



MAKHADO DRAFT ANNUAL BUDGET 2025/26- 2027/28

MTREF-2024/2027

Contents

PART 1 – DRAFT ANNUAL BUDGET	3
1.1. Mayor’s Report.....	3
1.2. Recommendations (administrative management).....	3
1.3. Executive summary and consultative process	4
1.3.1. Alignment with national, provincial and district priorities	4
1.3.2. Alignment with National and Provincial Government	4
1.3.3. Proposed tariff increments	5
1.3.4. Situational Analysis	5
1.4. Budget overview.....	7
1.5. Overview of the alignment of annual budget with integrated development plan:	8
1.6. Overview of budget related policies	9
1.7. Overview of budget funding.....	11
1.7.1. Income	12
1.7.2. Expenditure	0
1.8. Overview of budget assumptions	1
PART 2 – ANNUAL BUDGET TABLES	3
2.1. Capital budget.....	3
2.1.1. Funding source for the Capital Budget:	4
2.2. CASH FLOW PROJECTION	5
2.3. Budget process and key stakeholder relations	8
2.4. Recommendations (administrative management)	13

PART 1 – DRAFT ANNUAL BUDGET

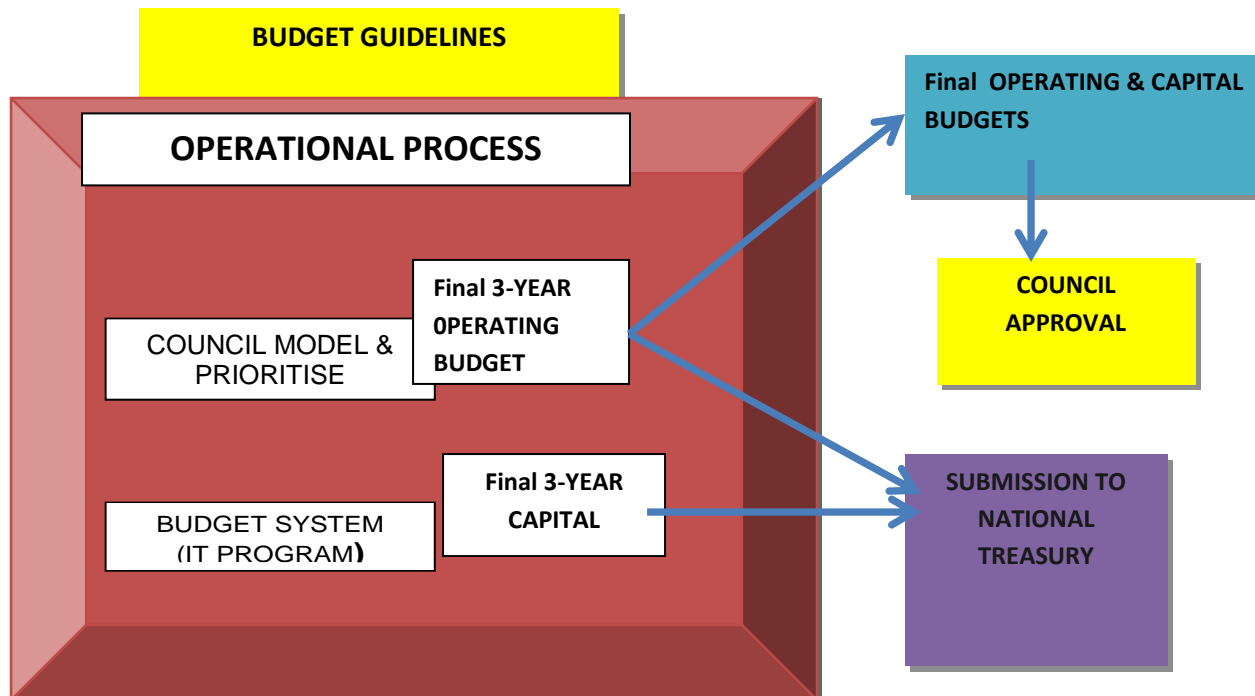
1.1. Mayor's Report

The mayor's report will be furnished after the Budget Speech.

1.2. Recommendations (administrative management)

1. THAT the Draft Capital and Operational Estimates for the 2025/2026 financial year as more fully recorded in **Annexure A** attached to the report in this regard be adopted by council.
2. THAT the following 2025/2026 financial year's budget related policies be approved by council as more fully set out in **Annexure B1 to B26** attached to the report in this regard-
3. Draft 2025/2026 tariff listing for municipal service be approved as set out in Annexure C
4. THAT it be noted that the Draft 2025/2026 Estimates after approved by the Council in terms of section 24 of the Municipal Finance Management Act, be submitted to National Treasury and the Provincial Treasury.

1.3. Executive summary and consultative process



1.3.1. Alignment with national, provincial and district priorities

The National, provincial and district priorities will be gathered during consultative process and be integrated in the IDP of both Makhado Local Municipality and Vhembe District Municipality.

1.3.2. Alignment with National and Provincial Government

Information sharing will take place between the municipality, provincial and national governments in order to ensure integration

1.3.3. Proposed tariff increments

Proposed tariff increase on other services are as follows:

SERVICE	2025/2026	2026/2027	2027/2028
Electricity	17.10%	17.10%	17.10%
Property rates	4.3%	4.6%	4.4%
Other services	4.3%	4.6%	4.4%
Bulk purchases	12.74%	12.74%	12.74%

1.3.4. Situational Analysis

1.3.4.1. Demography

According to Statistics South Africa the estimated total population of Makhado Local Municipality is 502 338.

Makhado Local Municipality comprises of 4 formal towns, which are: Makhado, Vleifontein, Waterval and Dzanani and Luvuvhu

The main administrative office is situated in Makhado town with three supporting regional administrative offices, which are situated in the following areas: Dzanani, and Waterval and Luvuvhu

Political Office Bearers and Municipal Manager	
Mayor	Cllr MBOYI MD
Speaker	Cllr MUKWEVHO-MITILENI GT
Chief Whip	Cllr BALOYI S
Municipal Manager	Mr KM Nemaname

Makhado Local Municipality has 38 ward councillors and 37 proportional councillors. There are 14 traditional leaders who are ex-officio members of the municipal council and 10 councillors who are members of the executive committee. The Municipality also has 38 established and fully functional ward committees.

1.4. Budget overview

The budget has been compiled on a three-year basis, which is a requirement of National Treasury, Standards of Generally Recognised Accounting Practices (GRAP) and MFMA. The budget process of compiling a three-year budget commenced in August 2024.

The Makhado Local Municipality was faced with various challenges during the compilation of the budget and reviewing of the IDP such as the formulation of measurable objectives for the different functions, the financial implications of the organisational structure, capital costs, input costs to deliver services and increasing maintenance costs.

According to National Treasury MFMA Circular No. 130 , (i.e. 90 days before the start of the budget year) and Draft budget to be tabled on or before the 31th of March 2025

- The projected overall spending envelope for the 2024/2025 MTREF amounts to R 1 367 660 billion on operational Expenditure budget whereas, the Total Revenue for the 2025/2026 MTREF amounts to R 1 756 296 billion and R 272 155 million in the capital budget.
- The 2025/2026 MTREF has been prepared within the context of reducing expenditure due to the municipality's weighty cash constraints and taking into consideration the implications of the country's economy crisis at the moment to ensure that the financial sustainability of the council is sustained.
- A strategic should also have a positive effect on increased collection rates and the continue implementing of revenue enhancement strategy.
- MFMA Circular No.130 of the National Treasury and NERSA provides some guidelines as to how municipalities may respond to the economic crisis in their budget preparations.

- Given the constraints on the revenue side, the municipality will expedite spending on capital projects that are funded by conditional grants but maintaining fiscal sustainability, the commitment to deliver quality services. Maintaining all assets at a level adequate to protect the capital investment and minimize future maintenance future maintenance and replacement costs.
- The municipality targeted at achieving an unqualified audit report with no finding in 2024/2025 and 2025/26, reflecting the drive towards financial management excellence in the region and increasing spending on conditional grants.
- The IDP review was prepared in alignment with budget and performance management plan objectives of the municipality, resulting in the development and approval of the Service Delivery and Budget Implementation Plan (SDBIP).

1.5. Overview of the alignment of annual budget with integrated development plan 2025-2028 and public consultation process:

- A three (3) year capital budget has been prepared and built on the IDP document to be tabled by Council on or before 31 March 2025
- This budget compiled in line with the Municipal Budgeting and Reporting Regulation (MBRR) notice no. 31804 of 2009, which provides the comparative financial information over a systematic number of years.
- The extent of the indigent support granted by Council to indigent households within the Municipal area will be determined based on budgetary allocation for a particular financial year and the tariff charges.
- The key focal point of the municipality is ensuring that its budget complies with the following three criteria:
 - ✓ **Sustainability** - to ensure that the municipality has sufficient revenue and adequate corporate and financial stability to fund and deliver on its budget.
 - ✓ **Credibility** - to ensure that the municipality, with its ability and capacity to spend, deliver in terms of its budget.
 - ✓ **Governance** - that the Municipality has appropriate capacity and stability to ensure the long-term sustainability of service delivery.

Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- ✓ Economic Development
- ✓ LED support and implementation
- ✓ Integrated Land Use Management System
- ✓ Implementation and monitoring of Performance Management System (PMS)

- ✓ Environmental Management
- ✓ Optimize tourism potential
- ✓ Rural Development
- ✓ Poverty alleviation, particularly in rural areas
- ✓ Service backlogs (water, sanitation, electricity, roads, storm water, solid waste, cleansing) needs to be addressed
- ✓ Upgrading, maintenance of roads and storm water, electricity, water, sewer and purification networks
- ✓ Improve access and linkages between towns, informal and rural settlements
- ✓ Public transportation should be improved. Bus and taxi ranks must be upgraded and the railway line should be better utilized. Improve solid waste management
- ✓ Broaden Revenue Base
- ✓ Implementation of the HIV/AIDS plan
- ✓ Crime prevention (Safety and Security)
- ✓ Construction of new and upgrading of existing educational facilities on all levels
- ✓ Development, however the lack of timely suitable engineering services have limited development at this point in time, however the municipality has embarked on the formulation of a development Strategic plan for accelerating infrastructure including development of a landfill site

Water supply

Vhembe District Municipality is the water service authority for Makhado Local Municipality.

To ensure sustainable governance practices within the Municipality, the following should be adhered to:

- Corporate governance practices (legal compliance)
- Business leadership / management (planning, structuring, culture, performance management, stakeholder relations management, communication)
- Resource management (people management, financial management, ICT management, asset management)

1.6. Overview of budget related policies

The municipality has various policies, which relate to budgeting and financial management in the municipality. These Financial policies comply with the MFMA and its promulgated regulations. The following budget related policies have been amended:

- 2.1 Virement Policy
- 2.2 Credit Control and Debt Collection Policy
- 2.3 Borrowing policy
- 2.4 Expenditure Management Policy
- 2.5 Funding and Reserves Policy
- 2.6 Budget Policy
- 2.7 Framework for cash flow management
- 2.8 Asset management policy
- 2.9 Subsidy for indigent household policy
- 2.10 Debt written off policy.
- 2.11 Property Rates Policy
- 2.12 Supply Chain Management Policy
- 2.13 Revenue Management Policy
- 2.14 Travel and Subsistence Policy
- 2.15 Acquisition and use of Cellular phones Policy
- 2.16 Petty cash policy
- 2.17 Car allowance policy
- 2.18 Fleet Management policy
- 2.19 Tariff Policy
- 2.20 Customer Care Policy
- 2.21 Contract Management Policy
- 2.22 Cost Containment Policy
- 2.23 Preferential Procurement Policy
- 2.24 Investment policy

2.25 Retention expenditure policy

2.26 UIFW Expenditure Policy

By-Laws

2.27 Makhado Credit Control and Debt Collection By-Laws

2.28 Property Rates By-Law

1.7. Overview of budget funding and changes from tabled budget

A4 Financial performance report (Major highlights)

Expenditure Items

- Other expenditure has been budgeted at an amount of R 116 308 million. This includes stores issues and general expenditure.
- Contracted services have been budgeted at an amount of R 165 910 million. This includes the budget for township establishment and land survey and demarcation of sites in all Makhado and roads maintenance which include re-gravelling in villages and electricity maintenance for the whole municipal area.
- The amount of R 30 million has been budgeted for to cover roads and electricity maintenance (Patching of potholes in town, Waterval region, vleinfointen, dzanani and Luvuvhu region and Storm water in Makhado area (kutama Sinthumule area, dzanani ,Waterval region and luvuvhu) and Re-gravelling in villages.
- The amount of R 20 million has been budgeted to cover the electricity maintenance this include amount of R 6 million for bush clearing and other Preventive measures in the following areas

1	Mara, Sinthumule, Kutama, Mudimeli / Tshiendeulu, Tshipise & Ward 37, Levubu 2, Levubu East, Levubu Central, Levubu west (Beaufort), Bandelierkop, Mashau, mountain, Tshifhire
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The operating expenditure budget for 2025/2026 amounts to **R 1 367 660 billion** as compared to the previous revised budget of **R 1 334 597 billion** in the 2024/2025 financial year.

1.7.1. Income

The operating income for 2025/2026 is budgeted at **R 1 562 928 billion** which leaves a marginal operating surplus of **R 195 268 million** which after deduction of non-cash items such as depreciation and impairment of assets amounting **to R 167 164 million and R 42 109 million** for debt impairment.

LIM344 Makhado - Table A4 Budgeted Financial Performance (Revenue)

Description	2021/2022	2022/23	2023/2024	Current Year 2024/25		2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
<u>Revenue By Source</u>								
Property rates	96,261	97 299	120 692	126 606	126 606	132 051	138 125	144 202
Service charges - electricity revenue	388,762	385 664	439 239	536 138	536 138	627 818	735 174	860 889
Service charges - refuse revenue	13,728	14 098	15 206	15 952	15 952	16 638	17 403	18 169
Rental of facilities and equipment	97	321	425	414	414	431	452	472
Interest earned - external investments	6,914	9 569	5 456	4 216	4 216	4 398	4 599	4 802
Interest earned - outstanding debtors	31,237	37 314	41 454	47 516	47 516	49 559	51 839	54 120
Fines, penalties and forfeits	3,766	6 144	5 390	4 785	4 785	4 991	5 220	5 451
Licences and permits	4,053	3 790	3 809	3 926	3 926	4 095	4 283	4 472
Transfers and subsidies	558,018	574 516	619 580	520 303	520 303	524 272	515 330	538 730
Other revenue	41,538	53 559	58 797	204 911	204 911	198 675	167 000	168 900
Total Revenue (excluding capital transfers and contributions)	1,144,373	1 190 892	1 310 049	1 464 769	1 464 769	1 562 928	1 639 427	1 800 206

1.7.2. Expenditure

The projected electricity increases in tariffs will be capped currently at 12.74% increase.

Funding of the budget is mainly from the Equitable share allocation, MIG operating subsidy grant and partial own income.

The municipality is currently reviewing the budget related processes to support the implementation of the Service Delivery and Budget Implementation Plan.

Salaries increase from **R 377 996 million** for the 2024/2025 financial year's revised budget to an amount of **R 400 677 million** for the 2025/2026 financial year (excluding councilors). For councilors the budgeted expenditure increased from **R 33 768 million to R 34 781 million**, which is due to the fact that some critical vacancies has been filled in the current year to sustain service delivery and sustainable financial reporting. The total salary package of the Council amounts to 3 % of the Total Operating expenditure

R thousands R '000	Adjusted Budget 2024/2025	Budget Year 2025/2026	Variance in cost increase /decrease
Employee costs	R 377 997	R 400 677	R 22 680
Remuneration of councilors	R 33 768	R 34 781	R 1 013
Depreciation & asset impairment	R 206 431	R 209 293	R 2 862
Finance charges	R 19 231	R 20 057	R 826
Materials and bulk purchases	R 373 100	R 420 633	R 47 533
Other expenditure (Contracted services and other materials)	R 324 069	R 282 216	(R 41 853)
Total Expenditure	R 1 334 597	R 1 367 657	R 33 061

Proposed tariff increases on other services are as follows: MFMA Circular 130

SERVICES	2025/26	2026/2027	2027/2028
Electricity	17.10%	17.10%	17.10%
Property rates	4.3%	4.6% %	4,4%
Other services	4.3%	4.6%	4,4%
Sundry tariffs	4.3%	4.6%	4.4%
Bulk purchases	12.74%	12.74%	12.74%

1.8. Overview of budget assumptions

Introduction

This section of the budget report provide comprehensive summary of all the assumption used in the budget proposal. Budgets are prepared in an environment of uncertainty and assumptions need to be made about both internal and external factors that could affect the budget during the course of the financial year.

National Treasury MFMA Circular 130 estimate inflation rate of 4.3% in 2025/26 respectively. Inflation rate is expected to come within the targeted range of 4.4 % in 2025 - 2028

Price increases on various items on the budget were assumed as follows:

- Price movements on **bulk purchases**: Based on the application response awaiting from NERSA for the proposed electricity tariff increase of 12.74% also in line with the National Treasury guidance
- **Employee costs**: Was increased by 6%, which is also guided by National Treasury MFMA Circular 130 general employee costs increased.

- **Overtime and leave payment:** It was assumed that leave would be paid only on termination due to resignation or death. It was assumed that the municipality will not purchase any leave in cash during the year.
- **Depreciation & debt impairment Expenses:** Depreciation expense reduced provisionally however during adjustment after the assessment has being done it will be increased to avoid unauthorized expenditure.
- **Collection rate:** collection rate of 91% was assumed during 2025/26 budget period. This was based on the current collection rate of 91%

PART 2 – DRAFT ANNUAL BUDGET TABLES

2.1. Capital budget

The capital required for 2025/2026 amounts to **R 272 155 million** of which **R 151 137 million** should be funded out of internally generated income.

MAKHADO MUNICIPALITY

SUMMARISED DRAFT CAPITAL BUDGET FOR 2025/2026 TO 2027/2028 FINANCIAL YEARS

DEPARTMENT	2025/2026	2026/2027	2027/2028
Technical Services	255 571 650,00	258 538 400,00	280 148 860,00
Community Services	4 975 000,00	5 408 000,00	6 180 000,00
Budget and Treasury	2 538 100,00	7 090 000,00	9 900 000,00
Corporate Services	8 080 000,00	7 950 000,00	6 300 000,00
Regional Office	990 000,00	720 000,00	2 435 000,00
TOTAL	272 154 750,00	279 706 400,00	304 963 860,00

FUNDING	2025/2026	2026/2027	2027/2028
INCOME	151 137 100,00	154 518 900,00	173 901 760,00
MIG	105 836 650,00	115 187 500,00	120 610 100,00
INEP	15 181 000,00	10 000 000,00	10 452 000,00

TOTAL	272 154 750,00	279 706 400,00	304 963 860,00
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Many of the capital projects required by the departments were reduced due to a lack of funds and the increasing maintenance costs and fund availability in the light of the municipality's financial constraints.

The composition of the Capital Budget is made up as follows:

The growth in the expenditure budget is mainly attributed to:

- Increased spending to address maintenance backlogs in infrastructure roads and electricity in all municipal area due to ruin
- Increased spending on employee related costs
- Increased spending attributable to bulk purchasing costs for electricity
- On-going issues requiring monitoring and evaluation, consequently, they should carefully be monitored and evaluated:
- Maintenance backlogs in respect of Council's assets – adequacy of budgetary provisions
- Maintenance of current collection rates
- Effectiveness of debt collection

2.1.1. Funding source for the Capital Budget:

Confirmed to date Capital Budget is funded largely from government grants, mainly from MIG and INEP which amounts to R 105 837 million and R 15 181 million respectively in 2025/26. The own funded projects is proposed to be funded from own funding to the value of **R 151 137 million**.

2.1.2 The following is the summary of grants allocations as per provisional DORA gazette

Description	Grants in 2025/26 R '000	Grants in 2026/27 R '000	Grants in 2027/28 R '000
EQUITABLE SHARE	R 512 943	R 513 230	R 536 530
MIG	R 111 407	R 121 250	R 126 958
INEP	R 15 181	R 10 000	R 10 452
FMG	R 2 000	R 2 100	R 2 200
EPWP	R 3 323	R 0	R 0
DISASTER GRANT	R 6 006		
TOTAL	<u>R 650 860</u>	<u>R 646 580</u>	<u>R 676 140</u>

2.2. CASH FLOW PROJECTION

- Makhado Local Municipality projected to start the financial year with positive balance cash / cash equivalents and project an average collection rate for the coming financial year of 85-91%. Based on these assumptions the projected income for the year will exceed the projected expenditure.
- It is therefore important that the impact of increased expenditures for each service delivery area be carefully considered within the next budget cycle to ensure that each service remains financially sustainable over the medium term with the least impact on the communities.

- The average collection rate for main tariffs for the current financial year to date is 91%

LIM344 Makhado - Table A7 Budgeted Cash Flows

Description	2021/22	2022/2023	2023/2024	Current year 2024/2025		2025/26 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates	76 926	73 726	88 155	115 212	115 212	120 166	125 694	131 224
Service charges	490 216	437 295	507 359	502 402	502 402	586 454	684 845	799 942
Other revenue	108 381	135 070	106 763	132 564	132 564	163 620	180 260	188 904
Transfers and Subsidies - Operational	451 127	578 016	620 638	520 303	520 303	524 272	515 330	538 730
Transfers and Subsidies - Capital	106 890			117 796	117 796	126 588	131 250	137 410
Interest	16 188	16 772	12 313	18 884	18 884	19 696	20 602	21 509
Dividends								
Payments								
Suppliers and employees	-1 010 450	-1 046 778	-1 173 712	-1 108 935	-1 108 935	-1 207 728	-1 308 459	-1 400 891
Finance charges	-8		-916					
Transfers and Grants								
NET CASH FROM/(USED) OPERATING ACTIVITIES	239 280	194 102	160 600	298 226	298 226	333 068	349 522	416 828
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE				-	-	-	-	-
Decrease (increase) in non-current receivables	-			-	-	-	-	-

Decrease (increase) in non-current investments	–			–	–	–	–	–
Payments								
Capital assets	-243 021	-248 044	-291 381	-246 113	-246 113	-272 155	-279 706	-304 964
NET CASH FROM/(USED) INVESTING ACTIVITIES	-243 021	-248 044	-291 381	-246 113	-246 113	-272 155	-279 706	-304 964
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	–			–	–	–	–	–
Borrowing long term/refinancing	–			–	–	–	–	–
Increase (decrease) in consumer deposits				–	–	–	–	–
Payments								
Repayment of borrowing	-720	-786	-1 154	–	–	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES	-720	-786	-1 154	–	–			
NET INCREASE/ (DECREASE) IN CASH HELD	-4 462	-54 728	-131 934	52 113	52 113	60 913	69 816	111 864
Cash/cash equivalents at the year begin:	205 786	201 324	146 596	14 662	66 775	118 888	179 801	249 617
Cash/cash equivalents at the year end:	201 324	146 596	14 662	66 775	118 888	179 801	249 617	361 481

2.3. Budget process and key stakeholder relations

August	<ul style="list-style-type: none">• The Mayor tables at Council for approval the IDP and Budget Process Plan in terms of Section 21 of the Municipal Systems Act and Section 34 of the Municipal Finance Management Act.• Distribution of the Council approved IDP and Budget Process Plan to all relevant stakeholders.• Strategic Planning Session to review the current strategic plan of the Municipality, review of past service delivery performance and determine future multiyear political priorities, KPAs, KPIs and Programmes.
September	<ul style="list-style-type: none">• The Budget Office prepares an initial Medium Term Financial Forecast (MTFF) and indicates the likely level of resources to be available.
October	<ul style="list-style-type: none">• Public Consultation Process with the community, and other key stakeholders on service delivery performance for the prior year and current year-to-date. Share information on the political priorities and Programmes planned for the year/s ahead. Confirmation of ward based priority needs for the year/s ahead.
November	<ul style="list-style-type: none">• Compile report on the needs for the year/s ahead obtained from the community and other key stakeholders. Prioritization process of community needs and projects

December- January	<ul style="list-style-type: none"> • Second Strategic IDP/Budget Workshops for Mayoral Committee members and Senior Management Team: outcomes <ul style="list-style-type: none"> ✓ IDP proposals and Budget alignment ✓ Agreement of any changes the Mayor should propose to the IDP • Finalize the review of the Municipal Situational Analysis Chapter (Chapter 2) of the IDP. • Senior Management start reviewing the stage one IDP/Budget/SDBIP process input forms (IDP changes, capital project proposals, and operational budget growth requests).
January	<p>The Mayor tables at Council:</p> <ul style="list-style-type: none"> • the 2025/26 mid-year performance and budget assessment reports • Review of the draft mid-year performance and budget monitoring reports. • The 2025/2026 draft Annual Report was tabled in Jan 2026
February	<ul style="list-style-type: none"> • Agreement of the 2025/26 Adjustments Budget Report to be tabled at Council • Executive Management Team meets to: <ul style="list-style-type: none"> ✓ prepare for Strategic IDP/Budget/SDBIP Workshop ✓ discuss the draft 2026/2027 IDP inputs ✓ discuss the 2026/2027 budget proposals

March	<p>Third Strategic IDP/Budget Workshop for Mayoral Committee members and Senior Management Team: outcomes</p> <ul style="list-style-type: none"> • Agreement of the proposed changes to be made to the IDP to be included in the March Council Report. • Agreement of the 2025/26 budget proposals to be included in the March Council Budget Report. <p>The IDP, Budget Report, and draft SDBIP tabled at all relevant Portfolio Committees and Mayoral Committee prior to tabling at Council.</p> <p>The Executive Mayor tables the Municipality’s Draft 2025/26 Budget Report and IDP at Council.</p> <p>Statutory public participation process undertaken on the tabled Draft IDP and Budget for 2026/2027. Council obtains the views of the local community, National Treasury, Provincial Treasury, other district, provincial and national organs of state and municipalities.</p>
April and May	<p>Finalization of 2026/2027 budget and IDP</p> <p>The IDP, Budget Report, and draft SDBIP tabled at all relevant Portfolio Committees and Mayoral Committee prior to tabling at Council.</p> <p>The Executive Mayor tables the Municipality’s 2026/27</p> <p>Budget Report, IDP, and draft SDBIP at Council for final approval on 31 May 2026</p>

<p>June</p>	<p>The IDP and Budget Reports are placed on the municipality’s website and sent to National and Provincial Treasury.</p> <p>The Executive Mayor must review and approve the 2026/2027 SDBIP within 28 days after approval of the budget and ensure that annual performance contracts are concluded in accordance with section 57(2) of the Municipal Systems Act. The Executive Mayor to ensure that the annual performance agreements are linked to the measurable performance objectives approved with the budget and SDBIP. The Executive Mayor submits the approved 2026/2027 SDBIP and performance agreements to Council, MEC for local government, and makes it public within 14 days after approval.</p>
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Special Council Meeting; Executive Mayor tables budget (pre-community consultation) to Council:

- Draft Budget Made available on the municipality's website, municipal offices and notice placed in all major newspapers informing members of the public about the draft budget and inviting written submissions/representations.
- Budget discussions Ward committees/Stakeholders.
- Community consultation to present and discuss the draft budget proposals
- and receive inputs/ submissions/comment
- Closing of Public and internal Submissions to close on end of Mid - April 2025.
- Special Council Meeting Mayor delivers budget speech and submits final budget to Council for consideration and approval.

Process to record and integrate inputs from the community

- After consideration of all budget submissions, the Executive Mayor will be given the opportunity to respond, if necessary revise the budget and table amendments for consideration.
- To ensure that all community inputs are recorded and integrated, throughout the consultation period, a system were initiated to ensure that:
- All written submissions were required to be directed to the main municipal offices for further reprocessing department, who would maintain a record of lodgments and direct submissions to the appropriate department for comment and recommendation.
- All verbal questions at community consultation meetings would be recorded, together with the answer provided at the meeting or referred an appropriate representative to the appropriate department for comment and recommendation.
- Where possible, the submissions and presentations received during the community consultation process and additional information regarding revenue and expenditure will be addressed before tabling of the final budget.

2.4. Recommendations (administrative management)

- 2.4.1. THAT the Draft Capital and Operational Estimates for the 2025/2026 financial year as more fully recorded in **Annexure A** attached to the report in this regard be adopted by council and that the Accounting Officer proceeds with the publication of the final Annual Budget as purposed in section 22 of the Local Government: Municipal Finance Management Act, No 56 of 2003, and the Regulations promulgated in terms thereof.
- 2.4.2. THAT the following 2025/2026 budget related policies be tabled by to council as more fully set out in **Annexures 1 to Annexure 26** attached to the report in this regard:

Policies

- 2.4.1. Virement Policy
- 2.4.2. Credit Control and Debt Collection Policy
- 2.4.3. Tariff policy free basic services/indigent policy
- 2.4.4. Borrowing policy
- 2.4.5. Expenditure Management Policy
- 2.4.6. Funding and Reserves Policy
- 2.4.7. Budget Policy
- 2.4.8. Framework for cash flow management
- 2.4.9. Asset management policy
- 2.4.10. Subsidy for indigent household policy
- 2.4.11. Uniform Credit Control Policy
- 2.4.12. Debt written off policy
- 2.4.13. Supply Chain Management Policy
- 2.4.14. Revenue Management Policy
- 2.4.15. Travel and Subsistence Policy
- 2.4.16. Acquisition and use of Cellular phones Policy
- 2.4.17. Petty cash policy
- 2.4.18. Car allowance policy
- 2.4.19. Tariff Policy
- 2.4.20. Customer Care Policy
- 2.4.21. Contract Management policy

- 2.4.22. Cost Containment Policy
- 2.4.23. Preferential Procurement Policy
- 2.4.24. Investment policy
- 2.4.25. Retention Expenditure policy
- 2.4.26. UIFW Expenditure Policy

2.4.3. THAT note be taken of any amendments to the contents of the budget related policies.

2.4.4. THAT it be noted that the 2025/2026 Estimates will after be approved by the Council in terms of section 22 of the Municipal Finance Management Act, be submitted to National Treasury and the Provincial Treasury.

2.4.5. Draft 2025/2026 tariff listing for municipal service be approved by council as attached in **Annexure C**

PART 3 –DRAFT ANNUAL BUDGET TABLES

C1	CAPEX detailed breakdown of projects listing Annexure
A4	Budget Summary
A7	Budgeted Cash Flows

LIM344 Makhado - Table A4 Budgeted Financial Performance (Revenue)

Description	2021/2022	2022/23	2023/2024	Current Year 2024/25		2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
<u>Revenue By Source</u>								
Property rates	96,261	97 299	120 692	126 606	126 606	132 051	138 125	144 202
Service charges - electricity revenue	388,762	385 664	439 239	536 138	536 138	627 818	735 174	860 889
Service charges - refuse revenue	13,728	14 098	15 206	15 952	15 952	16 638	17 403	18 169
Rental of facilities and equipment	97	321	425	414	414	431	452	472
Interest earned - external investments	6,914	9 569	5 456	4 216	4 216	4 398	4 599	4 802
Interest earned - outstanding debtors	31,237	37 314	41 454	47 516	47 516	49 559	51 839	54 120
Fines, penalties and forfeits	3,766	6 144	5 390	4 785	4 785	4 991	5 220	5 451
Licences and permits	4,053	3 790	3 809	3 926	3 926	4 095	4 283	4 472
Transfers and subsidies	558,018	574 516	619 580	520 303	520 303	524 272	515 330	538 730
Other revenue	41,538	53 559	58 797	204 911	204 911	198 675	167 000	168 900
Total Revenue (excluding capital transfers and contributions)	1,144,373	1 190 892	1 310 049	1 464 769	1 464 769	1 562 928	1 639 427	1 800 206

LIM344 Makhado - Table A4 Budgeted Financial Performance (Expenditure)

Description	2021/2022	2022/2023	2023/2024	Current Year 2024/2025			2025/26 Medium Term Revenue & Expenditure Framework	
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
<u>Expenditure By Type</u>								
Employee related costs	282,575	327 125	381 664	377 997	377 997	400 677	424 717	450 200
Remuneration of councillors	28,071	28 208	29 989	33 768	33 768	34 781	35 824	36 899
Debt impairment	79,465	50 881	41 600	46 139	46 139	42 109	42 124	41 071
Depreciation & asset impairment	137,431	140 293	158 017	160 292	160 292	167 185	174 875	182 570
Finance charges	14,465	17 252	17 919	19 231	19 231	20 058	20 981	21 904
Bulk purchases - electricity	306,304	299 071	371 986	373 100	373 100	420 633	474 222	534 637
Inventory consumed	23,891	27 746	21 019	51 067	51 067	53 23	55 713	58 164
Contracted services	201,727	184 519	180 305	212 557	212 557	165 909	155 908	149 807
Other expenditure	47,991	108 336	108 202	60 446	60 446	63 044	165 945	68 847
Total Expenditure	1,121,918	1 183 431	1 310 701	1 334 597	1 334 597	1 367 660	1 450 310	1 544 099

LIM344 Makhado - Table A7 Budgeted Cash Flows

Description	2021/22	2022/2023	2023/2024	Current year 2024/2025		2025/26 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates	76 926	73 726	88 155	115 212	115 212	120 166	125 694	131 224
Service charges	490 216	437 295	507 359	502 402	502 402	586 454	684 845	799 942
Other revenue	108 381	135 070	106 763	132 564	132 564	163 620	180 260	188 904
Transfers and Subsidies - Operational	451 127	578 016	620 638	520 303	520 303	524 272	515 330	538 730
Transfers and Subsidies - Capital	106 890			117 796	117 796	126 588	131 250	137 410
Interest	16 188	16 772	12 313	18 884	18 884	19 696	20 602	21 509
Dividends								
Payments								
Suppliers and employees	-1 010 450	-1 046 778	-1 173 712	-1 108 935	-1 108 935	-1 207 728	-1 308 459	-1 400 891
Finance charges	-8		-916					
Transfers and Grants								
NET CASH FROM/(USED) OPERATING ACTIVITIES	239 280	194 102	160 600	298 226	298 226	333 068	349 522	416 828
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE				—	—	—	—	—
Decrease (increase) in non-current receivables	—			—	—	—	—	—
Decrease (increase) in non-current investments	—			—	—	—	—	—
Payments								

Capital assets	-243 021	-248 044	-291 381	-246 113	-246 113	-272 155	-279 706	-304 964
NET CASH FROM/(USED) INVESTING ACTIVITIES	-243 021	-248 044	-291 381	-246 113	-246 113	-272 155	-279 706	-304 964
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	—			—	—	—	—	—
Borrowing long term/refinancing	—			—	—	—	—	—
Increase (decrease) in consumer deposits				—	—	—	—	—
Payments								
Repayment of borrowing	-720	-786	-1 154	—	—	—	—	—
NET CASH FROM/(USED) FINANCING ACTIVITIES	-720	-786	-1 154	—	—			
NET INCREASE/ (DECREASE) IN CASH HELD	-4 462	-54 728	-131 934	52 113	52 113	60 913	69 816	111 864
Cash/cash equivalents at the year begin:	205 786	201 324	146 596	14 662	66 775	118 888	179 801	249 617
Cash/cash equivalents at the year end:	201 324	146 596	14 662	66 775	118 888	179 801	249 617	361 481

CAPITAL EXPENDITURE The breakdown of the Capital Budget is as follows:

MAKHADO MUNICIPALITY
SUMMARISED DRAFT CAPITAL BUDGET FOR 2025/2026 TO 2027/2028 FINANCIAL YEARS

DEPARTMENT	2025/2026	2026/2027	2027/2028
Technical Services	255 571 650,00	258 538 400,00	280 148 860,00
Community Services	4 975 000,00	5 408 000,00	6 180 000,00
Budget and Treasury	2 538 100,00	7 090 000,00	9 900 000,00
Corporate Services	8 080 000,00	7 950 000,00	6 300 000,00
Regional Office	990 000,00	720 000,00	2 435 000,00
TOTAL	272 154 750,00	279 706 400,00	304 963 860,00

FUNDING	2025/2026	2026/2027	2027/2028
INCOME	151 137 100,00	154 518 900,00	173 901 760,00
MIG	105 836 650,00	115 187 500,00	120 610 100,00
INEP	15 181 000,00	10 000 000,00	10 452 000,00
TOTAL	272 154 750,00	279 706 400,00	304 963 860,00

CAPITAL PROJECTS PER FUNDING SOURCE 2025 TO 2028

SUMMARY PER FUNCTION in R'000	SOURCES	Final Budget 2025/2026	Final Budget 2026/2027	Final Budget 2027/2028
		R '000	R '000	R '000
ELECTRICITY	INCOME	R48 900	R51 576	R85 742
ELECTRICITY	INEP	R15 181	R10 000	R10 452
BUILDING	INCOME	R23 938	R38 169	R25 361
ROADS	GRANT (MIG)	R103 059	R108 188	R115 610
ROADS	INCOME	R64 494	R50 605	R42 984
CORPORATE SERVICES	INCOME	R8 080	R7 950	R6 300
FINANCE AND ADMINISTRATION	INCOME	R2 538	R7 090	R9 900
WASTE MANAGEMENT	INCOME	R1 870	R1 600	R3 000
COMMUNITY SERVICES	INCOME	R4 095	R4 528	R5 615
TOTAL		<u>R272 155</u>	<u>R279 706</u>	<u>R304 964</u>

The major highlights of this Capital Budget are as follows:

**DRAFT ANNUAL CAPITAL BUDGET 2025/2026 TO 2027/2028 FINANCIAL YEAR
BUDGET & TREASURY OFFICE**

ASSETS MANAGEMENT SECTION							
CODE	NO	DESCRIPTION	SOURCE S	2025/2026	2026/2027	2027/2028	COMMENT
	1	Purchasing of 1 LDV Single Cab (Parks)	INCOME	-	600 000,00		Parks and Recreation
	2	Purchasing of 1 LDV Single Cab	INCOME	-	600 000,00	800 000,00	Waste Management
	3	Purchasing and delivery of TLB for composting activities	INCOME		-	1 500 000,00	Waste Management
	4	5-ton truck with half canopy	INCOME	-	1 500 000,00	-	Waste Management
	5	3 Motor Cycles (blue light, radio and siren)	INCOME		700 000,00	-	Makhado Traffic
	6	ANPR Midi Bus	INCOME		1 500 000,00		Makhado Traffic
	7	1 X LDV double cap	INCOME	-	800 000,00		Special Programme
	8	2 x Single Cab	INCOME	-	-	700 000,00	Civil Engineering Section
	9	3x Sedan	INCOME	-	472 000,00	600 000,00	Luvuvhu Regional Office
	10	3x Bakkies	INCOME	-	-	650 000,00	Luvuvhu Regional Office
	11	1x sedan car	INCOME	-	400 000,00		Waterval Regional Office
	12	2 X LDV Single cab vehicle for pool (Finance)	INCOME		-	700 000,00	Finance Department
	13	2 X SUV VEHICLE FOR POOL	INCOME		-	900 000,00	Finance Department

14	2 X Duouble cab Makhado pool vehicles (Finance department)	INCOME			1 400 000,00	Finance Department
15	1 Bakkie	INCOME	-		696 000,00	Dzanani Regional Office
16	Speaker and Mayor's vehicle	INCOME	1 500 000,00			
17	3 Moving violation recorder (MVR) prolaser 4 eye witness fitted with in a high speed performance vehicle together with siren, radio & blue lights one (1) each financial year	INCOME			1 500 000,00	Makhado Traffic
18	4x Mobile offices	INCOME		300 000,00		Luvuvhu Regional Office
	TOTAL		1 500 000,00	6 872 000,00	9 446 000,00	
	MACHINERY AND EQUIPMENT					
19	2 X DRONES	INCOME	-	150 000,00	150 000,00	Finance Department
	TOTAL		-	150 000,00	150 000,00	
	OFFICE FURNITURE AND EQUIPMENT					
20	Purchasing of Office Chairs	INCOME	120 000,00			Library Services
21	Purchasing of Fridge	INCOME	30 000,00			Library Services

22	Purchasing of Microwave	INCOME	3 500,00			Waste Management
23	Purchasing of office furniture (5 tables,10 high back chairs,steel chrome 4 seater,visitors chairs,couch,cabinets)	INCOME	400 000,00			Protection Services
24	Purchasing of 2 Fridge	INCOME	50 000,00			Makhado Registering Authority(Licensing)
25	Purchasing of 2 Microwave	INCOME	30 000,00			Makhado Registering Authority(Licensing)
26	Purchasing of Fridge	INCOME		20 000,00		Dzanani Traffic Station
27	Purchasing of Microwave	INCOME	10 000,00			Dzanani Traffic Station
28	Purchasing of Office furniture (all offices)	INCOME	150 000,00			Dzanani Traffic Station
29	4x Table with drawers	INCOME	14 000,00	15 000,00	16 000,00	Luvuvhu Regional Office
30	4x High back office chairs	INCOME	5 600,00	6 000,00	8 000,00	Luvuvhu Regional Office
31	4x Visitor chairs	INCOME	8 000,00	8 400,00	10 000,00	Luvuvhu Regional Office
32	2x Filling Cabinet	INCOME	17 000,00	18 600,00	20 000,00	Luvuvhu Regional Office
33	Furniture in all offices	INCOME			250 000,00	Dzanani Regional Office
34	mobile filling/ movable shelf	INCOME	200 000,00			Waterval Regional Office
	TOTAL		1 038 100,00	68 000,00	304 000,00	

**DRAFT ANNUAL CAPITAL BUDGET 2025/2026 TO 2027/2028 FINANCIAL YEAR
COMMUNITY SERVICES DEPARTMENT**

LIBRARY SERVICES					
NO	DESCRIPTION	SOURCES	2025/2026	2026/2027	2027/2028
1	Musekwa and Main library CFX library Security system (3M Machine)	INCOME	-	718 000,00	-
2	Study carrels and chairs for Musekwa and Luvuvhu	INCOME	500 000,00		
TOTAL			500 000,00	718 000,00	-
PARKS AND RECREATION SECTION					
NO	DESCRIPTION	SOURCES	2025/2026	2026/2027	2027/2028
3	Purchasing and delivery of 10 Heavy duty lawn mower and 20 brush cutters	INCOME	1 600 000,00	1 200 000,00	1 300 000,00
4	Purchasing and delivery of 3 Trailer for Heavy Duty Lawn mower machine	INCOME		200 000,00	200 000,00
5	Purchasing and delivery of 1 Potable/mobile woodchipper machine	INCOME	300 000,00		
6	Purchasing and delivery of 10 Chainsaw	INCOME	160 000,00	180 000,00	180 000,00
7	Purchasing and delivery of 6 extended chainsaw	INCOME	120 000,00	130 000,00	140 000,00
8	Purchasing and delivery of 10 Leaf blower	INCOME		80 000,00	90 000,00
TOTAL			2 180 000,00	1 790 000,00	1 910 000,00
MAKHADO REGION WASTE MANAGEMENT					
NO	DESCRIPTION	SOURCES	2025/2026	2026/2027	2027/2028
9	Purchasing and delivery of 40 skip bins and 40 skip bin cover nets	INCOME	1 400 000,00	1 600 000,00	1 500 000,00

10	Purchasing of 500 Large Round Concrete Refuse Bin	INCOME	470 000,00		
11	Purchasing and delivery of 1000 (240L) Wheelie bins	INCOME			1 500 000,00
TOTAL			1 870 000,00	1 600 000,00	3 000 000,00

PROTECTION SERVICES

NO	DESCRIPTION	SOURCES	2025/2026	2026/2027	2027/2028
12	2 Television(71cm, Installation of satelite dish,decoder)	INCOME			30 000,00
TOTAL			-	-	30 000,00

MAKHADO TRAFFIC STATION

NO	DESCRIPTION	SOURCES	2025/2026	2026/2027	2027/2028
13	2 Speed Measuring Machines (Luvuvhu &Waterval)	INCOME			500 000,00
14	3 Digital Laser Cam 4	INCOME	-	600 000,00	740 000,00
15	1 Mobile Roadblock Equipment with Trailer	INCOME	-	700 000,00	
16	Driving Licence Scanners	INCOME	200 000,00		
TOTAL			200 000,00	1 300 000,00	1 240 000,00

WATERVAL TRAFFIC STATION

NO	DESCRIPTION	SOURCES	2025/2026	2026/2027	2027/2028
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17	2 Digital Camera(Accident Response)	INCOME	25 000,00		
TOTAL			25 000,00	-	-
DZANANI TRAFFIC STATION					
CO DE	DESCRIPTION	SOURC ES	2025/2026	2026/2027	2027/2028
18	Purchasing of Warrant of arrest printing machine	INCOME	200 000,00		
TOTAL			200 000,00	-	-

**DRAFT ANNUAL CAPITAL BUDGET 2025/2026 TO 2027/2028 FINANCIAL YEAR
CORPORATE SERVICES DEPARTMENT**

UPGRADE AND ACQUISITION OF NETWORK AND COMMUNICATION SYSTEMS - ICT						
CODE	NO	DESCRIPTION	SOURCES	2025/2026	2026/2027	2027/2028
SC	1	Network Infrastructure refresher(Phase3)	INCOME	1 200 000,00	1 300 000,00	1 400 000,00
SC	2	Network Security Firewall Licensing for a period of three years	INCOME	-	600 000,00	
SC	3	Procure, License and Support Manage Engine Patch Manager Plus Enteprice	INCOME		350 000,00	-
SC	4	Procure, License and Support AD Manager Plus and AG Audit Plus	INCOME	300 000,00	-	-
SC	5	Microsot office 365 E3 for 400 users	INCOME	-	-	3 500 000,00

SC	6	Procure , maintain and support Mimecast Email Gateway Licensing	INCOME		900 000,00	-
SC	7	Migration of Severs, Active Directory, Exchange and Microsoft office to Cloud	INCOME		3 500 000,00	-
SC	8	Implement Disaster Recovery Architector	INCOME	500 000,00		-
SC	9	Install Local Area Netwok for Testing Station old Building	INCOME	250 000,00		
SC	10	Install Local Area Network for new Offices in Civic Centre	INCOME	250 000,00		
SC	11	Procure, License and Support Municipal Laptop Tracking solution for a period of three years	INCOME	250 000,00	-	
SC	12	Procure Plotter for Printing GIS Maps and Images-Include 3 years Support and Maintenance	INCOME	230 000,00	-	-
SC	13	Maintain , Support and Licensing of Existing Cloud CallCenter Management System for a period of three years	INCOME	-		
SC	14	Supply and Licencing of clould AUTOCAD System for a period of three years(5 USERS)	INCOME	200 000,00		
SC	15	Server Room Environmental Management System	INCOME	300 000,00		

TOTAL				3 480 000,00	6 650 000,00	4 900 000,00
ICT EQUIPMENT FOR ALL DEPARTMENT						
CODE	NO	DESCRIPTION	SOURCES	2025/2026	2026/2027	2027/2028
SC	16	ICT equipment for all departments - laptops, desktops, printer/scanners	INCOME	1 100 000,00	1 300 000,00	1 400 000,00
TOTAL				1 100 000,00	1 300 000,00	1 400 000,00
COMMUNICATIONS DIVISION						
CODE	DEPT	DESCRIPTION	SOURCES	2025/2026	2026/2027	2027/2028
SC	17	Procure and Install Digital Welcome sign at the entrance of Civic Centre	INCOME	300 000,00	-	-
SC	18	Camera	INCOME	200 000,00		
TOTAL				500 000,00	-	-
COUNCILLORS SUPPORT AND COMMITTEES						
CODE	NO	DESCRIPTION	SOURCES	2025/2026	2026/2027	2027/2028
SC	19	Procure Video Conferencing Facility for Virtual Meetings in Exco Chamber	INCOME	500 000,00	-	-
TOTAL				500 000,00	-	-
HUMAN RESOURCE DIVISION						
CODE	NO	DESCRIPTION	SOURCES	2025/2026	2026/2027	2027/2028

SC	20	Procure, Install license , Maintain and Support Performance Management System (PMDS)	INCOME	1 500 000,00	-	-
sc	21	Development of skill development plan	INCOME	500 000,00		
	TOTAL			2 000 000,00	-	-
	RECORDS AND AUXILIARY SERVICES					
CODE	NO	DESCRIPTION	SOURCES	2025/2026	2026/2027	2027/2028
SC	22	Update, Maintain, Support and Licensing of Exisiting Document Management System	INCOME	500 000,00	-	-
	TOTAL			500 000,00	-	-

**DRAFT ANNUAL CAPITAL BUDGET 2025/2026 TO 2027/2028 FINANCIAL YEAR
TECHNICAL SERVICES DEPARTMENT**

**DRAFT ANNUAL CAPITAL BUDGET 2025/2026 TO 2027/2028 FINANCIAL YEAR
REGIONAL OFFICES**

LUVUVHU REGIONAL OFFICE					
NO	DESCRIPTION	SOURCES	2025/2026	2026/2027	2027/2028

4	Heavy Duty Lawn mower	INCOME	60 000,00		200 000,00
5	Tractor mower slasher	INCOME	-	120 000,00	-
	TOTAL		60 000,00	120 000,00	200 000,00

DZANANI REGIONAL OFFICE

	DESCRIPTION	SOURCES	2025/2026	2026/2027	2027/2028
12	1 single vibrating drum roller machine	INCOME			900 000,00
13	Walk-behind Vibrating Dual Drum Roller	INCOME	100 000,00		
	Purchasing of 10x heavy duty Brush Cutters for bush clearing	INCOME	100 000,00	150 000,00	250 000,00
	Purchasing of Generator to be used for industrial equipment	INCOME	30 000,00		
	TOTAL		230 000,00	150 000,00	1 150 000,00

	WATERVAL REGIONAL OFFICE				
	DESCRIPTION	SOURCES	2025/2026	2026/2027	2027/2028
17	Lawnmower machines	INCOME	100 000,00	120 000,00	200 000,00
18	Chainsaw	INCOME	40 000,00	130 000,00	130 000,00
19	Pedestrian roller and trailler	INCOME	300 000,00		350 000,00
20	Brush cutter	INCOME	100 000,00	200 000,00	350 000,00
23	Concrete mix machine	INCOME	90 000,00		
24	Jump start	INCOME	70 000,00	-	55 000,00
			700 000,00	450 000,00	1 085 000,00