

ANNEXURE A

EXPLANATION OF BUDGET, ESTIMATES OF EXPENDITURE AND LEVIES PROPOSALS

1. INTRODUCTION AND BACKGROUND

- 1.1 The Ombud Council is established by the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act), with the objective to assist in ensuring that financial customers have access to, and are able to use, affordable, effective, independent, and fair alternative dispute resolution processes for complaints about financial institutions (section 175 of the FSR Act).
- 1.2 To achieve this objective, the FSR Act stipulates the Ombud Council's functions as including, in summary, granting recognition to financial industry ombud schemes, promoting co-operation and co-ordination among ombuds, promoting public awareness and access to ombud schemes, resolving jurisdictional overlaps between ombud schemes, monitoring the performance of ombud schemes, and supporting financial inclusion (section 177 of the FSR Act). To enable these functions, Chapter 14 of the FSR Act confers a range of supervisory, regulatory and enforcement powers over ombud schemes on the Ombud Council. The Ombud Council currently oversees two financial sector industry ombud schemes (the National Financial Ombud Scheme SA and the JSE Ombud Scheme), and two statutory schemes (the Ombud for Financial Services Providers, generally known as the FAIS Ombud, and the Pension Funds Adjudicator).
- 1.3 In terms of section 239(1) of the FSR Act, the Ombud Council must prepare and adopt:
- (a) a budget in accordance with section 248 that includes an estimate of its expenditure.
 - (b) a proposal for the fees that will be charged and levies that will be imposed by the Ombud Council; and
 - (c) projected estimates of its expenditure for next 2 financial years.
- 1.4 In terms of section 240 of the FSR Act, Part 1 of Chapter 7 of the FSR Act applies (with the necessary changes) to the adoption of the budget, estimates of expenditure as well as the fees and levies proposals as provided for in section 239.
- 1.5 As such, in adopting the budget and determining levies, the Ombud Council must publish the following documents for public comment:
- (a) The budget, including estimates of expenditure and the levies and fee proposals for the relevant financial year; and
 - (b) An explanation of the budget estimates of expenditure and fees and levies proposals, and of the variation of such items against those adopted for the previous financial year (section 240(2) of the FSR Act).

2. FUNDING MODEL

- 2.1. For the 2026/27 financial year, the Ombud Council's budgeted revenue comprises levy-based funding and interest income earned on investment of funds in the Corporation of Public Deposits (CPD) account at the South African Reserve Bank (SARB).

Levy-based funding

- 2.2. Chapter 16 of the FSR Act governs the Ombud Council's levies and finances. In particular, in terms of section 237(1)(b) of the FSR Act, the Ombud Council's operations are funded through the imposition of levies, payable by supervised entities (financial institutions).
- 2.3. These provisions of the FSR Act must be read with the Financial Sector and Deposit Insurance Levies Act, 2022 (Act No.11 of 2022) (Levies Act), which provides for the imposition of levies on supervised entities to fund the operations of the Ombud Council and other entities. Schedule 4 of the Levies Act provides the calculation basis for levies to fund the Ombud Council.
- 2.4. As indicated in Annexure C, Schedule 4 of the Levies Act provides that all entities who are required to pay levies to the Financial Sector Conduct Authority (FSCA) are also required to pay levies to the Ombud Council. The amount of the levy payable to the Ombud Council is equal to a fixed percentage (2.5%) of the levys payable to the FSCA. The levy amounts payable to the FSCA are calculated in accordance with Schedule 2 of the Levies Act. In terms of the Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Act, 2022 (Act No.12 of 2022), levies payable to the Ombud Council are collected by the FSCA and transferred to the Ombud Council.
- 2.5. In accordance with Schedule 2, the FSCA charges different supervised entities based on different levy methods and formulae, and invoices are issued annually or quarterly, depending on the financial sector concerned.
- 2.6. Accordingly, for further details on the underlying calculation basis for the Ombud Council's levies, please refer to Schedule 2 of the Levies Act, together with the levy proposals of the FSCA, published on the FSCA website www.fsca.co.za.
- 2.7. The Ombud Council raises sufficient levies to cover its operational requirements and does not budget for a surplus/deficit for the financial year 2026/27. The Ombud Council is budgeting for gross revenue of R30.22 million (Budget 2025/26: R26.66 million).
- 2.8. The gross revenue budget of R30.22 million comprises mainly levies, accounting for 95% of budgeted revenue (Budget 2025/26: 95%).

Interest income

- 2.9. The remaining 5% of the gross revenue budget for the 2026/27 and 2025/26 financial years relates to interest earned on the CPD account held at the SARB.

No special levy

- 2.10. Section 239(2) of the FSR Act allows a proposal for levies to include a proposal for one or more special levies. The Ombud Council does not propose and special levies in respect of financial year 2025/26 or the subsequent two years.

No fees

2.11 The Ombud Council is empowered by the FSR Act (section 237(1)(a) to collect fees for the performance of its functions but does not envisage charging such fees over the MTEF period.

3. LEVY PROPOSAL

As explained in more detail in paragraph 2.2 to 2.8 above, the Ombud Council's levy-based funding is determined using a fixed formula set out in the Levies Act, being total levy income equal to 2.5% of the levies payable by financial institutions to the FSCA. The Ombud Council's levy proposal for 2026/27 is therefore derived from the FSCA's levy proposal for the financial year, as per the calculation set out in Annexure C. Based on information provided to the Ombud Council by the FSCA, this results in budgeted levies of R28,834,000 for the 2026/27 financial year, as reflected in Annexure B.

ANNEXURE B

OMBUD COUNCIL BUDGET FOR 2026/27 AND ESTIMATES OF EXPENDITURE FOR 2027/28 AND 2028/29

The Ombud Council, in terms of section 239(1)(a) and (c) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017), hereby proposes its budget for 2026/27 and estimates of expenditure for 2027/28 and 2028/29.

1 INTRODUCTION AND CONTEXT

As explained in Annexure A, the Ombud Council's mandate in terms of the FSR Act is to assist in ensuring that financial customers have access to, and are able to use, affordable, effective, independent, and fair alternative dispute resolution processes for complaints about financial institutions (section 175 of the FSR Act), and the FSR Act confers several supervisory, regulatory and enforcement functions and powers on the Council to deliver this mandate.

It is important to note that the Ombud Council is called on to perform its functions against a background of far-reaching planned regulatory reform of the ombud system and the broader financial market conduct framework. These changes are articulated in the National Treasury's policy paper "*A simpler, stronger financial sector ombud system*" (February 2024) and the pending over-arching Conduct of Financial Institutions Bill. The Ombud Council's expenditure budget is therefore aimed at maintaining an appropriately lean and flexible structure to respond to these reforms, while ensuring that the Council is well governed and adequately capacitated to deliver its mandate.

The Ombud Council's responsibility to promote public awareness of and publicise ombuds and their services, and support financial inclusion (section 175(d), (f) and (i) of the FSR Act), is also a particular focus area.

BUDGET AND LEVIES PROPOSALS

2 OMBUD COUNCIL BUDGET 2026/27

2.1 Principal Budget Assumptions

2.1.1 General budget assumptions applied– Economic Indicators

MTEF budgeting guidelines	Where practical, budgeting is aligned to the National Treasury MTEF guidelines in reducing costs overall.
CPI	Annual CPI inflation of 4.14% (2026/27), 4.36% (2027/28) & 4.49% (2028/29), as set out in the National Treasury MTEF guidelines.
Interest on Investment	The current yield on Corporation of Public Deposits (CPD) is 8.25%.

2.2 Revenue and Expenditure Budget

Account Description	BUDGET				% diff between 2025/26 & 2026/27
	2025/26	2026/27	2027/28	2028/29	
REVENUE					
Levies	25,356,618	28,834,000	30,394,000	31,980,000	13.7%
Interest income	1,307,451	1,390,150	1,476,900	1,512,000	6.3%
	26,664,069	30,224,150	31,870,900	33,492,000	13.4%
EXPENDITURE					
Employee cost	12,723,417	13,295,354	14,016,277	14,777,630	4.5%
Consumer education and awareness	5,715,114	7,800,004	8,310,591	8,837,147	36.5%
Board and Committee remuneration	438,525	670,528	699,763	731,183	52.9%
Audit fees	1,297,349	1,142,779	1,192,604	1,246,152	-11.9%
Professional and consulting fees	1,168,297	1,633,223	1,704,432	1,780,961	39.8%
Office lease expense	949,882	1,424,822	1,486,945	1,553,708	50.0%
IT services	1,696,280	1,662,366	1,734,845	1,812,740	-2.0%
Other operating expense	2,478,771	2,269,939	2,368,909	2,475,273	-8.4%
Depreciation	194,333	321,133	354,333	275,000	65.2%
Finance costs	2,100	4,000	2,200	2,200	90.5%
	26,664,069	30,224,150	31,870,900	33,492,000	13.4%
SURPLUS/DEFICIT	-	-	-	-	-

2.3 Explanation of budget items and variances compared to 2025/26

2.3.1. Levies R28.83 million (Budget 2025/26: R25.36 million)

The levy budget increased by 13.7% from 2025/26 to 2026/27. As explained in Annexure A, the Levies Act stipulates that levy amounts payable to the Ombud Council are equal to a fixed percentage (2.5%) of the levy amounts payable to the FSCA. The increase is therefore aligned to a corresponding increase proposed by the FSCA. Please refer to the levy proposals of the FSCA, published on the FSCA website www.fsca.co.za for information regarding the basis of the FSCA levy proposals.

2.3.2. Interest income R1.39 million (Budget 2025/26: R1.31 million)

The interest income budget increased by 6.3% from 2025/26 to 2026/27. The increase is due to interest earned on retained cash surpluses for the purpose of contingency reserves invested. Interest income is calculated based on the average capital balance of investments at an average interest rate of 8.3% and expected future cash balances. The Ombud Council does not budget for interest on outstanding levies.

2.3.3. Employee costs R13.30 million (Budget 2025/26: R12.72 million)

The employee cost budget increased by 4.5% from 2025/26 to 2026/27. This relates mainly to annual increases comprising a combination of cost-of-living adjustments and performance-based increases in accordance with the Ombud Council's policies. Employee cost represents 48% of total expenditure in both years. The Ombud Council is a service organisation with employee costs being the main cost driver. The budgeted costs include all the costs required to fully fund the approved organisational structure, which is 8 full-time employees.

2.3.4. Consumer awareness and education R7.80 million (Budget 2025/26: R5.71 million)

The consumer awareness and education budget increased by 36.5% from 2025/26 to 2026/27 due to savings and reprioritisation processes followed during the budget process directing more expenditure into this key priority, as enabled by the increased levy revenue. The Ombud Council is mandated to promote public awareness of and publicise ombuds and their services and support financial inclusion (section 175(d), (f) and (i) of the FSR Act). The cost will be spent on awareness and consumer education initiatives for financial customers. In accordance with the Ombud Council's strategy, this is intended to be achieved primarily through partnering with and support to the awareness and outreach initiatives of ombud schemes, the FSCA and other relevant stakeholders. In the 2026/2027 financial year the Council intends to host a stakeholder conference addressing the financial sector Ombud system developments.

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- 2.3.5. Board and Committee remuneration R0.67 million (Budget 2025/26: R0.44 million)**
The Board and Committee remuneration budget increased by 52.9% from 2025/26 to 2026/27 as this cost was underestimated in the prior year. The Board and Committee fees are calculated using rates approved by the Minister of Finance. The increase over the periods assumes that the published rates will increase by annual CPI inflation.
- 2.3.6. Audit fees R1.14 million (Budget 2025/26: R1.30 million)**
The audit fees budget decreased by 11.9% from 2025/26 to 2026/27 due to adjusted estimates based on the signed contract values. Audit costs include annual internal and external audit costs for the respective financial years.
- 2.3.7. Professional and Consultants fees R1.63 million (Budget 2025/26: R1.17 million)**
The professional and consultants' fees budget increased by 39.8% from 2025/26 to 2026/27. Services budgeted for include Board Secretariat support, risk and compliance management support, legal services, and HR support services. The Ombud Council aims to maintain a lean permanent staff establishment over the MTEF period to ensure flexibility in light of pending regulatory and policy reforms. The size and scale of the Council's operations do not justify the appointment of full-time internal resources for these support functions, which are necessary to meet our statutory governance objective (section 178 of the FSR Act). Outsourcing on an as-needed basis is therefore considered more cost efficient. Financial year 2024/25 was the Ombud Council's first year of operational independence (after shared services support from the FSCA in prior years) and the Council is now in a better position to more accurately estimate the range of outsourced services required, using its 2024/25 experience as a baseline. The increase over the period is based on annual CPI inflation.
- 2.3.8. Office lease expense R1.42 million (Budget 2025/26: R0.95 million)**
The office lease expense budget increased by 50% from 2025/26 to 2026/27 in line with the need for additional office space. The Council entered into a 2-year lease agreement for office space that ends on 31 March 2025. The current lease does not include sufficient office space, meeting rooms and storage space for the Ombud Council now fully capacitated staff complement. This resulted in the Council incurring additional costs for meeting room bookings. The Council intends to acquire new office space in the 2026/27 financial year in order to adequately meet these needs.
- 2.3.9. IT services R1.66 million (Budget 2025/26: R1.70 million)**
The IT services budget decreased by 2.0% from 2025/26 to 2026/27 due to savings and reprioritisation directing savings to other key priorities. The Council has budgeted for software license renewals, outsourced IT maintenance and support services and other required IT costs.

2.3.10. Other operating expenses R2.27 million (Budget 2025/26: R2.48 million)

The other operating expenses budget decreased by 8.4% from 2025/26 to 2026/27 due to savings and reprioritisation processes directing savings to other key priorities. The expenses relate to all expenses required for the day-to-day running of the entity, i.e. printing and stationery, travel expenses, training and development, consumables, etc.

2.3.11. Depreciation R0.32 million (Budget 2025/26: R0.19 million)

The depreciation budget increased by 65.2% from 2025/26 to 2026/27 as the Council intends to move to new office space from 1 April 2026 which, unlike the current premises, may not be fully furnished. The Council may therefore be required to purchase new assets resulting in the higher depreciation estimate in 2026/27.

2.3.12. Finance cost R0.004 million (Budget 2025/26: R0.002 million)

The finance costs budget is insignificant and increased by 90.5% from 2025/26 to 2026/27. The budget includes finance charges for the existing finance lease for office equipment leased and interest is calculated in accordance with GRAP 13 requirements and new leases to be taken in 2026/27 as the old lease comes to an end.

2.4. Capital Expenditure

The capital expenditure is based on long-term software requirements, assets to be replaced as they reach the end of their useful lives, or replacement due to assets being redundant and the purchase of new assets required for the new office space to be acquired in the 2026/27 financial year.

	BUDGET			
Capital Expenditure	2025/26	2026/27	2027/28	2028/29
REVENUE				
Computer equipment	120,000	100,000	100,000	100,000
Computer software	250,000	-	-	-
Furniture and equipment	130,000	800,000	20,000	20,000
Leased assets	-	70,000	-	-
Total	500,000	970,000	120,000	120,000

ANNEXURE C

LEVIES PROPOSAL IN TERMS OF SECTION 239(1)(b) OF THE FINANCIAL SECTOR REGULATION ACT

The Ombud Council, in terms of section 239(1)(b) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017), hereby proposes a financial sector levy as reflected below in accordance with section 2(1) and Schedule 4 of the Financial Sector and Deposit Insurance Levies Act, 2022 (Act No. 11 of 2022).

Schedule 4 provides as follows:

SCHEDULE 4

FINANCIAL SECTOR LEVY CALCULATION FOR SUPERVISED ENTITIES IN RESPECT OF OMBUD COUNCIL

(Section 4(1)(a))

Application

Table D must be applied to calculate the levy payable by a supervised entity that is liable to pay an amount in terms of Schedule 2.

TABLE D

Type of supervised entity	Number of payments per levy year	Variable Amount (Rands)	Description of Variable	Formula
All supervised entities that are liable to pay levies referred to in Schedule 2	One	2.5% x Z	Z = amount of levy payable by the supervised entity in terms of Schedule 2	Levy = Variable amount