ANNUAL BUDGET OF

RICHMOND MUNICIPALITY

2025/2026 TO 2027/2028

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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Part 1 – Annual Budget

1.1 Mayor's Report

On 12 March 2026, South Africa's Finance Minister, Enoch Godongwana, delivered the 2026 Budget Speech, outlining government's fiscal framework and priorities for the medium term. The national budget continues to emphasize macroeconomic stability through prudent fiscal management, the acceleration of structural reforms to remove barriers to growth, and increased infrastructure investment to unlock the productive capacity of the economy.

The Minister further underscored the ongoing financial and operational challenges faced by local municipalities. Continued refinements to the intergovernmental grant system are aimed at strengthening accountability and incentivising municipalities to diversify their funding sources and improve financial management. Despite these interventions, financial pressures have contributed to declining service delivery in many municipalities across cities, towns, and rural areas, highlighting the systemic nature of these challenges.

The Richmond Local Municipality is not immune to these economic constraints. In response, the budget presented today incorporates cost-containment measures while prioritising efficient service delivery and long-term financial sustainability.

We have actively engaged with the Richmond community and carefully considered the needs and concerns raised during public participation processes conducted in November 2025. These engagements have informed the planning of targeted programmes and projects aimed at addressing key service delivery challenges.

Accordingly, due consideration has been given to all submissions received, and outcome-based implementation plans are being finalised to ensure that services are delivered in a cost-effective, efficient, and sustainable manner.

We remain steadfast in our commitment to achieving the Municipality's five Key Performance Areas, namely:

Good Governance and Public Participation
Basic Infrastructure and Service Delivery
Local Economic Development
Municipal Financial Viability
Municipal Transformation and Organisational Development

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His Worship the Mayor
Richmond Local Municipality

1.2 Council Resolutions

1.1 The Council of Richmond Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- 1.1.1 The Draft 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 tables:
- 1.1.2 Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2;
- 1.1.3 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3;
- 1.1.4 Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4; and
- 1.1.5 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.

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

- 1.2.1 Budgeted Financial Position as contained in Table A6;
- 1.2.2 Budgeted Cash Flows as contained in Table A7;
- 1.2.3 Cash backed reserves and accumulated surplus reconciliation as contained in Table A8;
- 1.2.4 Asset management as contained in Table A9; and
- 1.2.5 Basic service delivery measurement as contained in Table A10.

1.3 The Council of Richmond Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2021:

- 1.3.1 the tariffs for property rates – as set out in Annexure A1,
- 1.3.2 the tariffs for solid waste services – as set out in Annexure A3
- 1.3.3 The Council of Richmond Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2024 the tariffs for other services, as set out in Annexure A1 to A5 respectively.

1.4 To give proper effect to the municipality's annual budget, the Council of Richmond Municipality approves:

- 1.4.1 That cash backing is implemented as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.5 That in terms of section 24(2)(c)(iii) of the Municipal Finance Management Act, 56 of 2003, the measurable performance objectives for capital and operating expenditure by vote for each year of the medium-term revenue and expenditure framework as set out in Supporting Table SA7 are approved.

1.6 That in terms of section 24(2)(c)(iv) of the Municipal Finance Management Act, 56 of 2003, the amendments to the integrated development plan as set out in Budget Chapter 17 are approved.

1.7 That in terms of section 24(2)(c)(v) of the Municipal Finance Management Act, 56 of 2003, the budget related policies, including any amendments are approved for the budget year 2026/2027, for the following policies:

- 1.7.1 Asset Management Policy
- 1.7.2 Borrowings Policy
- 1.7.3 Budget Policy
- 1.7.4 Cash Management and Investment Policy
- 1.7.5 Rates Policy
- 1.7.6 Rates By Laws
- 1.7.7 Debt Collection and Credit control Policy
- 1.7.8 Funds and Reserve Policy
- 1.7.9 Indigent and Free Basic Service Policy
- 1.7.10 Infrastructure and Capital plan Policy
- 1.7.11 Long term financial Plan policy
- 1.7.12 Supply Chain Management Policy
- 1.7.13 Tariff Setting Policy
- 1.7.14 Virement Policy
- 1.7.15 Cost Containment Policy

1.8 That in terms of sections 22(2)(b) of the Municipal Finance Management Act read together with section 23(3) of the Municipal Budget and Reporting Regulations, council approves an application to National Treasury for the roll-over of any unspent balances (if applicable) of the 2025/26.

1.9 The Draft Service standards document is noted by council

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1.3 Executive Summary

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and „nice to have" items.
It is about sticking to our plans despite challenging circumstances. The municipality's aim is to eliminate wasteful spending and reduce it on non-critical items so as to sustain service delivery and maintain strong public finances.
The Municipality will embark on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers by implementing the debt collection and credit control policy as well as the implementation of the approved revenue enhancement strategy.

National Treasury's MFMA Circular No. 51,54, 55,57,58,59,66,67,70,72, 74, 75,78,79,82,85, 86, 89, 90, 91, 93, 94, 97, 98, 99, 107, 108, 112, 115, 116, 122,123,126 and 129 were used to guide the compilation of the 2025/26 MTREF.

The main challenges experienced during the compilation of the 2025/26 MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads and other infrastructure assets;
- The need to reprioritize projects and expenditure within the existing resource envelope given the available sources of funding;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies which makes it difficult to maintain the salaries budget within the acceptable norm as a percentage of the total operating budget; and

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

- The 2025/26 Adjustments Budget priorities and targets;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI. In addition, tariffs need to remain or move towards being cost reflective, and should consider the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been Gazetted as required by the annual Division of Revenue Act; and

- Local Government budget and Financial reforms: Regulation of a “Standard Chart of Accounts’ (SCOA) for local government.

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

R thousand	Adjustmnet Budget	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Total Operating Revenue	154,417	156,265	158,186	166,307
Total Operating Expenditure	186,170	189,644	195,902	202,171
Surplus / (Deficit for the year)	(31,753)	(33,379)	(37,716)	(35,864)
Total Capital Expenditure	37,935	24,360	25,164	25,969

Total operating revenue has increased by **1% or R 2 million** for the 2026/27 budget year when compared to the 2025/26 Adjusted Budget. Over the two outer years, operating revenue is projected to grow at an average annual rate of 3%. The increase in revenue for the outer years is mainly attributable to the recovery of the equitable share.

Total operating expenditure for the 2026/27 financial year has been appropriated at **R 156 million**, resulting in a budgeted **deficit of R 33 million**. When compared to the 2025/26 Adjusted Budget, operating expenditure has increased by **2%**. Expenditure is projected to grow by **3.3%** in 2027/28 and **3.2 %** in 2028/29.

The operating budget has been compiled taking into account inputs received from the community during the IDP consultation process conducted in **November 2025**. Furthermore, the budget continues to apply **cost-containment and zero-based budgeting principles** across key votes to ensure efficiency and financial sustainability.

The capital budget for 2026/27 amounts to **R24 million**, representing a **decrease of 36%** compared to the 2025/26 Adjusted Budget. The capital programme increases to **an average of 3%** in 2027/28 and 2028/29.

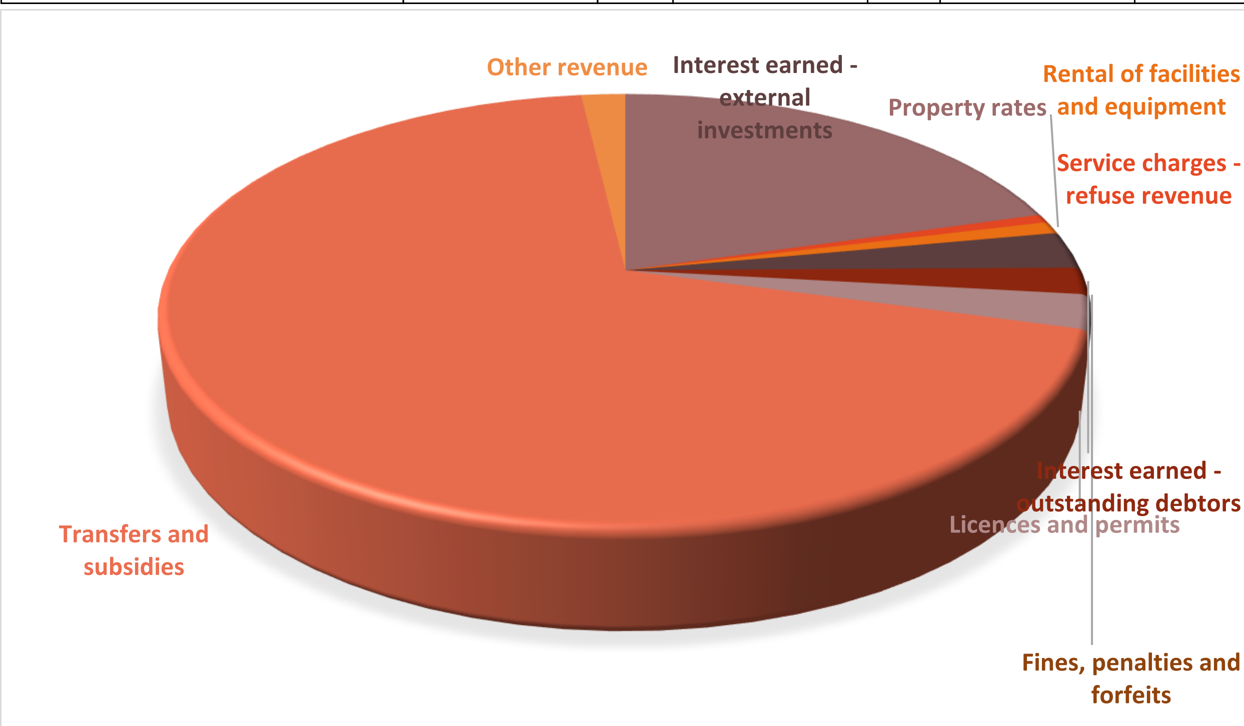
A portion of the capital budget will be funded from **internal sources**, while the majority will be financed through **conditional grants**. As a result, the capital budget remains **relatively stable** over the MTREF period.

1.4 Operating Revenue Framework

Table 2 Percentage growth in revenue by main revenue source

KZN227 Richmond - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Budget Year 2026/27	%	Budget Year +1 2027/28	%	Budget Year +1 2028/29	%
Revenue By Source						
Property rates	32,020,104	20%	33,076,776	21%	34,135,224	21%
Service charges - refuse revenue	992,148	1%	1,024,884	1%	1,057,680	1%
Rental of facilities and equipment	1,427,340	1%	1,474,428	1%	1,521,624	1%
Interest earned - external investments	4,304,920	3%	4,446,988	3%	4,589,280	3%
Interest earned - outstanding debtors	3,118,332	2%	3,221,232	2%	3,324,312	2%
Fines, penalties and forfeits	9,288	0%	9,600	0%	9,900	0%
Licences and permits	3,964,932	3%	4,095,768	3%	4,226,832	3%
Transfers and subsidies	107,550,072.00	69%	107,863,650.00	68%	114,374,900.00	69%
Other revenue	2,877,588	2%	2,972,556	2%	3,067,656	2%
Total Revenue	156,264,724		158,185,882		166,307,408	100%



1.4.1 Property Rates

Revenue generated from **rates and services charges** forms an insignificant percentage of the revenue basket for the Richmond Municipality when compared to Transfers and Subsidies. Rates and service charges revenues comprise just above 20 per cent of the total revenue mix. In the 2026/27 financial year, revenue from rates and services charges totaled R33 million or 21 per cent. This increased to R34 million and R35 million in the respective outer financial years of the MTREF.

Property rates is budgeted at R31,1 million in the 2026/27 financial year with the 3.3% and 3.2% increase on the respective outer years.

1.4.2 Refuse Removal and Impact of Tariff Increases

Currently, waste removal is operating at a loss. It is widely accepted that this service should at least break even, which is not the case at present. The municipality must implement a solid waste strategy to ensure that the service can be provided sustainably over the medium to long term. Consequently, the municipality has reviewed the tariffs for commercial users and attempted to increase them to address this issue. Additionally, the tariff charge will be raised per unit rather than per property. Richmond Local Municipality is currently testing and assessing the tariff tool designed to set the correct pricing for refuse removal services. The goal is to offer affordable services while ensuring their sustainability for the future.

A 3.3 per cent increase in the waste removal tariff for domestic and commercial users is proposed from 1 July 2026. Currently, indigent residential consumers are subsidized in full for refuse removal.

1.4.3 Rental of facilities and Equipment

The municipality has budgeted R1.4 million for rental of facilities and equipment in the 2026/27 budget year. The CPI was further applied in the 2027/28 and 2028/29 outer years.

1.4.4 Interest earned from External Investments

The municipality has budgeted R4.3 million in the Interest Earned from External Investments for the 2026/2027 budget year which is aligned with the latest interest rate market is SA. The Municipality will continue implementing aggressive investment strategies in the 2026/2027 financial year to maximize returns. The CPI was further applied in the 2027/28 and 2028/29 outer years.

1.4.5 Licenses and permits

The municipality has applied a CPI percentage increment for license and permits that resulting to the budget being increased by only 3.7%. The CPI was further applied in the 2027/28 and 2028/29 outer years.

1.4.6 Transfers recognized

Transfers recognized contributes to about 69 per cent of the total operating income of the municipality.

1.4.7 Other operational Revenue

The municipality has budgeted for other income at R 2.8 million in the 2025/26 budget year. The CPI was further applied in the 2027/28 and 2028/29 outer years.

1.5 Operating Expenditure Framework

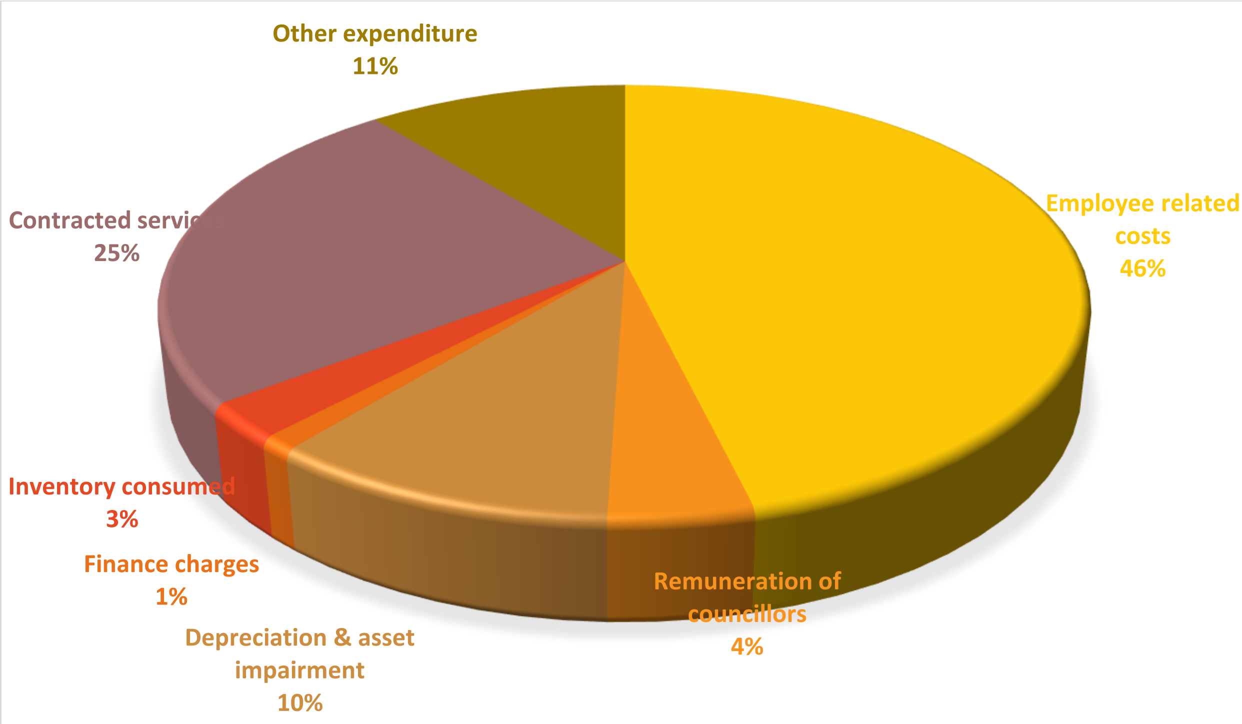
The Richmond's expenditure framework for the 2026/27 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

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

Table 3 Percentage growth in operating expenditure by main expenditure source

KZN227 Richmond - Table A4 Budgeted Financial Performance (revenue and expenditure)						
Description	**Budget Year 2026/27**	**%**	**Budget Year +1 2027/28**	**%**	**Budget Year +1 2028/29**	**%**
Expenditure by Type						
Employee related costs	85,981,368	45%	88,818,624	45%	91,661,022	45%
Remuneration of councillors	7,931,856	4%	8,193,564	4%	8,455,800	4%
Depreciation & asset impairment	19,319,340	10%	19,956,900	10%	20,595,528	10%
Finance charges	1,941,924	1%	2,006,016	1%	2,070,216	1%
Inventory consumed	4,917,012	3%	5,079,240	3%	5,241,852	3%
Contracted services	45,667,404	24%	47,174,364	24%	48,683,832	24%
Other expenditure	20,167,080	11%	20,832,732	11%	21,499,180	11%
Debt write-off and impairment	3,718,008.00	2%	3,840,696.00	2%	3,963,600.00	2%
Total Expenditure	**189,643,992**	**100%**	**195,902,136**	**100%**	**202,171,030**	**100%**



1.5.1 Employee Related Costs

The budgeted allocation for employee-related costs for the 2026/27 financial year totals R86 million, which equals 45% of the total operating expenditure. Salary increases have been factored into this budget at a percentage increase of 4.75 per cent for the 2025/26 financial year.

An annual increase of 4.75 per cent has been included for the budget outer years. The budget has also been drawn up considering the budgeting for applicable annual notch increases.

1.5.2 Remuneration of Councilors

The cost associated with the remuneration of councilors 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). A 4.75 per cent increase has been factored into the budget for the 2026/27 financial year.

The municipality is legislated to have a full-time mayor, full time speaker, full time deputy mayor, part time member of the executive committee and part time councilors. The positions of full-time speaker and deputy mayor were Gazetted and effective from April.

1.5.3 Depreciation

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 asset consumption. Budget appropriations in this regard total R19 million for the 2026/27 financial and equates to 10 per cent of the total operating expenditure.

1.5.4 Finance charges

The finance charges budgeted for under Table A4 relates to bank charges, finance lease charges on the lease of photocopiers and vehicles and unwinding of landfill site provision.

1.5.5 Inventory Consumed

In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. During the compilation of the 2026/2027 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure.

The inventory consumed for the 2026/27 financial year is R 4,9 million and CPI was applied for the outer years

1.5.6 Contracted Services

The municipality has budgeted R 46 million for Contracted Services for the budget year 2026/2027. and CPI was applied for the outer years.

Furthermore, the contracted services have been identified as a cost saving area for the Richmond Municipality. As part of the compilation of the 2026/27 MTREF this group of expenditure was critically evaluated, and operational inefficiencies were noted.

1.5.7 Other expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. The budget for the 2026/27 is R 20 million and CPI was applied for the outer years

1.6 Capital expenditure

Municipal Infrastructure grant

Number	Projects	Amount
1	Upgrading of Slahla Access road	16,658,328
2	Siyathuthuka/Magoda Phase 3	4,376,568
		21,034,891

Internally Funded Capital Projects

	Projects	Amount
1	Furniture Internal Audit Office	26,100.00
2	Trafman System	15,996.00
3	ALCOHOL SCREENERS	18,000.00
4	Binoculars	6,000.00
5	Traffic Robot- Educational	12,000.00
6	Laptops- Roads	45,000.00
7	TLB	1,500,000.00
8	Generator- Roads	24,996.00
9	MECHANICAL TOOLS	60,000.00
10	Roads brush cutter machine	114,996.00
11	HEAVY DUTY CHAINSAW	69,996.00
12	Skip Bins	500,004.00
13	Pedestrian Roller	200,004.00
14	Pruner	50,004.00
15	Blower	15,000.00
16	Trailer	60,000.00
17	Air Compressor	9,996.00
18	Diagnostic Machine	39,996.00
19	Ladder	20,004.00
20	Electrification of Nelson Street Stalls	249,996.00
21	Water Meter Installations for Nelson Street Stalls	45,000.00
22	Planning office furniture	60,000.00
23	LAPTOP MM	50,004.00
24	Projector - MM	9,996.00
25	Shredder - MM	15,000.00
26	Chairs MM	99,996.00
27	Laminating machine - MM	6,996.00
28	Outdoor Gym facility – ward 4	1,000,000.00

Other municipality programme

Municipality List Of Operational Projects	Draft Budget 2027
Community Development: Burials: INDIGENT BURIALS	156,600.00
Communication and Public Participation: Awareness Campaign: Heritage Day	60,000.00
Community Development: Child Programmes: Siyaya Emhlangeni	50,004.00
Community Development: Community Development Initiatives: Nomkhubulwane	75,000.00
Community Development: Community Development Initiatives: Umkhozi Wempi Yasesandlwane	60,000.00
Communication and Public Participation: Awareness Campaign:Awareness Campaigns- Senior Citizens	10,008.00
Community Development:Child Programmes:Christmas Celebration For Disadvantaged Children	7,008.00
Community Development:Community Development Initiatives:Launching vulnerable groups forums & Back to School Campaign	49,992.00
Community Development: Community Development Initiatives: Local Talent Search	49,992.00
Community Development: Community Development Initiatives: Operation Sukuma Sakhe	15,000.00
Community Development:Community Development Initiatives:Smart ID Programme	90,000.00
Community Development:Community Initiatives:Arts and Culture Seasonal Events	399,996.00
Community Development:Community Initiatives:Awareness campaigns:Supporting Victims/AIDS Day/RTI EDU/HSL/GBV/16 Days/Disability	305,004.00
Community Development:Community Initiatives:Community & Social Services All Committees workshops	50,004.00
Community Development:Community Initiatives:Craft Workshop	60,000.00
Community Development:Community Initiatives:Umkhosi Womhlanga	180,000.00
Community Development:Gender Development:GENDER DEVELOPMENT	19,992.00
Community Development:Youth Projects:Youth Development:Youth Month Celebrations & Career Exhibition	69,996.00
Indigent and Cultural Management and Services:Review of indigent register	80,004.00
Indigent and Cultural Management and Services:Social Relief for Disadvantaged groups	20,004.00
Sport Development:Marathons Sport and Recreation:Sports Promotion Programme	69,996.00
Sport Development:Municipal Games:Easter Tournament	45,000.00
Sport Development:Municipal Games:Mayoral Cup	330,012.00
Sport Development:Municipal Games:Municipal Golden Games	139,992.00
Sport Development:Municipal Games:SALGA GAMES	305,004.00

Community Development:Gender Development:GENDER DEVELOPMENT	5,004.00
Disaster Management:DISASTER MANAGEMENT (102505)	807,000.00
Emergency and Disaster Management:Disaster Relief:PUBLLIC AWARENESS CAMPAIGN	6,996.00
Community Development:Education and Training:Student Assistance	139,992.00
Community Development:Community Development Initiatives:SMME SUPPORT PROGRAMME	300,000.00
Community Development:Education and Training:LED BUSINESS EVENTS	39,996.00
Functions and Events:Special Events and Functions:COMMEMORATION OF HERITAGE DAY LED	19,992.00
Local Economic Development:Project Implementation:AGRI-FARMERS INFORMATION DAY	14,988.00
Local Economic Development:Project Implementation:CRAFT SHOW	15,984.00
Local Economic Development:Training:SMME ACCREDITED TRAINING PROGRAMME	15,660.00
Public Protection and Safety:ROAD SAFETY EDUCATION	20,004.00
Public Protection and Safety:Road Safety Programme	20,004.00
Public Protection and Safety:RTI ENFORCEMENT VISIT	30,000.00
Electrification:DME ELECTRIFICATION PROJECTS	1,632,000.00
Expanded Public Works Programme:Project:EPWP PROJECT	1,965,996.00