



**UMZIMVUBU**  
LOCAL MUNICIPALITY

**EXTRACT of MINUTES** of the Seventh Ordinary Council Meeting of Umzimvubu Local Municipality held Virtually Via Microsoft Teams Application on 17<sup>th</sup> of May 2024 at 10h25.

**MINUTES**

**ULMC: 082**

**10.2.3 REPORT ON ANNUAL BUDGET FOR 2024/2025 MEDIUM TERM REVENUE EXPENDITURE FRAMEWORK**

**PURPOSE**

To present to Council the Final MTREF report for 2024/25 and two outer years 2025/26 and 2026/27 for consideration and recommendations for approval by Council before start of the 2024/2025 financial year.

**BACKGROUND AND REASONING**

The Budget was prepared according to the Zero Based Method. In terms of the method all votes and line items were reduced to zero and every amount allocated had to be motivated. General Managers were requested to hand their requests to the Chief Financial Officer for inclusion on the budget. The information was requested to reach the Chief Financial Officer by the first week of March 2024.

As required by the Municipal Finance Management Act (MFMA) and other relevant legislations, regulations and guidelines, the municipality started the processes of budget preparation from August 2023 to May 2024 as follows:

**Budget process plan**

On 30th August 2023, the IDP and Budget process plan as required by section 21 of the MFMA was submitted and approved by Council to ensure that municipality does not fail to prepare and approve its credible budget within the legislated time frames.

**IDP review**

As per the approved plan, the municipality on the 22-25 April, conducted its public consultative meetings with all 28 wards to review IDP for 2024-2027. The reviewed IDP has been used by the municipality to inform the Final budget for 2024/25 to 2026/27 (MTREF) for consideration. The tabled Final budget will then be subjected for comments and suggestions by stakeholders and public.

**MUNICIPAL TRANSFERS AND SUBSIDIES**

Description	Current Year		2024/25 Medium Term Revenue & Expenditure Framework		
	Budget Year 2023/24	Adjusted Budget	Draft Budget 2024/25	Budget 2025/26	Budget 2026/27
<b>RECEIPTS:</b>					
<b>Operating Transfers and Grants</b>					
<b>National Government:</b>	<b>283,524</b>	<b>319,138</b>	<b>294,286</b>	<b>288,640</b>	<b>277,791</b>
Local Government Equitable Share	275,387	275,387	289,930	286,840	275,791
Expanded Public Works Programme Integrated Grant	2,917	2,754	2,656	-	-
Disaster Relief Grant	3,500	39,277	26,848	-	-
Local Government Financial Management Grant	1,720	1,720	1,700	1,800	2,000
<b>Provincial Government:</b>	<b>870</b>	<b>870</b>	<b>1,554</b>	<b>1,424</b>	<b>1,486</b>
Capacity Building and Other : Library	750	750	1,434	1,424	1,486
LG SETA	120	120	120	-	-
<b>Total Operating Transfers and Grants</b>	<b>284,394</b>	<b>320,008</b>	<b>295,840</b>	<b>290,064</b>	<b>279,277</b>
<b>Capital Transfers and Grants</b>	<b>72,417</b>	<b>245,434</b>	<b>188,427</b>	<b>76,772</b>	<b>79,561</b>
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	17,350	15,850	22,728	20,000	18,000
Human Settlement Housing Projects		178,200	111,500	-	-
Municipal Infrastructure Grant (MIG)	55,067	51,384	54,199	56,772	61,561
<b>Total Capital Transfers and Grants</b>	<b>72,417</b>	<b>245,434</b>	<b>188,427</b>	<b>76,772</b>	<b>79,561</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>356,811</b>	<b>565,442</b>	<b>484,267</b>	<b>366,836</b>	<b>358,838</b>

#### Remarks:

- The equitable share allocation is appropriated to fund municipal delivery of services through day to day operations and strategic social development programs, the allocation for equitable share has increased with R14, 5 million from the current year allocation as per DoRA.
- Conditional operational grants (EPWP & FMG) are appropriated to fund expenditures relate to EPWP programs and financial reforms respectively as per grants stipulated conditions.
- The Expanded Public Works Incentive has decreased by R100, 000 for the next budget year.
- The Disaster Relief Fund Grant has decrease by R12, 4 million from the adjusted budget.
- The Finance Management Grant has deacreated by R20, 000 for the years budget.
- Conditional capital grants (MIG & INEP) are appropriated to fund capital expenditure of roads construction, local economic development capital projects and electrification projects.
- The allocation for MIG has increased by R2, 8 million from the current adjusted budget.
- The allocation for INEP has increased by R6, 8 million from the current adjusted budget.
- Human settlement grant will be budgeted for as per the remaining amounts in the current year for the 2024/25 financial and that exercise will be performed before tabling the final budget on the 17<sup>th</sup> of May 2024 where Infrastructure and Planning department will quantify the remaining work to be budgeted for in the upcoming financial year.

#### Revenue budget



Description	2022/23		Current Year 2023/24			2024/25 Medium Term Revenue & Expenditure Framework				
	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget			Budget Year +1 2025/26	Budget Year +2 2026/27
						Budget Year 2024/25	2024/2025 % Allocation	Budget Year +1		
<b>R thousand</b>										
<b>Revenue</b>										
Service charges - Waste Management	1,263	1,298	1,400	1,400	1,400	1,483	1%	1,570	1,600	
Sale of Goods and Rendering of Services	3,390	485	16,765	16,765	16,765	23,644	4%	20,931	18,936	
Agency services	2,066	2,900	2,900	2,900	2,900	2,900	1%	3,000	3,200	
Interest earned from Receivables	587	2,200	2,200	2,200	2,200	2,200	1%	2,200	2,200	
Interest earned from Current and Non Current Assets	9,241	10,200	10,470	10,470	10,470	10,580	2%	10,595	16,100	
Rental from Fixed Assets	6,357	3,203	4,697	4,697	4,697	4,708	1%	5,769	2,574	
Licence and permits	1,760	1,765	1,765	1,765	1,765	1,765	1%	1,775	1,785	
Operational Revenue	298	-	6,387	6,387	6,387	4,035	1%	150	150	
Property rates	47,151	46,803	47,803	47,803	47,803	49,911	8%	52,856	55,974	
Surcharges and Taxes	-	28,000	28,000	28,000	28,000	-	0%	-	-	
Fines, penalties and forfeits	3,337	7,206	3,406	3,406	3,406	4,527	1%	4,794	4,993	
Licences or permits	198	-	100	100	100	100	1%	110	115	
Transfer and subsidies - Operational	283,558	281,594	322,621	322,621	322,621	296,660	50%	291,014	280,165	
Interest	2,042	-	-	-	-	-	0%	-	-	
<b>Total Revenue (excluding capital transfers and contribution</b>	<b>361,248</b>	<b>385,653</b>	<b>448,514</b>	<b>448,514</b>	<b>448,514</b>	<b>402,512</b>	<b>68%</b>	<b>394,763</b>	<b>387,792</b>	
Transfers and subsidies - capital (monetary)	73,109	211,781	229,584	229,584	229,584	192,047	32%	83,620	61,561	
<b>Total Revenue (Including Capital transfers and contribution</b>	<b>434,357</b>	<b>597,434</b>	<b>678,098</b>	<b>678,098</b>	<b>678,098</b>	<b>594,559</b>	<b>100%</b>	<b>478,383</b>	<b>449,353</b>	

### Remarks:

- The revenue is anticipated to be R594 million in the 2024/2025 financial year. Revenue for budget for the indicative years of 2025/2026 and 2026/2027 is anticipated to be R478 million and R449 million respectively.
- The municipal general valuation roll for 2024 – 2029 period will be implemented from 01<sup>st</sup> July 2024. This will have an impact on property rates on different classes of consumers.
- The municipality is obligated to use realistic anticipated projections hence the source of the above figures is the audited AFS. An increase in agency services is as a result of human settlement handling fee amount of about R6 million payable to the municipality.

### Operating Expenditure Budget

Description	2022/23		Current Year 2023/24			2024/25 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget			Budget Year +2 2026/27
						Budget Year 2024/25	2024/2025 % Allocation	Budget Year +1 2025/26	
<b>R thousand</b>									
<b>Expenditure</b>									
Employee related costs	89,977	90,059	91,063	91,063	91,063	97,887	21%	97,815	104,734
Remuneration of councillors	22,743	23,323	23,176	23,176	23,176	24,485	5%	24,585	24,585
Inventory consumed	10,016	9,016	9,089	9,089	9,089	7,394	2%	8,687	8,687
Debt impairment	5,423	0	0	0	0	4,112	1%	0	0
Depreciation and amortisation	77,456	80,696	151,271	151,271	151,271	113,470	24%	116,470	113,470
Interest	1,038	0	0	0	0	0	0%	0	0
Contracted services	94,143	133,490	119,385	119,385	119,385	122,452	26%	112,948	111,118
Transfers and subsidies	25,007	25,660	20,090	20,090	20,090	15,262	3%	17,114	17,124
Irrecoverable debts written off	0	2,280	8,780	8,780	8,780	8,780	2%	8,780	8,780
Operational costs	79,362	88,093	100,758	100,758	100,758	82,607	17%	90,634	95,766
<b>Total Expenditure</b>	<b>402,554</b>	<b>452,617</b>	<b>523,612</b>	<b>523,612</b>	<b>523,612</b>	<b>476,468</b>	<b>100%</b>	<b>477,055</b>	<b>484,289</b>

### Remarks:

- The operating expenditure is anticipated to be R476 million in the 2024/2025 financial year. Expenditure budget for the indicative years of 2025/2026 and 2026/2027 the operating expenditure budget is anticipated to be R477 million and R484 million respectively.
- The draft operating budget that was tabled to Council in March 2024 amounted R498 million as opposed to the Final Budget of R476 million. This shows a reduction of R22million.
- Provision has been made to cater for annual increases as approved by the SALGBC mostly to be effected at the beginning of the financial year.
- Included on contracted services is are the following items;



- Maintenance of bulding and facilities - R3, 800,000
  - Maintenance of equipment - R3, 550,000
  - Maintenance of Assets - R4, 550, 000
  - Expanded Public Works - R12, 722, 000
  - Security Services - R27, 000, 000
- Indigent support budget of R7, 7 million has been provided for Paraffin, solar maintenance and Eskom Subsidies.
  - Ploughing has been allocated a budget of R5, 9million.
  - Livestock programme has been allocated a budget of R650, 000
  - Youth Subsidy has been allocated a budget of R900, 000

### **Departmental Capital Budgets**

Department	Original Budget	Adjusted Budget	Budget 2024-25	Budget +1 2025-26	Budget +2 2026-27
Budget and Treasury	3,100,000.00	415,000.00	450,000.00	100,000.00	100,000.00
Corporate Services	5,570,004.00	5,070,004.00	5,070,004.00	5,070,004.00	5,070,004.00
Council	-	-	305,000.00	100,000.00	100,000.00
Infrastructure	268,108,411.00	341,313,668.00	238,448,000.00	105,920,000.00	89,321,000.00
Local Economic Development	6,199,991.00	4,899,991.00	1,950,004.00	-	-
Community Services	36,620,834.00	34,957,834.00	14,790,000.00	-	-
<b>TOTAL</b>	<b>319,599,240.00</b>	<b>386,656,497.00</b>	<b>261,013,008.00</b>	<b>111,190,004.00</b>	<b>94,591,004.00</b>

The capital budget per municipal departments is tabulated as below,

#### **Council**

Project	New or Upgrading Existing	Ward / Region	Amount	Funding Source
Furniture equipment Finance	New	Whole Municipality	305,000.00	Own Funding

**Total** **305,000.00**

#### **Remarks;**

- The total proposed budget for Council is R305, 000 to be funded from the own capital replacement reserves.

#### **Budget and Treasury**

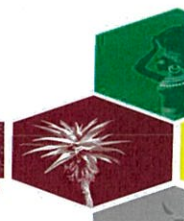
Project	New or Upgrading Existing	Ward / Region	Amount	Funding Source
Furniture equipment Finance	New	Whole Municipality	150,000.00	Own Funding
Computer Equipment	New	Whole Municipality	300,000.00	Own Funding

**Total** **450,000.00**

#### **Remarks;**

- The total proposed budget for Budget and Treasury is R450 000 to be funded from the own capital replacement reserves.

#### **Community safety**



Project	New or Upgrading Existing	Ward / Region	Amount	Funding Source
EnaXesibeni Pound upgrading first phase	New	28	1,500,000.00	Own Funding
Construction of KwaBhaca vehicle pound facility	New	18	2,000,000.00	Own Funding
KwaBhaca Pound upgrading second phase	New	18	2,400,000.00	Own Funding
Shooting range Construction	New	18	4,000,000.00	Own Funding
Security equipment	New	Whole Municipality	100,000.00	Own Funding
Tools & equipment	New	Whole Municipality	190,000.00	Own Funding
Parks Construction of Chithwa Recreational Park	New	28	4,000,000.00	Own Funding
Machinery and equipment	New	Whole Municipality	500,000.00	Own Funding
Library	New	18 & 28	100,000.00	DESRAC

Total

14,790,000.00

#### Remarks;

- The total proposed budget for Community Services is R14, 6 million to be funded from the own capital replacement reserves.
- The total of R100, 000 for Library to funded from DESRAC Budget.

#### Local Economic Development

Project	New or Upgrading Existing	Ward / Region	Amount	Funding Source
Ntenetyana camp site	New	15	450,000.00	Own Funding
Construction of Auction pens	New	18	500,004.00	Own Funding
Ntsizwa Hiking trail	New	8	1,000,000.00	Own Funding

Total

1,950,004.00

#### Remarks;

- The total proposed budget for Local Economic Development is R1, 9 million to be funded from the own capital replacement reserves.

#### Corporate Services

Project	New or Up	Ward / Region	Amount	Funding Source
ICT PROGRAMMES software	New	Whole Municipality	3,150,000.00	Own Funding
Computer equipment ICT	New	Whole Municipality	1,500,000.00	Own Funding
Furniture equipment Corporate	New	Whole Municipality	420,000.00	Own Funding

Total

5,070,000.00

#### Remarks;

- The total proposed budget for Corporate Services is R5, million to be funded from the own capital replacement reserves.

#### Infrastructure

#### Disaster projects



Project	New or Up	Ward / Region	Amount	Funding Source
Sibhozwi AR	New	27	2,500,000.00	Disaster
Ngcozana AR	New	13	7,250,000.00	Disaster
Sirhoqobeni Slab	New	5	2,000,000.00	Disaster
Bonga AR	New	5	4,250,000.00	Disaster
Mhlozini AR and Bridge	New	9	4,500,000.00	Disaster
Badibanise Internal Roads	New	18	3,500,000.00	Disaster
Mqokweni Bridge	New	6	2,848,000.00	Disaster

**Total**

**26,848,000.00**

**Remarks;**

- The total proposed budget for Disaster is R26, 8 million to be funded from the Disaster Grant as allocated from DoRA.

**MIG PROJECTS TO BE IMPLEMENTED IN 2024/25 MTERF**

MIG Projects	Ward	Project Manager	MIG Budget
Gugwini Community Hall	3	Yakobi	3,100,000.00
Mt White AR with concrete slab	13	Qwane	3,000,000.00
Mpungulelweni AR	14	Qwane	5,800,000.00
Spilini Community Hall	16	Yakobi	3,100,000.00
Completion of Kwabhaca Surfacing	18	Masinyane	18,000,000.00
Completion of high masts	18	Masinyane	2,200,000.00
Bhakaleni to Sekileni via Mqoma AR	19	Qwane	8,099,000.00
Tholeni AR new	20	Qwane	4,900,000.00
Ntutha CH	21	Yakobi	3,000,000.00
Lower Cabazana Community Hall	26	Yakobi	3,000,000.00
<b>TOTAL ALLOCATION</b>			<b>54,199,000.00</b>

**Remarks:**

- The total proposed budget for MIG is R54, 1 million to be funded as allocated from DoRA.

**ELECTRIFICATION PROJECTS TO BE IMPLEMENTED IN 2024/25 MTERF**

Project Name	Ward	Budget	Number of Connections	Project Manager
Bhubesini Electrification	Ward 21	578,000.00	21 h/h	Masinyane
Debedebe Electrification	Ward 23	888,000.00	25 h/h	Masinyane
Mtshikawuze Electrification	Ward 11	2,850,322.35	100 h/h	Masinyane
Marwaqa electrification	Ward 05	1,650,000.00	60 h/a	Masinyane
Ntelezini Electrification	Ward 20	3,240,000.00	117 h/h	Masinyane
Rode Electrification	Ward 11	1,870,200.00	68 h/h	Masinyane
Santombe Electrification	Ward 28/07	4,341,091.00	154 h/h	Masinyane
Sxhotyeni Electrification	ward 04	3,241,386.65	115 h/h	Masinyane
Kumhlokwana Electrification	ward 15	1,017,000.00	37 h/h	Masinyane
Emadameni Electrification	ward 7	2,227,000.00	81 h/h	Masinyane
Langeni Electrification	ward 20	825,000.00	30 h/h	Masinyane
<b>TOTAL</b>		<b>22,728,000.00</b>		

**Remarks:**

- The total proposed budget for INEP is R22, 7 million to be funded as allocated from DoRA.

**INTERNALLY FUNDED PROJECTS TO BE IMPLEMENTED IN 2024/25 MTERF**



Project	New or Upgrading Existing	Ward / Region	Amount	Funding Source
Installation of new streetlights at KwaBhaca	New	18	250,000.00	Own Funding
Zimbileni via Mntwana ARMaint	New	19	1,600,000.00	Own Funding
Nqalweni ARnew	New	14	1,700,000.00	Own Funding
Mvakomzi ARMaintenance	New	1	1,700,000.00	Own Funding
Nxashini ARMaintenance	New	10	1,800,000.00	Own Funding
Minqwane ARMaintenance	New	4	1,800,000.00	Own Funding
New Street lights 30	New	28	1,800,000.00	Own Funding
Lutateni ARMaintenance	New	12	1,850,000.00	Own Funding
Magontsini ARMaintenance	New	24	1,900,000.00	Own Funding
Ntenetyana - Godola ARMaint	New	14	2,100,000.00	Own Funding
Ngojini via Ngxonga ARMaint	New	25	2,200,000.00	Own Funding
Ncunteni ARMaint	New	17	2,200,000.00	Own Funding
Mbodleni Bhibha via Cabazi ARMaint	New	27	2,400,000.00	Own Funding
Nyathini Bridge	New	26	2,400,000.00	Own Funding
SDA - Magwaca ARMaint	New	23	2,500,000.00	Own Funding
Mnxekazi ARMaint	New	25	2,600,000.00	Own Funding
Velem via Mthonjeni - Gamakhulu ARMaintenance	New	23	2,600,000.00	Own Funding
Sikolweni ARMaintenance	New	6	2,600,000.00	Own Funding
Lusuthu ARMaintenance	New	8	2,800,000.00	Own Funding
KwaNyathi to Mnambithi AR- New	New	2	2,800,000.00	Own Funding
Municipal Offices	New	18	4,800,000.00	Own Funding

Total

**46,400,000.00**

#### Remarks:

- The list above consists of internally funded projects from various wards where National allocations could not cover. The total budget allocated amounts to R46, 4 million.

#### Total Budget 2024/2025 - 2026/2027

Description	Original Budget	Adjusted Budget	Budget 2024-25	Budget +1 2025-26	Budget +2 2026-27
Operating Budget	452,617,000.00	521,909,000.00	476,468,000.00	368,871,360.00	383,626,314.00
Capital Budget	314,687,000.00	387,706,000.00	261,013,008.00	111,790,000.00	95,191,000.00
<b>Total</b>	<b>767,304,000.00</b>	<b>909,615,000.00</b>	<b>737,481,008.00</b>	<b>480,661,360.00</b>	<b>478,817,314.00</b>

#### PROPOSED TARIFF INCREASES AND BUDGET ASSUMPTIONS

##### Property Rates

Categories	Rate Randages /Rand Value – c/R	Ratio in relation to residential property
Residential property	1:1	0.0058
Business and commercial property	1:2	0.0140
Industrial property	1:2	0.0140
Agricultural property	1:025	0.0015
Mining property	N/A	N/A
Public service infrastructure property	1.025	0.0015
Public benefit organisations	1.025	0.0015
Vacant sites	1:2	0.0140

##### Exemptions, reductions and rebates

**Residential Properties:** For all residential properties, the municipality will not levy a rate on the first R 15 000.00 of the property's market value. The R 15 000.00 is inclusive of the R15 000 statutory impermissible rate as per section 17(1)(h) of the Municipal Property Rates Act.

**Rebates in respect of a category of owners of property are as follows:**



**Indigent owners:** 100% for all approved indigent households Child headed households: 100% rebates. The municipality further grants 25% Senior Citizens rebates and Disabled and Medically boarded property owners respectively

### **Remuneration of Councillors and Employee related costs**

The municipality has provided for a 4.8 % increase on both remunerations of councillors and Employee related costs as per the SALGBC salary and wage increase agreement.

### **Budget Related Policies**

The following budget related policies have been reviewed for the 2024/25 budget:

- Budget and virement policy
- Credit control and debt collection policy
- Rates policy
- Tariff policy
- Indigent policy
- S&T policy
- Supply chain management policy
- Asset management policy
- VAT policy
- Cash and investment policy
- Petty cash policy

### **Overview of anticipated expenditure**

Hiring charges have been found to be highly contributing towards expenditure

The municipality should utilize available resources and avoid hiring e.g. conference facilities

Cost containment measures should be enforced at all times to minimise unnecessary expenditures.

### **Budget Funding**

The Final budget is cash – funded which is an indicator of a “credible” budget.

Funding levels are acceptable (inclusive of the Reserve balances), which is remarkable in these economic times, and is sufficient to cover all requirements of the funding and reserves policy.

The municipal cost coverage after the reduction of draft budget to the final budget indicates 9 months.

***It was thereafter with Councillor M Ngwaqa and Councillor B Sobhayi proposing and seconding respectively.***

### **RESOLVED**

1. That, the Final budget, inclusive of changes in terms of section 16(2) of the MFMA of Umzimvubu Local Municipality for the financial year 2024/2025; and indicative for the two projected years 2025/26 and 2026/27, as set-out in the following, is approved:
  - Operating Revenue by source of R594, 559, 000
  - Operating Expenditure by source of R476, 468, 000
  - Capital Expenditure by source and municipal vote of R261, 013, 008
  - Total budget of R717, 481, 008
2. That, the Council approves the reduction in Operational expenditure by R22 029 000 from R498 497 000 of draft budget to R476 468 000 of final budget in order to improve the cash coverage ratio.
3. That, the Council notes the cash coverage ratio, after reduction, has improved from 2 months to 9 months.





4. That, the Council approves the amount of R4 000 000 towards completion of Chithwa Recreational Park
5. That, the Council approves an additional amount of R500 000 towards designs of streetlights in ward 18 and 28.
6. That, the Council notes that there are no changes in the budget assumptions and budget related policies.
7. That, the Council notes and approves the procurement plan for 2024/2025 financial year.

**COUNCIL 082/2023/2024**

*This was carried unanimously.*

**NB:** These Seventh Ordinary Council minutes are subject to confirmation by the Council on its next Ordinary Council Meeting scheduled for 30<sup>th</sup> of July 2024.

**THIS IS CERTIFIED AS A TRUE REFLECTION AND EXACT EXTRACT FROM THE MINUTES OF THE SEVENTH ORDINARY COUNCIL MEETING HELD VIRTUALLY VIA MICROSOFT TEAMS APPLICATION ON FRIDAY, THE 17<sup>TH</sup> OF MAY 2024 AT 10H25.**

  
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MUNICIPAL MANAGER  
MR G.P.T NOTA

17/05/2024  
DATE



