



**CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD**

ANNEXURE 38

PROVINCIAL TREASURY MUNICIPAL CIRCULAR 01/2026

2026/27 BUDGET (JUNE 2026)



**Western Cape
Government**

Provincial Treasury

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Local Government Budget Office

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MUNICIPAL BUDGET CIRCULAR FOR THE 2026/27 MTREF AND ASSOCIATED 2026 STRATEGIC INTEGRATED MUNICIPAL ENGAGEMENTS

1. PURPOSE

The purpose of this circular is to:

- Provide an overview of the current fiscal and economic context.
- Provide municipalities with guidance on the finalisation of the 2026/27 Medium-Term Revenue and Expenditure Framework (MTREF) Budgets and accompanying budget documentation.
- Brief municipalities on the 2026 Strategic Integrated Municipal Engagements (SIME 2) process and related matters.

2. INTRODUCTION

This Circular should be read in conjunction with National Treasury (NT) MFMA Circular No. 134 issued by National Treasury on 20 March 2026 which, inter alia, examines the state of the South African economy and inflation targets, key focus areas for the budget process, review of the local government fiscal framework, funding of municipal budgets and other management issues, and Municipal Standard Chart of Accounts (mSCOA).

3. LEGISLATIVE CONTEXT

The Western Cape Provincial Government (WCG) has institutionalised the Strategic Integrated Municipal Engagements (now SIME 2; previously referred to as LG MTEC/SIME) process in fulfilment of its obligations under:

- Sections 5, 22 and 23 of the Local Government: Municipal Finance Management Act (MFMA), Act No. 56 of 2003.
- Chapter 5 of the Local Government: Municipal Systems Act (Act No. 32 of 2000) [MSA];
- Chapter 3 of the National Environmental Management Act (Act No. 107 of 1998) (NEMA); and
- Chapter 4 of the Spatial Planning and Land Use Management Act (Act No. 16 of 2013) (SPLUMA).

4. FISCAL AND ECONOMIC CONTEXT

4.1 Economic and Fiscal Environment

The South African economy is expected to remain on a modest recovery path over the 2026/27 MTREF period, with growth projected to average approximately 1.8 per cent. This projected growth was largely underpinned by household consumption, supported by easing inflation, gradual improvements in real purchasing power, moderately stronger wage growth and improving credit conditions. While inflation is expected to remain relatively contained within a range of 3.2 to 3.4 per cent, it is subject to a range of risks, including food price pressures, administered cost increases and the impacts of global economic uncertainty. The transition to a lower inflation target of 3 per cent, with a tolerance band of 1 percentage point, is expected to support long-term price stability, although short-term volatility remains a concern.

At the same time, the external environment has become increasingly uncertain, particularly due to escalating geopolitical tensions in the Middle East. These developments are contributing to higher fuel and energy prices, increased shipping and logistics costs, exchange rate volatility and imported inflation. As a result, while the macroeconomic outlook may be described as broadly stable, it

remains fragile, with downside risks likely to outweigh potential upside gains. In particular, the escalation of conflict involving the United States and Iran has introduced significant risks to global energy markets and economic stability. Disruptions to key oil transit routes have already contributed to sharp increases in global oil prices, with prices exceeding \$100 per barrel in recent weeks. Given the central role of energy in production and transport, such increases are rapidly transmitted across economies, raising the cost of goods and services and contributing to higher inflation globally. For net energy-importing countries such as South Africa, this results in increased fuel costs, higher electricity tariffs (see also section 5.2 Electricity Tariffs and Energy Cost Pressures) and elevated logistics expenses, all of which place additional pressure on households, businesses and municipal operations.

The inflationary effects of such a conflict are likely to be both immediate and persistent, particularly if supply disruptions are prolonged. Sustained increases in oil and gas prices could drive broader inflation while simultaneously slowing economic growth. This combination of rising prices and weakening growth poses a significant risk to local economies, as it erodes purchasing power, dampens consumer demand and increases the cost of delivering services. For municipalities, this environment may result in rising input costs that outpace allowable tariff increases, thereby compressing operating margins and necessitating stricter expenditure controls, enhanced efficiency measures and more conservative budgeting assumptions.

Capital expenditure programmes will also face heightened risks. Cost escalation in construction inputs, combined with supply chain disruptions and extended lead times for imported goods, may result in project delays and cost overruns. At the same time, constrained revenue growth and affordability pressures are likely to limit the ability of municipalities to fund infrastructure investment, particularly through tariff-based revenue. This environment places increased emphasis on prioritising core infrastructure—such as water, sanitation, electricity and roads—while limiting expenditure on non-essential or discretionary capital projects. Municipal capital budgets must therefore be realistic, fully cash-backed, and aligned to implementation capacity, with strong emphasis on project planning, procurement discipline and contract management.

Revenue performance is expected to remain constrained due to the combination of modest economic growth and continued pressure on household finances. This is likely to limit the scope for tariff increases and may negatively affect collection rates. Municipalities will need to exercise caution in revenue forecasting, avoid overestimation, and strengthen revenue management practices to improve collection efficiency while balancing affordability considerations.

Considering heightened global and domestic uncertainty, particularly arising from geopolitical developments, municipalities are also required to strengthen their approach to fiscal risk management. This includes incorporating risk scenarios into the MTREF and Long-term Financial Plans, particularly in relation to fuel price volatility and inflation shocks, strengthening cash flow management, maintaining adequate liquidity buffers, and ensuring strict adherence to cash-backed budgeting principles.

In responding to these challenges, municipalities should adopt a disciplined and strategic approach to budgeting over the medium term. On the operating side, emphasis should be placed on containing non-core expenditure, eliminating inefficiencies, and protecting spending on critical service delivery areas, including repairs and maintenance and asset sustainability. On the capital side, municipalities should prioritise high-impact, economically enabling and service-critical infrastructure, while ensuring that capital programmes are credible, affordable and implementable. Across both operating and capital budgets, there must be a stronger focus on improving alignment between planning, budgeting and performance, supported by data-driven decision-making and robust expenditure reviews.

Against this backdrop, Western Cape municipalities are expected to face sustained fiscal pressures over the 2026/27 MTREF. Operating expenditure is likely to come under increasing strain, particularly in relation to fuel and energy costs, bulk purchases, repairs and maintenance, and contracted services. Rising input costs—driven in part by global supply chain disruptions and imported inflation—are expected to place upward pressure on materials such as bitumen, chemicals and spare parts, while contractor pricing is likely to reflect higher transport and logistics costs. In addition, employee-related expenditure will remain a key pressure point, with moderate wage increases and ongoing inefficiencies, such as overtime, requiring careful management. As a result, growth in operating expenditure is likely to exceed baseline inflation in several key cost categories, necessitating stricter cost containment, improved operational efficiency and a deliberate reprioritisation of non-core spending in line with the principles of Targeted and Responsible Savings.

The 2026/27 MTREF period presents a constrained fiscal environment characterised by modest economic growth, relatively stable but uncertain inflation, and elevated global risks. For Western Cape municipalities, this will translate into increasing operating cost pressures, heightened capital delivery risks and constrained revenue growth. Municipal budgets must therefore be conservative, prioritised and efficiency-driven, with a clear focus on protecting core service delivery, maintaining infrastructure and ensuring long-term financial sustainability.

5. KEY FOCUS AREAS FOR THE 2026/27 BUDGET PROCESS

5.1 Local government conditional grants and other grants allocations

The 2026/27 fiscal framework provides for total direct national allocations to local government of R182.3 billion, comprising the equitable share, conditional grants and fuel levy transfers. While these allocations offer some relief to municipalities—particularly in supporting basic service delivery - they grow at a moderate pace and are unlikely to fully offset rising operating and infrastructure costs. As a result, Western Cape municipalities will continue to operate within a constrained fiscal environment, requiring prudent budgeting, improved revenue management and careful prioritisation of expenditure.

Reforms to the conditional grant system signal a shift towards greater efficiency, consolidation and performance-based funding. The merger of energy-related grants reflects a stronger policy focus on energy efficiency and renewable energy, requiring municipalities to align infrastructure planning with long-term energy security and sustainability objectives. At the same time, the planned phasing out of the Infrastructure Skills Development Grant over the medium-term places increased responsibility on municipalities to internally fund and sustain technical and project management capacity.

Most significantly, the introduction of a provision allowing National Treasury to redirect infrastructure grants away from underperforming municipalities marks a decisive move towards performance-based enforcement. Municipalities that demonstrate weak planning, persistent underspending or poor project implementation risk losing control over infrastructure funding to alternative implementing agents such as the Development Bank of Southern Africa, the Municipal Infrastructure Support Agent or capable district municipalities.

For Western Cape municipalities, these developments underscore the need to strengthen budget credibility, improve grant implementation performance, and prioritise core infrastructure investment. Municipalities must ensure that capital programmes are realistic, implementation-ready and aligned with available capacity, while also enhancing procurement, contract management and oversight processes. Failure to do so may result in reduced fiscal autonomy, whereas improved performance

will position municipalities to better sustain service delivery and infrastructure investment over the medium term.

5.2 Electricity Tariffs and Energy Cost Pressures

Approval of Eskom Tariff Adjustment

On 5 March 2026, the National Energy Regulator of South Africa (NERSA) approved Eskom's Electricity Retail Tariff and Structural Adjustment (ERTSA) application. As part of this decision, a bulk electricity tariff for municipalities of 9.01 per cent was approved for the period 1 July 2026 to 30 June 2027. This increase will directly impact bulk electricity purchase costs for municipalities and must be carefully incorporated into the 2026/27 MTREF budgets.

Revised Timelines for Municipal Tariff Applications

Following the judgment of the North Gauteng High Court on 20 February 2026, the timelines for municipal electricity tariff applications have been revised as follows:

- Submission of Applications: Municipalities/distributors must submit electricity tariff applications to NERSA by 31 March 2026.
- Public Participation Process: NERSA's public consultation process will conclude by 21 April 2026.
- Finalisation of Tariff Decisions: NERSA will communicate final decisions to municipalities on or before 11 May 2026. These approved tariffs should subsequently be brought into the final budgets.

These timelines are intended to ensure that approved municipal tariffs can be implemented from 1 July 2026, in line with the start of the municipal financial year.

Key Budgeting Considerations for Municipalities

In preparing their electricity tariff applications for the 2026/27 MTREF, municipalities should consider the following guiding principles:

- Cost-reflective tariffs: As per MFMA Circular No. 134, and in line with the guidance previously provided in MFMA Circular No. 132, municipalities are required to complete the Cost-Reflective Tariff Tool. Where tariffs are not yet fully cost-reflective, municipalities must outline a clear and credible path to achieve cost-reflectivity over the 2026/27 MTREF period. This should be supported by realistic assumptions, phased implementation where necessary, and alignment to affordability considerations.
- Align tariff increases with bulk cost pressures: Ensure that electricity tariffs adequately reflect the approved Eskom increase, while balancing affordability considerations.
- Avoid under-recovery of electricity costs: Failure to align tariffs with cost increases may result in operating deficits within electricity trading services, placing additional strain on municipal finances.
- Protect the financial sustainability of electricity services: Electricity trading services should as far as possible be ring-fenced, with revenues used to fund operations, maintenance, and infrastructure investment.

- Improve energy efficiency and demand management: Municipalities are encouraged to implement initiatives that reduce energy losses, improve revenue protection, and promote efficient consumption.
- Plan for structural changes in the energy sector: Ongoing reforms, including diversification of energy supply and embedded generation, grid defection, may impact future revenue streams and tariff structures. Municipalities should incorporate these risks into their medium-term financial planning.

Compliance Requirements for Tariff Applications

Municipalities are reminded that electricity tariff applications submitted to NERSA must meet the following governance and regulatory requirements:

- Authorisation of the tariff application by the appropriate municipal authority.
- Approval of tariffs by the Municipal Council. In the form of a specific council resolution in support of not only the tariff, but the tariff application as well.
- Evidence of public consultation on proposed tariffs. Provincial Treasury acknowledges that this remains a key area of concern, particularly given that municipalities undertake extensive public participation processes following the tabling of the annual budget. Notwithstanding this, municipalities are advised to make reasonable efforts to communicate proposed electricity tariffs to communities prior to submission to NERSA. This may include the use of municipal websites, social media platforms, community notice boards, local newspapers, and other appropriate communication channels to enhance transparency and public awareness.
- Submission of audited regulatory financial information for the 2024/25 financial year.

Failure to comply with these requirements or to meet the prescribed timelines may delay or adversely affect the approval of tariff applications.

5.3 Administrative Adjudication of Road Traffic Offences (AARTO)

The Administrative Adjudication of Road Traffic Offences (AARTO) system is scheduled for implementation from 1 July 2026. The introduction of AARTO represents a significant reform to the traffic enforcement environment, with potential implications for municipal revenue, enforcement operations and administrative processes.

Key considerations for municipalities

In preparing the 2026/27 MTREF, municipalities should:

- Exercise caution in revenue projections: Municipalities should avoid over-reliance on traffic-related revenue streams, as the implementation of AARTO may alter the collection, allocation and timing of revenue flows.
- Assess potential revenue impacts: The shift to an administrative adjudication system, including the centralisation of certain processes, may affect the extent to which municipalities retain fine-related revenue.
- Plan for administrative and system changes: Municipalities may need to adapt internal systems, processes and capacity to align with AARTO requirements, including integration with national systems and revised enforcement procedures.

- Consider enforcement and operational implications: Changes in enforcement processes and compliance mechanisms may require adjustments to traffic policing strategies and resource allocation.
- Incorporate uncertainty into budgeting: Given the evolving nature of the implementation framework, municipalities should incorporate appropriate risk assumptions and avoid committing expenditure against uncertain revenue streams.

Municipalities are encouraged to monitor further guidance from national departments and regulatory authorities, and to ensure that their budgeting and planning processes remain responsive to developments relating to AARTO implementation.

5.4 Post 2025 changes

The post-2025 MTBPS adjustments introduce a series of reprioritisations, reductions and structural changes to conditional grants, reflecting a constrained fiscal environment and a shift towards funding national priorities, strengthening core municipal functions and improving infrastructure delivery performance.

Overall, these changes result in a reduced and restructured funding envelope for municipalities, particularly affecting infrastructure and transport-related grants. Municipalities must therefore adopt a more prioritised, realistic and performance-driven budgeting approach for the 2026/27 – 2028/29 MTREF.

Key reprioritisations include diverting funds from the Municipal Infrastructure Grant (MIG) towards national obligations and the shift of funds from the direct to the indirect component of infrastructure grants, signalling increased national intervention in cases of weak implementation. In addition, significant funding has been reallocated from the Urban Settlements Development Grant to the Urban Development Financing Grant to strengthen core trading services such as water, sanitation and electricity, particularly within metropolitan municipalities.

At the same time, several reductions across conditional grants will constrain municipal infrastructure expansion and service delivery. Notably, the Public Transport Network Grant is reduced substantially over the MTEF, with funds redirected towards rail infrastructure through PRASA. Further reductions to the MIG, electrification grants and informal settlements upgrading grants will limit the pace of infrastructure rollout and upgrading programmes. The discontinuation of the Neighbourhood Development Partnership Grant further reduces funding available for catalytic urban development initiatives.

While there is a targeted addition to the Regional Bulk Infrastructure Grant, this is project-specific and does not materially offset broader reductions affecting municipalities.

The post-MTBPS changes require Western Cape municipalities to operate within a more constrained and performance-oriented fiscal framework, where funding is increasingly reprioritised towards core services and national priorities, access to infrastructure funding is more closely linked to implementation performance, and municipalities must rely more on efficiency gains, reprioritisation and sound financial management.

5.5 Review of the local government fiscal framework

Government has initiated a comprehensive review of the local government fiscal framework over the 2026 MTEF period, aimed at strengthening the financial viability, effectiveness and long-term sustainability of municipalities. This review will assess how resources are allocated, managed and utilised across the sector, with a particular focus on both distressed and better-performing municipalities to refine policy responses and improve the overall system.

The review is structured around key focus areas, including:

- the local government equitable share formula,
- municipal expenditure patterns and efficiency,
- identification of fiscal leakages, and
- exploration of additional revenue options, such as improved own-revenue instruments and enhanced municipal borrowing for infrastructure investment and maintenance.

This review signals a potential structural reform of the local government fiscal framework, which may influence future funding allocations, revenue powers and financial management requirements. Western Cape municipalities must strengthen data integrity, financial management, revenue generation and expenditure efficiency, while preparing for a more evidence-based, performance-oriented and potentially restructured fiscal environment over the medium term.

5.6 Water crisis in South Africa

Water and sanitation services across South Africa are experiencing significant and widespread deterioration, with the majority of Water Service Authorities (WSAs) performing poorly or critically in recent Blue Drop and Green Drop assessments. This reflects a systemic failure in municipal water and wastewater management, driven primarily by infrastructure decline, weak governance, and inadequate reinvestment in maintenance and upgrades. In addition, a substantial number of underperforming municipalities have not yet implemented corrective action plans, further compounding risks.

At the same time, water demand is increasing due to population growth, urbanisation and inefficient usage, while climate change is intensifying supply risks, placing additional pressure on already constrained systems.

In response, national reforms are being advanced to strengthen governance, financial sustainability and infrastructure investment in the water sector. Notably, the Metro Trading Services Reform introduces a performance-based incentive framework aimed at improving water and sanitation service delivery, ensuring that revenues generated are ring-fenced and reinvested into infrastructure maintenance and renewal, particularly in metropolitan municipalities.

5.6.1 Key considerations for Western Cape municipalities when preparing budgets

Municipalities should incorporate the following into their IDP and 2026/27 MTREF budgets:

Prioritise water and sanitation infrastructure

- Allocate sufficient funding for maintenance, refurbishment and upgrading of ageing infrastructure.
- Protect capital and operational budgets for water services from reprioritisation.

Increase investment in repairs and maintenance

- Address high water losses (non-revenue water) and system inefficiencies.
- Ensure routine and preventative maintenance is adequately funded.

Strengthen financial sustainability of water services

- Ring-fence water and sanitation revenues to ensure reinvestment into infrastructure.
- Improve billing, metering and revenue collection for water services.

Improve governance and compliance

- Develop and implement corrective action plans in response to Blue Drop, Green Drop and No Drop assessments.
- Strengthen monitoring, reporting and regulatory compliance.

Enhance demand management and resilience

- Implement water conservation and demand management strategies.
- Incorporate climate resilience measures into infrastructure planning.

5.7 Metro Trading Services Reform

The Metro Trading Services Reform (MTR), implemented through the Urban Development Financing Grant (UDFG), introduces a performance-based incentive framework aimed at strengthening the governance, financial sustainability and operational performance of municipal trading services - specifically water and sanitation, electricity and energy, and solid waste management in metropolitan municipalities.

For the Western Cape, the City of Cape Town is a Cohort 1 metro, meaning it is already in the implementation phase of the reform (Year 2 in 2026/27), while all metros (including Cape Town) will participate in solid waste reforms under Cohort 2 from 2026/27.

The reform requires metros to prepare and implement A3 Performance Improvement Action Plans (A3-PIAPs), which must be fully costed, Council-approved, and aligned to the MTREF budgets. Performance against these plans is formally assessed and independently verified, with incentive funding directly linked to compliance with minimum commitments and achievement of performance targets. Failure to meet requirements may result in the withholding or reallocation of funds.

The reform is supported by structured reporting, verification and governance systems, including the use of existing municipal reporting frameworks, enhanced data management, and oversight through an Independent Verification Agent.

5.8 Key considerations for Western Cape municipalities in terms of equitable share, conditional grants and roll-overs (2026/27 MTREF)

Western Cape municipalities must give careful attention to the conditions governing the release of the equitable share, the rollover of conditional grants, and the treatment of unspent funds, as these have direct implications for cash flow, funding certainty and budget credibility.

Firstly, the release of the equitable share remains conditional on strict compliance with reporting and governance requirements as set out in previous MFMA Circulars. Municipalities are required to institutionalise these requirements through formal systems and processes, including clear delegation to responsible officials, incorporation into performance agreements, adoption of council-approved policies and standard operating procedures, and inclusion in the SDBIP. Failure to comply with reporting obligations and information requests may result in withholding of equitable share transfers in terms of the MFMA. This places emphasis on strengthening internal controls, governance and reporting discipline to safeguard this critical funding source.

Secondly, the rollover of conditional grant funds is highly regulated and increasingly stringent. Unspent funds at year-end will revert to the National Revenue Fund unless municipalities can demonstrate that such funds are committed to identifiable, implementation-ready projects. Rollover applications must be supported by detailed evidence, including proof of procurement progress, signed contracts, cash flow projections, implementation plans and credible reasons for under-expenditure. Importantly, only projects that are already underway and fully planned will be considered, and rollover of previous rollovers is not permitted. Municipalities must also ensure that leadership stability is in place, as applications will not be considered where key positions such as the Municipal Manager or Chief Financial Officer remain vacant for extended periods.

In addition, strict deadlines and compliance requirements apply, with rollover applications required by 31 August 2026. National Treasury will assess applications based not only on project readiness but also on broader financial management performance, including compliance with in-year reporting (Sections 71 and 72), submission of Annual Financial Statements, and accurate disclosure of grant spending. A critical requirement is that rollover requests must be fully cash-backed, with sufficient cash reflected in financial statements. Failure to meet these requirements will result in rejection of rollover applications.

Thirdly, municipalities must carefully manage unspent conditional grants for 2025/26, ensuring that expenditure reporting is accurate and reconciled, and that any unspent balances are either supported by an approved rollover or returned to the National Revenue Fund within prescribed timelines. Failure to return unspent funds will result in offsets against future equitable share transfers, directly impacting municipal cash flow and financial stability.

Lastly, the rollover of the Urban Development Financing Grant (UDFG) – Metro Trading Services component is closely linked to performance under the reform programme. Cash flows are aligned to the achievement of milestones set out in the A3 Performance Improvement Action Plans (A3-PIAPs). This means that rollover approvals and future allocations are contingent on demonstrated progress, reinforcing the shift towards performance-based funding and accountability. Early and well-prepared submissions are encouraged to facilitate timely consideration. (MFMA Circular No. 134 pages 10 – 12).

6. 2026/27 STRATEGIC INTEGRATED MUNICIPAL ENGAGEMENTS (SIME 2) PROCESS

6.1 Municipal Budget Day

According to sections 16(2) and 17(3)(d) of the MFMA, the Mayor of a municipality must table the annual budget at a council meeting at least 90 days (i.e. by 31 March) before the start of the budget year.

It is important to note that there is no explicit requirement for council to endorse or approve the tabled budget or draft IDP tabled by the mayor for public participation. The municipal council only has the legal authority to consider a tabled budget and draft IDP after the completion of one or more public participation processes undertaken pursuant to section 22, read with section 23 of the MFMA. Council will only consider for approval “the product of an inclusive budget preparation and

consultative process" when the proposed annual budget (as amended, if applicable) is tabled before council in terms of section 24(1) of the MFMA.

Given that the preparation, consultation, adoption and implementation of a municipality's annual budget is inextricably linked to, and must be substantially aligned to and informed by the contents of that municipality's Integrated Development Plan (IDP), the budget and draft IDP should both be tabled before the municipality, commences with the public participation process required in terms of section 22 of the MFMA.

6.2 Failure to Table Draft Budgets and IDPs by End March 2026

If a municipality has failed to complete the relevant processes applicable for the review and revision of the annual budget and the compilation of an IDP in time for the deadline applicable to the tabling of the proposed annual budget (i.e. 31 March), the mayor must (MFMA Section 27), upon becoming aware of any impending non-compliance by the municipality of any provisions of the Act or any other legislation pertaining to the tabling or approval of the annual budget or compulsory consultation processes, inform the MEC for Finance in the province in writing of any impending non-compliance.

If the impending non-compliance pertains to a time provision, other than section 16(1) of the MFMA, the mayor may apply to the MEC for Finance for an extension, which must be in accordance with Schedule G of the Municipal Budget and Reporting Regulations (MBRR). In addition to the requirement to inform the MEC of impending non-compliance with the MFMA, mayors and accounting officers are requested to inform PT should they have reasons to believe that their municipality's budget might not be tabled/approved timeously due to dynamics in council. This will enable PT to engage with municipal officials to prepare for any possible action (including in terms of 139(4) of the Constitution) that may be required if a budget is not adopted.

In the event of actual non-compliance by a municipality with time provisions concerning the annual budget, the mayor must inform council, the MEC for Finance and NT, in writing, of such non-compliance and any remedial action or corrective measures the municipality intends to implement. Such a notification must be done in accordance with section 63 and Schedule G of the MBRR.

Municipalities are cautioned that any delay to table the budget in terms of section 16(2) of the MFMA could compromise the ability to approve the budget before the start of the financial year as required by section 16(1) of the MFMA. Failure to approve the budget before the start of the financial year will automatically invoke the provisions of sections 25(1) and 55 of the MFMA. Should a municipality not approve the budget by the start of the new financial year, the provincial executive MUST intervene in terms of section 139(4) of the Constitution by taking any appropriate steps to ensure that the budget or revenue-raising measures are approved. These steps include, but are not limited to, dissolving council and appointing an administrator and approving a temporary budget or revenue raising measures to provide for the continued functioning of the municipality.

Municipalities are kindly requested to communicate any changes to the confirmed tabling dates (as it appears in **Annexure A** to PT via Tania.Bosser@westerncape.gov.za).

6.3 Submitting Budget Documentation and Schedules for 2026/27 MTREF

6.3.1 Budget Format

A tabled budget must be in the prescribed format as envisaged in section 215(2)(a) of the Constitution, and more specifically, as outlined in section 17 of the MFMA, read together with Schedule A of the MBRR. Failure to table budgets in this prescribed format will constitute non-compliance with sections 16(2) and 17 of the MFMA.

6.3.2 Submission of IDPs and budget documents and mSCOA data strings

Section 22 (b)(i) of the MFMA requires that, immediately after an annual budget is tabled in municipal council, it must be submitted to NT and the relevant provincial treasury.

The accompanying document submission checklist (see Annexure B) provides a list of the documentation required by the Provincial Government. Electronic budget and IDP related documents must be provided in PDF format. The designated municipal official needs to complete and sign the accompanying checklist (Annexure B) as confirmation that the set of budgets, IDP and related documents have been submitted.

Municipalities should note that NT no longer accepts submissions by email and will only accept uploads via the GoMuni Upload Portal. Municipalities must ensure that all relevant officials have access to the GoMuni Portal.

PT will also request additional information to be submitted after the budget has been tabled. This will assist PT to conduct consistent benchmarking across all municipalities and provide feedback to municipalities on this in the SIME-2 reports and engagements.

Municipalities can also submit electronic documents to Provincial Treasury to: MFMA.MFMA@westerncape.gov.za or if too large (exceeds 3 MB), must be submitted via One Drive. Instructions for uploading the budget and related documents via One Drive or We Transfer are provided in

Annexure C

After all the required consultation processes have been completed (including engagements with the province in SIME-2) and Council adopts the final budget, Section 24(3) of the MFMA, read together with regulation 20(1) of the MBRR, requires that the approved annual budget must be submitted to both National Treasury and the relevant provincial treasury within ten working days after the council has approved the annual budget

If municipalities require advice with the compilation of their respective budgets, they should direct their enquiries to the following WC Provincial Treasury officials:

Directorate	Official	Tel. No.	Email
Budget Office	Malcolm Booysen	021 483 3386	Malcolm.Booyesen@westerncape.gov.za
MFMA Coordination	Dian Cronje	021 483 0390	Dian.Cronje@westerncape.gov.za
Public Finance	Isaac Tsie	021 483 6241	Isaac.Tsie@westerncape.gov.za
	Kim-Kay Neethling	021 483 9186	Kim-Kay.Neethling@westerncape.gov.za
Fiscal Policy	Kenneth Mtshweni	021 483 6075	Kenneth.Mtshweni@westerncape.gov.za
Cash Management	Anthea Paries	021 483 5472	Anthea.Paries@westerncape.gov.za
Accounting	Faez Salie	021 483 4252	Faez.Salie@westerncape.gov.za

Municipalities may also contact the following officials at NT for assistance.

Responsible Area	Official	Tel. No.	Email
Western Cape	Willem Voigt	012 315 5830	WillemCordes.Voigt@treasury.gov.za
	Khanyisile Khoza	021 315 5385	Khanyisile.Khoza@treasury.gov.za
Cape Town	Kgomotso Baloyi	012 315 5866	Kgomotso.Baloyi@treasury.gov.za
George	Sifiso Mabaso	012 315 5952	Sifiso.Mabaso@treasury.gov.za
Technical issues with Excel formats	Data management		lqdataqueries@treasury.gov.za

6.4 Publication of budgets on municipal website

In terms of section 75 of the MFMA, all municipalities are required to publish their tabled budgets, adopted budgets, annual reports (containing audited annual financial statements) and other relevant information on the Municipality's website. This will aid in promoting public accountability and good governance.

6.5 Strategic Integrated Municipal Engagement (SIME 2) Process

IDP and budgeting focuses on strengthening the alignment of planning and budgeting in the Province and enhancing the provincial and local government interface. The SIME 2 engagements, which take place in May 2026, precede the approval and implementation of municipal budgets. The engagements afford the WCG the opportunity to provide feedback on its assessment of the municipal planning and budgeting efforts for the upcoming financial year and for the 2026/27 MTREF.

The assessments, that will be issued prior to the engagement, reflect on conformance, responsiveness, credibility, and sustainability of the municipality's draft budget, IDP, SDF and supporting plans. It is therefore important that all Municipalities timeously submit all the required information. The assessment of the tabled IDPs (amended/ revised) will be undertaken by the Department of Local Government, in close contact with all relevant sector departments in the province impacting on municipalities, to ensure alignment between the IDPs and all the Provincial strategic priorities and plans.

The SIME 2 engagements will focus on strategic issues emanating from municipalities' draft IDPs (amended/revised) and tabled annual budgets to gear municipalities for sustainable growth and development. A differentiated approach to the engagements and a focused agenda including matters pertinent to specific municipalities will be shared with municipalities beforehand.

The overall objectives of the 2026/27 SIME 2 process and the key messages therefore emphasise:

- **Aligning strategic intent as encapsulated within the IDP and municipal budgets** to create public value based on the community needs/priorities identified through the public participation processes.
- **Safeguarding of municipal sustainability** by ensuring that municipalities table funded budgets and the strengthening of municipal financial management.
- **Ensure optimal and targeted service delivery** through strategic spatial planning, infrastructure investments, including ecological infrastructure, resilience approaches and alignment.

- **Deepening of an integrated approach to service delivery** with the intention of creating synergies through the consolidation/concentration of resources across all spheres of government; and
- **Identification of areas that require support** as well as opportunities for collaboration and partnerships.

The 2026 SIME 2 engagements are planned to be in person, with site visits at selected municipalities. Confirmation of the engagement and site visit arrangements will be confirmed individually with each municipality.

The SIME 2 engagements are provisionally scheduled to take place from 4 May 2026 to 15 May 2026, subject to confirmation from the municipalities. Site visits are also planned at selected municipalities. PT is currently in communication with each Municipality to confirm the date and time of each of the engagements.

SIME 2 engagements will be co-chaired by the Provincial Treasury and Municipal Managers.

7. CONCLUSION

Municipalities should consider and apply the contents of this budget circular in the 2026/27 planning and budgeting process. We wish you well in the finalisation of your 2026/27 MTREF budgets.

Please direct any queries regarding this circular to Malcolm Booysen at Malcolm.Booyesen@westerncape.gov.za.



JULINDA GANTANA
HEAD OFFICIAL: PROVINCIAL TREASURY

Date: 31 March 2026

ANNEXURE A: CONFIRMED 2026 BUDGET TABLING DATES

Municipality	Confirmed date
Cape Town	Tuesday, 31 March 2026
Matzikama	Friday, 27 March 2026
Cederberg	Tuesday, 31 March 2026
Bergrivier	Tuesday, 31 March 2026
Saldanha Bay	Thursday, 26 March 2026
Swartland	Tuesday, 31 March 2026
West Coast	Wednesday, 25 March 2026
Witzenberg	Tuesday, 31 March 2026
Drakenstein	Tuesday, 31 March 2026
Stellenbosch	Tuesday, 31 March 2026
Breede Valley	Wednesday, 25 March 2026
Langeberg	Tuesday, 31 March 2026
Cape Winelands DM	Thursday, 26 March 2026
Theewaterskloof	Tuesday, 31 March 2026
Overstrand	Tuesday, 31 March 2026
Cape Agulhas	Tuesday, 31 March 2026
Swellendam	Tuesday, 31 March 2026
Overberg	Monday, 30 March 2026
Kannaland	Friday, 27 March 2026
Hessequa	Wednesday, 25 March 2026
Mossel Bay	Tuesday, 31 March 2026
George	Thursday, 26 March 2026
Oudtshoorn	Tuesday, 31 March 2026
Bitou	Tuesday, 31 March 2026
Knysna	Tuesday, 31 March 2026*
Garden Route	Wednesday, 25 March 2026
Laingsburg	Thursday, 26 March 2026
Prince Albert	Monday, 30 March 2026
Beaufort West	Tuesday, 31 March 2026
Central Karoo	Wednesday, 25 March 2026

Subject to change

ANNEXURE B: DOCUMENT SUBMISSION CHECKLIST FOR THE 2026/27 TABLED INTEGRATED DEVELOPMENT PLAN, BUDGET, AND RELATED DOCUMENTATION

MUNICIPALITY: _____

In completing and signing the Budget and IDP documentation checklist below, the municipality confirms that Schedule A1 **complies with the Municipal Budget and Reporting Regulations (MBRR)** and that the main tables and the relevant supporting tables (as listed below) are in **version 7.1** of Schedule A1 and **drawn directly from the municipal financial system**.

The IDP as set out in Section 25, 26, 32 and 34 of the Local Government: Municipal Systems Act, No 32 of 2000 and Regulations (MSA) and Section 21 of the Local Government Municipal Finance Management Act 56 of 2003 (MFMA).

The Spatial Development Framework, Disaster Management Framework and additional documents must be submitted as required in terms of budget circulars.

Budget Documentation	Yes	No	N/A
1. Full set of budget schedules (requested in both PDF and Excel formats)			
2. Budget Document			
3. Council Resolution			
4. Quality Certificate			
5. IDP Draft			
6. SDBIP Draft			
7. Spatial Development Framework			
8. Long Term Financial Strategies			
9. Service Standards			
10. Rates Billing			
11. Tariff List			
12. Property Rates			
13. Budget Related Policies on:			
a. Tariff Policy on Property Rates and Service Charges			
b. Borrowing Policy			
c. Budget Implementation and Management			
d. Cash Management and Investment			
e. Credit Control and Debt Collection			
f. Funding and Reserves			
g. Indigents			
h. Long-term Financial Planning			
i. Cost Containment			
j. Management and Disposal of Assets			
k. Infrastructure Investment and Capital Projects			
l. Supply Chain Management (Preferential Procurement, infrastructure Procurement, Inventory Management, SOPs, Delegation)			
14. mSCOA Road Map			
15. Cost Reflective Tariff Tool			
16. Revenue Management Tool			
17. Municipal Valuation Roll Tool			

Budget Documentation	Yes	No	N/A
18. Valuation Roll Reconciliation Tool			
19. Fixed Asset Register			
20. Budget Funding Plan			
21. Indigent Register			
22. General Valuation Roll (GVR)			
23. Procurement Plan & Contract Register			
IDP and Related Documentation			
Council Resolution in terms of the tabled amended IDP			
Proposed amendments to the IDP			
The memorandum referred to in Regulation 3(2) of the Local Government: Municipal Planning and Performance Management Regulations of 2001			
A copy of the Time Schedule of Key Deadlines for the 2025/26 IDP review process.			
A copy of the predetermined programme, in light of the requirements of section 29(1) of the Municipal Systems Act 32 of 2000, which the municipality is utilizing to guide the process for the drafting, consideration and adoption of the proposed IDP Amendment			
Spatial Development Framework, inclusive of Capital Expenditure Framework			
<i>Council Resolution in terms of the adoption of the Spatial Development Framework</i>			
Applicable Disaster Management Plan			
<i>Council Resolution in terms of the adoption of the Disaster Management Plan</i>			
Integrated Waste Management Plan			
<i>Council Resolution in terms of the adoption of the Integrated Waste Management Plan</i>			
Air Quality Management Plan			
<i>Council Resolution in terms of the adoption of the Air Quality Management Plan</i>			
Coastal Management Plan (Coastal Municipalities only)			
<i>Council Resolution in terms of the adoption of the Coastal Management Plan</i>			
Biodiversity Management Plan (if relevant)			
Invasive Species Monitoring, Control and Eradication Plan			
Climate Change Strategy			
Human Settlements Plan			
Local Economic Development Strategy			
Water Services Development Plan			
Storm Water Master Plan			
Integrated Transport Plan			
Electricity Master Plan			

MUNICIPAL REPRESENTATIVE:

Name and Designation: _____

Signature: _____

Date: _____

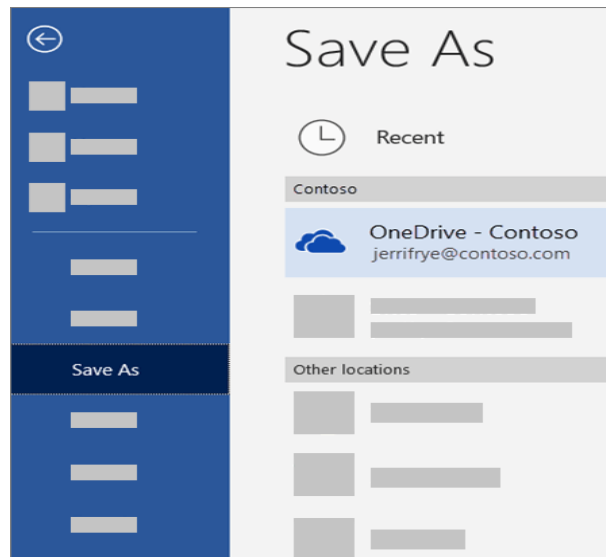
ANNEXURE C

The following instructions provide a guide for the upload of budget documentation onto OneDrive.

• How to upload documents to One drive:

You can use this option if you have OneDrive linked to your Microsoft Office or Office 365

1. In any Office document, select File > Save As, choose your OneDrive, and then pick the folder where you want to save the file. Create a new folder (e.g. DC1 2026 Budget Documents) and place all the budget related documents within it.



2. To share the link to that folder, Go into OneDrive
3. Select the file that you want to share and right click on it
4. Choose "share"
5. Ensure that sharing is defaulted to "Anyone with the link can edit"
6. Enter the MFMA email address: MFMA.MFMA@westerncape.gov.za and email addresses of anyone else that you want to share the link with.
7. Click the Share Button

File names in following sequence for budget related documents to be submitted to MFMA:

- Demarcation code
- "ccyy" century and year (eg.2026)
- Name of document submitted (e.g. Draft Budget, Draft IDP, Draft SDBIP etc.)

E.g.: DC1 2026 Draft Amended IDP

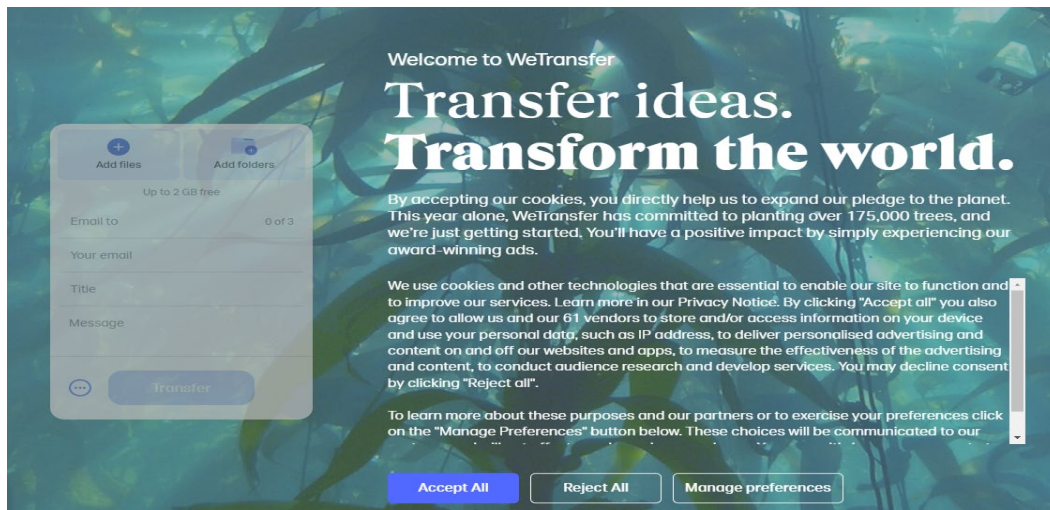
E.g.: DC1 2026 MTREF Main Budget

E.g.: DC1 2026 Draft SDBIP

NB! Please note the Dropbox option is blocked on the government network and the OneDrive option is to be utilised.

The following instructions provide a guide for the upload of budget documentation to We Transfer.

- **How to upload documents on WeTransfer**



1. Go to the WeTransfer Website:

Open your web browser and go to [WeTransfer](https://wetransfer.com).

2. Choose the Free or Pro Option:

WeTransfer offers a free and paid Pro version. The free version allows you to send files up to 2GB in size.

If you don't have a WeTransfer account, you can use the free version. For the Pro version, you'll need to sign in.

3. Upload Your Files:

On the homepage, you'll see a large "+" button or an area saying, "Add your files."

Click on the "Add your files" or "+" button to open your file explorer, then select the document(s) you want to upload.

4. Enter Recipient Details:

After your files are uploaded, you'll be asked to enter the recipient's email address.

You can also add your own email address (this is important for receiving notifications).

5. Optional Message:

You can include a message to the recipient in the provided message box.

6. Send the Files:

Once you've added the recipient's email, your email (if required), and any message, click the **Transfer** button.

WeTransfer will start uploading the files. Once the upload is complete, it will send an email to the recipient with a link to download the files.

7. Confirmation:

Once the transfer is successful, you'll see a confirmation message.

The recipient will receive an email with a link to download the files.

8. Download Expiration:

Note that for free accounts, files are available for 7 days before being deleted. If you're using a Pro account, you can customize the expiration period.

That's it! Your document is now uploaded and ready for the recipient to download.