075	9 234	10 573
Gains on disposal of Fixed and Intangible Assets	2	-	-	-	-	200	200	200	-	-	-
Other Gains	2	-	-	-	1 000	1 000	1 000	1 000	1 000	1 000	1 000
Total Revenue (excluding capital transfers and contributions)		87 318	97 981	102 343	110 343	113 398	113 398	113 398	123 436	129 095	147 122
Expenditure											
Employee related costs	2	29 460	34 385	36 849	46 169	46 007	46 007	46 007	51 197	53 349	56 930
Remuneration of councillors	2	3 018	3 324	3 525	3 948	3 948	3 948	3 948	5 182	5 545	5 933
Bulk purchases - electricity	2	16 197	17 345	20 107	23 322	24 500	24 500	24 500	25 423	27 459	29 659
Inventory consumed	2,8	428	666	554	754	2 443	2 443	2 443	1 190	1 065	1 147
Debt impairment	2,3	(3 638)	12 356	(40 875)	9 660	9 448	9 448	9 448	6 686	7 543	8 505
Depreciation, amortisation and impairment	2	7 094	7 443	5 182	6 580	6 580	6 580	6 580	7 104	7 251	7 401
Interest, Dividends and Rent on Land	2	2 097	3 251	3 224	2 713	2 713	2 713	2 713	3 099	3 331	3 496
Contracted services	2	9 248	8 055	10 135	14 042	15 469	15 469	15 469	14 384	11 766	17 722
Transfers and subsidies	2	490	277	760	200	300	300	300	100	100	100
Irrecoverable debts written off	2	18 210	4 078	57 717	3 795	8 082	8 082	8 082	6 792	7 199	7 631
Operational costs	2	12 370	12 940	11 510	12 213	14 496	14 496	14 496	14 558	15 595	16 579
Disposal of Fixed and Intangible Assets	2	-	38	90	-	-	-	-	-	-	-
Other Losses	2	-	584	399	1 000	1 000	1 000	1 000	1 000	1 000	1 000
Total Expenditure		94 975	104 741	109 176	124 396	134 987	134 987	134 987	136 716	141 204	156 103
Surplus/(Deficit)		(7 657)	(6 760)	(6 833)	(14 053)	(21 589)	(21 589)	(21 589)	(13 280)	(12 109)	(8 980)
Transfers and subsidies - capital (monetary allocations)	6	6 831	23 046	23 339	10 286	11 932	11 932	11 932	23 602	31 368	25 627
Transfers and subsidies - capital (in-kind)	6	1 465	1 688	1 541	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		639	17 974	18 047	(3 766)	(9 656)	(9 656)	(9 656)	10 322	19 259	16 646
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		639	17 974	18 047	(3 766)	(9 656)	(9 656)	(9 656)	10 322	19 259	16 646
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		639	17 974	18 047	(3 766)	(9 656)	(9 656)	(9 656)	10 322	19 259	16 646
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	639	17 974	18 047	(3 766)	(9 656)	(9 656)	(9 656)	10 322	19 259	16 646

Summary of the Final Table A4 compared to the Tabled A4 in March 2026:

The income and expenditure figures in the table above are influenced by the following factors, among others:

- The municipality's Final MTREF Budget 2026/2027 reflects a deficit before capital transfers, of R13.280 million, as indicated in the table above. The tabled MTREF budget reflected a deficit before capital transfers of R 21.178 million, before capital transfers. As per Provincial Treasury SIME2 Assessment, Prince Albert Municipality's tabled MTREF 2026/2027 budget was not funded, and was not sustainable over the MTREF. The municipality's available cash in its A8 schedule was in total unfunded to the amount of R 32.008mil for 2026/2027, R 44.651 for 2027/2028 and R 90.294 for 2028/2029, financial years respectively. This was concerning to the municipality and drastically financial reforms measures was introduced, in its Final MTREF 2026/2027 budget.
- Prince Albert Municipality operates on an absolute minimum staff complement. The municipality is unable to fill most vacant posts on its organogram. The vacant positions budgeted in the Tabled MTREF Budget 2026/2027 were identified in the Auditor General Report and the SIME2 Report by Provincial Treasury as critical to legislative compliance and operational procedures.
- Employee-related costs reduced from R 51 613mil in the tabled MTREF 2026/2027 financial year, to R 51 197mil, reduction of R416k, in the final MTREF Budget 2026/2027 financial year. Employee related cost excludes remuneration of councillors, as councillors' remuneration are funded out of the equitable share.
- Overtime was reduced in the final MTREF budget from R 2.300mil to R 1.700mil, reduction of R600k over the final MTREF 2026/2027 financial year.
- Standby was reduced in the final MTREF budget from R 2.100mil to R 1.700mil, reduction of R400K over the final 2026/2027 MTREF financial year.
- Annual salary and benefit increases are negotiated between SALGA (representing all municipalities), IMATU, and SAMWU on a multi-year basis. Salary increases for officials other than the Municipal Manager, Directors, and Councillors have been budgeted at 4.75%, with a corresponding 4.75% increase on related fringe benefits, representing a total increase of 8.75% on employee-related costs.
- The municipality's annual SALGA membership fee of R500 000 has been provided for in the budget.
- Provision in the Final 2026/2027 MTREF budget for Auditor General of South Africa, amounts to R 3.200 million, representing 2.44% of budgeted expenditure.
- The municipality has budgeted for a 9.01% increase in bulk electricity purchases from Eskom. Bulk electricity purchases represent 18.62% of total operating expenditure.

- The municipality submitted its Electricity Cost of Supply Study to NERSA on 20 March 2026. The study indicated that the municipality needed to increase its electricity tariffs by 25.00% to recover costs and to recoup the estimated R3 million losses incurred during the 2024/2025 financial year, when no electricity tariff increase was implemented. Public participation was conducted from 20 February to 5 March 2026, during which a proposed increase of 25.00% was presented. Following consideration of the inputs, comments, and objections received, the municipality was able to reduce the proposed increase from 25.00% to 17.50%. A transitional Electricity Tariff Application for 17.50% was submitted to NERSA, which was subsequently approved by NERSA.
- The municipality reduced its contracted services expenditure by R 1.885mil, from Tabled MTREF Budget 2026/2027, to the Final MTREF 2026/2027 budget. Contracted services represent 10.53% of the total expenditure in the Final MTREF Budget 2026/2027.
- Provision in the Final MTREF 2026/2027 budget has been made for the repair and maintenance, of municipal assets to sustain basic service delivery. Repairs and maintenance represent 21.96% of the total expenditure in the Final MTREF 2026/2027 budget.
- The revenue collection rate has been budgeted at 88%. This is below the National Treasury norm of 95%. The revenue department will do everything in its power to institute vigorous credit control and debt collection processes to improve this rate.

Table 3: Operating Transfers and Grant Receipts

WC052 Prince Albert - 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		
		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
R thousand										
RECEIPTS	1,2									
Operating										
National Government										
Monetary Allocations										
Local Government Equitable Share		26 548	28 653	30 299	31 301	31 301	31 301	31 988	32 858	34 256
Local government financial management grant		1 650	1 700	1 800	1 900	1 900	1 900	2 000	2 100	2 200
Municipal infrastructure grant		161	405	402	410	409	409	412	431	437
Expanded public works programme integrated grant		1 237	769	1 178	-	-	-	1 246	-	-
Total Monetary Allocations		29 596	31 527	33 678	33 611	33 610	33 610	35 646	35 389	36 893
Total Operating/National Government		29 596	31 527	33 678	33 611	33 610	33 610	35 646	35 389	36 893
Provincial Government										
Monetary Allocations										
Infrastructure		50	221	50	50	1 550	1 550	50	56	56
Capacity Building										
Total Monetary Allocations		50	221	50	50	1 550	1 550	50	56	56
Allocations In-kind										
Infrastructure										
Capacity Building										
Total Allocations In-kind		-	-	-	-	-	-	-	-	-
Total Operating/Provincial Government		50	221	50	50	1 550	1 550	50	56	56
District Municipalities										
Monetary Allocations										
Infrastructure										
Capacity Building		609	95	333	-	-	-	-	-	-
Total Monetary Allocations		609	95	333	-	-	-	-	-	-
Allocations In-kind										
Infrastructure										
Capacity Building										
Total Allocations In-kind		-	-	-	-	-	-	-	-	-
Total Operating/District Municipalities		609	95	333	-	-	-	-	-	-
Other Grant Providers										
Monetary Allocations										
Other Grant Providers		2 617	850	1 698	2 002	4 155	4 155	4 168	428	5 978
Total Monetary Allocations		2 617	850	1 698	2 002	4 155	4 155	4 168 000	428 000	5 978 000
Allocations In-kind										
Other Grant Providers		1 932	22	-	-	-	-	-	-	-
Total Allocations In-kind		1 932 774	21 700	-	-	-	-	-	-	-
Total Operating/Other Grant Providers		4 549	871	1 698	2 002	4 155	4 155	4 168	428	5 978
Total Operating	5	34 804	32 714	35 760	35 663	39 315	39 315	39 864	35 873	42 927
Capital										
National Government										
Monetary Allocations										
Integrated National Electrification Programme Grant		-	-	-	-	-	-	4 192	3 136	6 278
Municipal Infrastructure Grant		3 843	8 331	7 120	7 786	8 290	8 290	7 827	8 192	8 308
Water Services Infrastructure Grant		1 988	11 400	13 323	-	2 430	2 430	11 000	20 000	11 000
Total Monetary Allocations		5 831	19 731	20 443	7 786	10 719	10 719	23 019 050	31 327 850	25 585 750
Total Capital/National Government		5 831	19 731	20 443	7 786	10 719	10 719	23 019 050	31 327 850	25 585 750
Provincial Government										
Monetary Allocations										
Infrastructure		-	2 570	2 895	2 500	1 213	1 213	543	-	-
Capacity Building		1 000	745	-	-	-	-	40	40	41
Total Monetary Allocations		1 000	3 315	2 895	2 500	1 213	1 213	583 000	40 000	41 000
Allocations In-kind										
Infrastructure										
Capacity Building										
Total Allocations In-kind		-	-	-	-	-	-	-	-	-
Total Capital/Provincial Government		1 000	3 315	2 895	2 500	1 213	1 213	583	40	41
Total Capital	5	6 831	23 046	23 339	10 286	11 932	11 932	23 602	31 368	25 627
TOTAL RECEIPTS OF TRANSFERS AND GRANTS		41 635	55 761	59 098	45 949	51 248	51 248	63 466	67 241	68 554

Tariff Setting:

The setting of cost-reflective tariffs is a requirement of Section 74(2) of the Municipal Systems Act which is meant to ensure that municipalities set tariffs that enable them to recover the full cost of rendering the service. This forms the basis of compiling a credible budget. A credible budget is one that ensures the funding of all approved items and is anchored in sound, timely and reliable information on expenditure and service delivery (FFC, 2011). Credible budgets are critical for local government to fulfil its mandate and to ensure its financial sustainability.

Reference is made to MFMA Circular 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. If tariffs are not cost reflective already, the municipality needs to set out a path to achieve cost-reflective tariffs over the 2026/2027 MTREF period.

The cost of providing a service includes day-to-day running costs, overheads required to keep the Municipality as a whole running, and the costs associated with expanding and managing infrastructure. Underneath summary extract from a Cost Reflective Tariff study:

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 are costs that 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 in a clear, structured way. 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 size of budget.

The municipality do not currently have an activity-based costing system in place, and 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. Currently Prins Albert Municipality does not have 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 more than the 3.40% upper boundary of the South African Reserve Bank’s inflation target in accordance with MFMA budget circular 132 and 134. 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.

Prince Albert Municipality’s Final MTREF Budget Tariff increases for the 2026/2027 MTREF Financial year is as follow:

Revenue Source	2026/2027 Financial Year	2027/2028 Financial Year	2028/2029 Financial Year
Electricity	17.50%	8.00%	8.00%
Water	9.50%	8.00%	8.00%
Sewerage	8.50%	7.00%	7.00%
Refuse	8.50%	8.00%	8.00%
Property Rates	9.50%	8.00%	8.00%

1.5 Operating Expenditure Framework

Prins Albert Municipality's expenditure framework for the 2026/2027 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.
- 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 2026/2027 budget and MTREF (classified per main type of operating expenditure):

Table 4: Summary of operating expenditure by standard classification item

WC052 Prince Albert - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Expenditure											
Employee related costs	2	29 460	34 385	36 849	46 169	46 007	46 007	46 007	51 197	53 349	56 930
Remuneration of councillors	2	3 018	3 324	3 525	3 948	3 948	3 948	3 948	5 182	5 545	5 933
Bulk purchases - electricity	2	16 197	17 345	20 107	23 322	24 500	24 500	24 500	25 423	27 459	29 659
Inventory consumed	2,8	428	666	554	754	2 443	2 443	2 443	1 190	1 065	1 147
Debt impairment	2,3	(3 638)	12 356	(40 875)	9 660	9 448	9 448	9 448	6 686	7 543	8 505
Depreciation, amortisation and impairment	2	7 094	7 443	5 182	6 580	6 580	6 580	6 580	7 104	7 251	7 401
Interest, Dividends and Rent on Land	2	2 097	3 251	3 224	2 713	2 713	2 713	2 713	3 099	3 331	3 496
Contracted services	2	9 248	8 055	10 135	14 042	15 469	15 469	15 469	14 384	11 766	17 722
Transfers and subsidies	2	490	277	760	200	300	300	300	100	100	100
Irrecoverable debts written off	2	18 210	4 078	57 717	3 795	8 082	8 082	8 082	6 792	7 199	7 631
Operational costs	2	12 370	12 940	11 510	12 213	14 496	14 496	14 496	14 558	15 595	16 579
Disposal of Fixed and Intangible Assets	2	-	38	90	-	-	-	-	-	-	-
Other Losses	2	-	584	399	1 000	1 000	1 000	1 000	1 000	1 000	1 000
Total Expenditure		94 975	104 741	109 176	124 396	134 987	134 987	134 987	136 716	141 204	156 103

The budgeted allocation for employee related costs for the 2026/2027 financial year totals R51.197 million. Employee related cost represents a 37.45% of the total operating expenditure, which is still in the national treasury norm of 32.00% to 41.00%. Annual salary and benefit increases are negotiated between SALGA (representing all municipalities), IMATU, and SAMWU on a multi-year basis. Salary increases for officials other than the Municipal Manager, Directors, and Councillors have been budgeted at 4.75%, with a corresponding 4.75% increase on related fringe benefits, representing a total increase of 8.75% on employee-related costs.

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 councillors 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 Prince Albert for the 2026/2027 is R 31.988 million, inclusive of the subsidy towards councillor remuneration. This is not nearly enough and 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.

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.

Bulk purchases are directly informed by the purchase of electricity from Eskom. Electricity bulk purchases represent 18.62% of the total operating expenditure. The annual price increase has been factored into the budget appropriations and directly inform the revenue provisions.

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.

1.6 CAPITAL EXPENDITURE FRAMEWORK

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

WC052 Prince Albert - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26				2026/27 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Executive and Council		-	-	-	100	100	100	100	100	-	-
Vote 2 - Financial Services		(1 297)	(372)	180	520	607	607	607	137	167	204
Vote 3 - Technical Services		195	2 233	21 856	9 518	13 401	13 401	13 401	17 972	24 984	17 778
Vote 4 - Corporate and Community Services		(38)	(1 078)	1 347	8 563	9 282	9 282	9 282	10 177	8 774	11 158
Capital multi-year expenditure sub-total	7	(1 140)	783	23 382	18 701	23 391	23 391	23 391	28 386	33 925	29 140
Single-year expenditure to be appropriated	2										
Vote 1 - Executive and Council		-	-	-	-	-	-	-	100	-	-
Vote 2 - Financial Services		1 297	301	247	-	-	-	-	-	-	1 600
Vote 3 - Technical Services		(354)	(739)	2 720	1 330	-	-	-	100	548	-
Vote 4 - Corporate and Community Services		197	86	1 174	465	-	-	-	663	350	800
Vote 15 -		-	-	4 335	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		1 140	(352)	8 477	1 796	-	-	-	863	898	2 400
Total Capital Expenditure - Vote		-	431	31 859	20 497	23 391	23 391	23 391	29 249	34 822	31 540
Capital Expenditure - Functional											
Governance and administration		(5 515)	(2 933)	4 761	620	707	707	707	337	167	1 804
Executive and council		-	-	-	100	100	100	100	200	-	-
Finance and administration		(5 515)	(2 933)	4 761	520	607	607	607	137	167	1 804
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		770	759	2 792	9 028	9 282	9 282	9 282	10 840	8 774	11 958
Community and social services		197	114	1 939	2 048	2 413	2 413	2 413	1 056	1 725	4 265
Sport and recreation		330	395	852	6 930	6 869	6 869	6 869	9 784	7 048	6 392
Public safety		243	250	-	50	-	-	-	-	-	1 300
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		3 327	260	6 134	1 500	2 807	2 807	2 807	80	430	500
Planning and development		-	-	44	-	-	-	-	-	350	-
Road transport		3 327	260	6 090	1 500	2 807	2 807	2 807	80	80	500
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		1 417	2 345	18 487	9 349	10 594	10 594	10 594	17 992	25 451	17 278
Energy sources		-	763	4 483	-	60	60	60	4 292	3 136	6 278
Water management		-	1 137	14 003	3 339	3 171	3 171	3 171	13 700	22 315	11 000
Waste water management		1 417	346	-	26	1 380	1 380	1 380	-	-	-
Waste management		-	98	-	5 984	5 984	5 984	5 984	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	-	431	32 173	20 497	23 391	23 391	23 391	29 249	34 822	31 540
Funded by:											
National Government		678	6 854	17 777	6 771	9 321	9 321	9 321	23 019	31 328	25 586
Provincial Government		(1 297)	(1 208)	3 264	2 304	1 067	1 067	1 067	583	-	-
District Municipality		(1 771)	(9 180)	-	-	100	100	100	-	-	-
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions)											
Transfers recognised - capital	4	(2 390)	(3 534)	21 041	9 075	10 487	10 487	10 487	23 602	31 328	25 586
Borrowing	6										
Internally generated funds		2 390	3 966	11 132	11 422	12 904	12 904	12 904	5 647	3 495	5 954
Total Capital Funding	7	-	431	32 173	20 497	23 391	23 391	23 391	29 249	34 822	31 540

1.7 HOUSEHOLD BILL

The following table provides a breakdown of the monthly account for a household.

WC052 Prince Albert - Supporting Table SA14 Household bills

Description	Ref	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework				
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29	
Rand/cent								% incr.				
Monthly Account for Household - 'Middle Income Range'	1											
Rates and services charges:												
Property rates					188,72	188,72	188,72	9,5%	206,64			
Electricity: Basic levy					109,18	109,18	109,18	25,3%	136,80			
Electricity: Consumption					2 210,00	2 210,00	2 210,00	25,3%	2 770,00			
Water: Basic levy					124,02	124,02	124,02	7,5%	141,38			
Water: Consumption					310,80	310,80	310,80	9,5%	342,60			
Sanitation					224,59	224,59	224,59	8,5%	243,68			
Refuse removal					175,74	175,74	175,74	8,5%	190,68			
Other												
sub-total		-	-	-	3 343,05	3 343,05	3 343,05	20,6%	4 031,78	-	-	-
VAT on Services												
Total large household bill:		-	-	-	3 343,05	3 343,05	3 343,05	20,6%	4 031,78	-	-	-
% increase/-decrease		-	-	-	-	-	-	-	20,6%	(100,0%)	-	-
Monthly Account for Household - 'Affordable Range'	2											
Rates and services charges:												
Property rates					133,78	133,78	133,78	9,5%	146,31			
Electricity: Basic levy					109,18	109,18	109,18	25,3%	136,80			
Electricity: Consumption					1 105,00	1 105,00	1 105,00	25,3%	1 385,00			
Water: Basic levy					124,02	124,02	124,02	7,5%	141,38			
Water: Consumption					255,60	255,60	255,60	9,5%	281,05			
Sanitation					224,59	224,59	224,59	8,5%	243,68			
Refuse removal					175,74	175,74	175,74	8,5%	190,68			
Other												
sub-total		-	-	-	2 127,91	2 127,91	2 127,91	18,7%	2 524,90	-	-	-
VAT on Services												
Total small household bill:		-	-	-	2 127,91	2 127,91	2 127,91	18,7%	2 524,90	-	-	-
% increase/-decrease		-	-	-	-	-	-	-	18,7%	(100,0%)	-	-
Monthly Account for Household - 'Indigent' Household receiving free basic services	3											
Rates and services charges:												
Property rates												
Electricity: Basic levy												
Electricity: Consumption					681,00	681,00	681,00	17,5%	798,00			
Water: Basic levy												
Water: Consumption					147,00	147,00	147,00	9,5%	162,08			
Sanitation												
Refuse removal												
Other												
sub-total		-	-	-	828,00	828,00	828,00	16,0%	960,08	-	-	-
VAT on Services												
Total small household bill:		-	-	-	828,00	828,00	828,00	16,0%	960,08	-	-	-
% increase/-decrease		-	-	-	-	-	-	-	16,0%	(100,0%)	-	-

1.8 ANNUAL BUDGET TABLES – MUNICIPALITY:

All the budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations are attached to the MTREF 2026/2027 Budget. These tables set out the municipality's 2026/2027 budget and MTREF for the approval by the Council.

1.9 COMMENTS/ INPUTS RECEIVED FROM CONSUMER DURING THE PUBLIC PARTICIPATION PROCESS:

- A detailed comments/ input/ objection was received from Mr. Max Hoppe on 04 May 2026. After considering Mr. Max Hoppe inputs, the municipality amended some of its expenditure items, and appreciate Mr. Hoppe valuable input to the MTREF 2026/2027 Budget process.
- Detailed comments/ input/ objection was received from Mrs. Tamsin Freemantle on 04 May 2026. After considering Mrs. Tamsin Freemantle inputs / comments especially on the framing of expenditure losses in point 2 of the objection document, the municipality had a verification on its expenditure and introduced tremendous reduction in cost, to keep it cost reflective tariffs in phase affordable, to the community in the MTREF 2026/2027 Budget year.
- Detailed comments / input / objection was received from Mr. Etienne Arendse on the proposed electricity increase for the MTREF 2026/2027 budget. After consideration of Mr. Arendse input, the municipality submitted a transitional application to NERSA in only requesting approval of a 17.50% increase, on the electricity tariffs and not the full cost recovery of 25.00%, as per Cost of Supply Study.

Municipal manager's quality certificate

I, Adv. Thys Goliomee, Municipal Manager of Price Albert 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: Adv. T Goliomee

Municipal Manager of Prince Albert Municipality (WC025)

Signature: _____

Date 28 May 2026