

**DRAFT MTREF BUDGET OF  
PRINCE ALBERT MUNICIPALITY**



**2025/26 TO 2027/28**

**MEDIUM TERM REVENUE AND  
EXPENDITURE FRAMEWORK**

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## GLOSSARY

**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

## PART 1. ANNUAL BUDGET

### 1.1 MAYOR'S REPORT

Me Speaker  
The Deputy Mayor  
The Executive Mayoral Committee  
Councillors  
Municipal Officials  
Members of the Public

It is my special privilege to present the Draft MTREF 2025/2026 budget of the Prince Albert Local Municipality to you.

The budget acknowledges our own vision, mission, policies, and financial plan.

The entire country finds itself in a very poor economic situation. We should therefore make every possible effort to alleviate poverty. We, however, also must ensure that the municipality remains stable and sustainable to deliver good quality basic services to the communities we are serving.

This budget was once again drafted under challenging circumstances with the South African economy under severe pressure.

The South African economy is slowly recovering from international impact of the war in Ukraine and other international challenges impacted economic drivers, which is under severe pressure. The municipality's credit control measures to assist all, is normally faced with micro economic challenges in town, which has a very challenging effect on consumers, servicing its monthly utility bills. The municipality is always putting processes in place, to achieve financial sustainability at an affordable context to consumers.

National Treasury annually issues MTREF Budget circular's (MFMA Circular's 129 and 130) to guide the budget process for the MTREF period. The main objectives of the guidelines for the Draft 2025/26 MTREF is to ensure municipalities demonstrate how it undertake annual budget preparation in accordance with the budget and financial management reform, agenda by focussing on *key "game changers"*. These *game changers* include ensuring that municipal budgets are funded, revenue management is optimised, assets are managed efficiently, supply chain management processes are adhered to, mSCOA is implemented correctly and that audit findings are addressed.

GDP growth is expected to average 1.8 per cent from 2025 to 2027. Medium-term growth will be underpinned by household consumption on the back of rising purchasing power, moderate employment recovery and wealth gains. Continued investments in renewable energy and easing structural constraints are expected to support higher investment. Key factors for achieving faster economic growth and creating much-needed jobs include greater collaboration with the private sector in energy and transport, rapid implementation of structural reforms, easing of regulatory constraints and increased infrastructure investment.

The following macro-economic forecasts must be considered when preparing the 2025/26 MTREF municipal budgets.

**Table 1: Macroeconomic performance and projections, 2023 - 2028**

Fiscal year	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimate	Forecast		
CPI Inflation	6.0%	4.4%	4.3%	4.6%	4.4%

Source: National Treasury Budget Review 2025.

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.

Growth in household consumption expenditure is expected to improve to 1.2 per cent in 2024, up from 0.7 per cent in 2023, supported by growing real household incomes as inflation fell, stable electricity supply, and reduced interest rates. Headline inflation has eased to its lowest rate in over three years, driven by lower food and transport prices, and is expected to stabilize within the 3–6% target range. Despite improved consumer confidence, households are still facing challenges with municipal payments, which negatively impact municipal own revenues. It is therefore noted that variations in regional specifics are possible, however, any variation of assumptions must be explicitly set out and well explained in the budget narratives, in the absence of which the Treasuries will refer the budget back to council for alignment to the macroeconomic performance projections.

Over the 2025 Medium-Term Expenditure Framework (MTEF), the government proposes an allocation of 9.8 per cent to local government. Local government funding is projected to increase from R184.8 billion in 2025/26 to R197.9 billion in 2027/28. In 2025/26, this comprises R106.1 billion for the local government equitable share, R16.8 billion from the general fuel levy sharing with metros, and R61.8 billion for both direct and indirect conditional grants. The increased allocations to local government reflect the government’s commitment to social protection as a cornerstone of its fiscal strategy, ensuring ongoing support for indigent populations and the expansion of critical infrastructure through conditional grants. These figures represent the preliminary fiscal framework outlined in the 2024 MTBPS. The final details will be provided in the 2025 Budget Review.

The 2025/2026 Budget has ensured that sufficient provision has been made to ensure that all municipalities are fully subsidised to support indigent households. If the actual increase in municipal bulk tariffs exceeds the provision made in the formula, it will be the first call on unallocated funds. We will consider funding broader cost relief measures for municipalities if funds remain available after that.

Prince Albert Municipality is in the fortunate position that we can honour all our commitments and we are not like many other municipalities in the country on the brink of bankruptcy. We will however have to maintain strict financial discipline to ensure that our position does not deteriorate. Many municipalities cannot pay basic commitments like their Eskom accounts.

To be more sustainable, the municipality must increase its revenue base. Expenditure always remains a challenge. It is extremely difficult to address all the needs of the community. Requests for funding always exceeds the availability of funds. Therefor difficult decisions must be made to arrive at expected and realistic outcomes.

Cost containments measures as emphasized in MFMA Circular 82 ,97 and the Cost Containment Regulations effective 1 July 2019 were implemented. It is emphasized that we should ensure the continued implementation and enforcement of savings and austerity measures to ensure that the municipality becomes financially sustainable and focus mainly on delivering basic services to all.

### Cost Containment Best Practices

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

AMU Western Cape

The income and expenditure budget for the 2025/26 MTREF period can be summarised as follow:

Type	Budget Year 2025/26 R '000	Budget Year 2026/27 R'000	Budget Year 2027/28 R'000
Revenue	110 198	149 764	142 073
Expenditure	130 504	134 105	146 480
Capital Transfer	9 286	11 067	11 367
Surplus / Deficit inclusive of capital transfers	(11 020)	26 727	6 959

The increases in tariffs and service charges, in the main are influenced by the following, but not limited to the items below, over which council has little or no control:

- Increase in employee related costs. Prince Albert Municipality operates on the absolute minimum staff compliment. Unfortunately, the municipality is not able to fill all vacant positions on the organogram, but we must appoint competent staff to ensure that services are rendered properly and in a sustainable way.
- The proposed increase of 12.37% in bulk electricity purchases from Eskom.
- Compulsory statutory provisions for devaluation of assets, bad debt, and sufficient GRAP provision for post-employment medical contributions and long service awards.
- Service delivery challenges.
- Maintenance of the municipality’s assets to sustain basic service delivery; and
- The socio-economic conditions and consumer profiles of communities.

Council’s strategic objectives of service delivery include the continuation of an acceptable level of services, as well as improvement in those areas still in need of development. It remains a priority of the council to contain service delivery within the affordability levels.



I want to rededicate the combined efforts of the political leadership and management of Prince Albert Municipality to the task of fulfilling the local interests of our people within the national priority of improving the quality of lives of all our people.

Thank you.

## 1.2 COUNCIL RESOLUTIONS

The MFMA stipulates that the Executive Mayor must table the Annual Budget at a Council meeting at least three months before the start of the new financial year.

The following resolutions are presented to Council for the approval of the Draft Budget:

Resolution:

1. The Council of Prince Albert Local Municipality, acting in terms of section 16(2) of the Municipal Finance Management Act, (Act 56 of 2003) accepted the budget as tabled by the Mayor:
  - 1.1. The Draft budget of the municipality for the financial year 2025/26 and the multi-year and single-year capital appropriations as set out in the following approves:
    - 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 tabled 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 2025; 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 2025 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 tables:
  - 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;
  1. Budget Policy
  2. Credit Control and Debt Collection procedures/policies.
  3. Asset Management Policy
  4. Indigent and Subsidy Policy
  5. Property Rates Policy
  6. Supply Chain Management Policy
  7. Grants in Aid Policy
  8. Borrowing Policy
  9. Virement Policy
  10. Tariff Policy
  11. Cash Management and Investment Policy
  12. Unauthorised, Fruitless and Wasteful Expenditure Policy
  13. Funding and Reserves Policy
  14. Travelling and Subsistence Policy
  15. Overtime Policy
  16. Prince Albert Municipality Preferential Procurement Policy
  17. Prince Albert Municipality Relocation Policy
  18. Essential User Car Allowance Scheme
  19. Draft Vehicle Allowance Perk Scheme
  20. Acting Allowance and Additional Responsibility Policy
6. That the Service Level Standards attached be noted.
7. That the Report on the Cost Reflective Study 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.

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 1 July 2025, the amendment of the 2024 – 2027 Integrated Development Plan.
10. That the Draft Service Delivery and Budget Implementation Plan for the 2025/26 financial year be noted.
11. That the detailed capital program per project, department and funding source as attached be approved.
12. That the procurement plan per project attached be approved.
13. That the Unauthorised, Irregular, Fruitless and Wasteful Reduction plan 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 2025/26 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 reeling from and the war in Ukraine that puts households are under severe pressure with the rise in cost of living. 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 89, 91, 93 and 93, 94, 98 and 99, 107, 108, 112 and 115, 122, 123, 126 and 128 were used as reference to guide in the compilation of the 2024/25 MTREF.

Prince Albert Municipality collection rate for the 2024/25 financial year is anticipated to be 85%. 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 2024/25 MTREF can be summarized as follows:

- The down the economic growth.
- Decrease in capital and operational grants.
- 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.

The following budget principles and guidelines directly informed the compilation of the 2025/26 MTREF:

- The 2024/25 Adjustments Budgets set the baseline for the budget of 2025/26 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 aforementioned, the following table is a consolidated overview of the proposed 2025/26 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2025/26 MTREF**

Type	Budget Year 2025/26 R '000	Budget Year 2026/27 R'000	Budget Year 2027/28 R'000
Revenue	110 198	149 764	142 073
Expenditure	130 504	134 105	146 480
Capital Transfer	9 286	11 067	11 367
Surplus / Deficit inclusive of capital transfers	(11 020)	26 727	6 959

**Municipal manager's quality certificate**

I, Thys Giliomee, Acting Municipal Manager of Prince 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: T Giliomee

Acting Municipal Manager of Prince Albert Municipality (WC052)

Signature:  \_\_\_\_\_

Date 31 March 2025