

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

(File No: 9/2/1/2)
(Author: KM/SM/LL)
(1st Level: MANCO –
02/05/2024)
(2nd Level: STANCO –08/05/2024)
(3rd Level: BSC-09/05/2024)
(3rd Level: EXCO –11/05/2024)
(5th Level: Council – 17/05/2024)

1. 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.

2. AUTHORITY

Council

3. LEGAL / STATUTORY REQUIREMENTS

- Municipal Finance Management Act 56 of 2003, Chapter 4.
- Municipal System Act 32 of 2000.
- National Treasury Regulations and Guidelines.
- Municipal Budget and Reporting Regulations (reg 21, 22, 23, 24, 25, 26 and 27).
- Municipal Standard Chart of Accounts (mSCOA).

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
RECEIPTS:					
Operating Transfers and Grants					
National Government:	283,524	319,138	294,286	288,640	277,791
Local Government Equitable Share	275,387	275,387	289,930	286,640	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
Provincial Government:	870	870	1,554	1,424	1,486
Capacity Building and Other : Library	750	750	1,434	1,424	1,486
LG SETA	120	120	120	–	–
Total Operating Transfers and Grants	284,394	320,008	295,840	290,064	279,277
Capital Transfers and Grants	72,417	245,434	188,427	76,772	79,561
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
Total Capital Transfers and Grants	72,417	245,434	188,427	76,772	79,561
TOTAL RECEIPTS OF TRANSFERS & GRANTS	356,811	565,442	484,267	366,836	358,838

Remarks:

- 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 31st of May where Infrastructure and Planning department will quantify the remaining work to be budgeted for in the upcoming financial year.

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
Sipilini 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
TOTAL ALLOCATION			54,199,000.00

Remarks:

- The above projects have been applied for through CoGTA and approved for implementation with their amounts that make up the total allocation.

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
Marwaga 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
Sixhotyeni 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
TOTAL		22,728,000.00		

Remarks:

- These are projects meant to be implemented in 2024/25 financial where the rates differ from project to project depending on many considerations during logging of projects.

INTERNALLY FUNDED PROJECTS TO BE IMPLEMENTED IN 2024/25 MTERF

Ward No	Maintenance	Internally funded	Project Manager
Ward 1	Mvakomzi AR Maintenance	1,700,000.00	Maqalekane
Ward 2	KwaNyathi to Mnambithi AR - New	2,800,000.00	Maqalekane
Ward 4	Mnqwane AR Maintenance	1,800,000.00	Maqalekane
Ward 6	Sikotweni AR Maintenance	2,600,000.00	Maqalekane
Ward 7	Nyathini Bridge	2,400,000.00	Maqalekane
Ward 8	Lusuthu AR Maintenance	2,800,000.00	Maqalekane
Ward 10	Nxashini AR Maintenance	1,800,000.00	Qwane
Ward 11	Magontsini AR Maintenance	1,900,000.00	Qwane
Ward 12	Lutateni AR Maintenance	1,850,000.00	Gxumisa
Ward 14	Nqalweni AR new	1,700,000.00	Gxumisa
Ward 15	Ntenetyana - Godola AR Maint	2,100,000.00	Gxumisa
Ward 17	Ncunteni AR Maint	2,200,000.00	Gxumisa
Ward 19	Zimbileni via Mntwana AR Maint	1,600,000.00	Qwane
Ward 22	Velem via Mthonjeni - Gamakhulu AR Maintenance	2,600,000.00	Gxumisa
Ward 23	SDA - Magwaca AR Maint	2,500,000.00	Gxumisa
Ward 24	Ngojini via Ngxonga AR Maint	2,200,000.00	Gxumisa
Ward 25	Mnxekazi AR Maint	2,600,000.00	Gxumisa
Ward 27	Mbodleni, Bhibha via Cabazi AR Maint	2,400,000.00	Gxumisa

Remarks:

- The list above consists of internally funded projects from various wards where National allocations could not cover.

Revenue budget

Source	2024/25	2025/26	2026/27
Property rates	50,000,000.00	52,000,000.00	54,080,000.00
Service charges	2,000,000.00	2,080,000.00	2,163,200.00
Investment revenue	10,000,000.00	10,400,000.00	10,816,000.00
Transfers and subsidies	295,156,000.00	306,962,240.00	319,240,729.60
Rental of Facilities	6,500,000.00	6,760,000.00	7,030,400.00
Advertisement	120,000.00	124,800.00	129,792.00
Building plans	620,000.00	644,800.00	670,592.00
Cemetery and burials	24,000.00	24,960.00	25,958.40
Clearance certificates	16,000.00	16,640.00	17,305.60
Sale of goods	265,000.00	275,600.00	286,624.00
Fines, penalties and forfeits	3,500,000.00	3,640,000.00	3,785,600.00
Interest- Non exchange	2,200,000.00	2,288,000.00	2,379,520.00
Agency services	8,000,000.00	8,320,000.00	8,652,800.00
Total revenue	378,401,000.00	393,537,040.00	409,278,521.60

Remarks:

- The municipality is currently busy with a valuation roll which 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	2024/25	2025/26	2026/27
Employee related costs	91,685,000.00	95,352,400.00	99,166,496.00
Remuneration of Councillors	24,485,000.00	25,464,400.00	26,482,976.00
Depreciation and amortisation	69,335,000.00	72,108,400.00	74,992,736.00
General expenditure	74,147,000.00	77,112,880.00	80,197,395.20
Contracted services	95,032,000.00	98,833,280.00	102,786,611.20
Total	354,684,000.00	368,871,360.00	383,626,214.40

Remarks:**Employee related costs and Councillors allowances**

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.

Departmental Capital Budgets

Directorate	Approved budget 2023/24	Adjusted budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27
Council	-	-	305,000.00	100,000.00	100,000.00
Budget and Treasury	8,720,000.00	5,535,000.00	150,000.00	200,000.00	201,000.00
Infra and Planning	85,563,000.00	155,133,000.00	238,578,000.00	127,578,000.00	85,276,000.00
Community safety	22,471,000.00	22,558,000.00	11,415,000.00	11,871,600.00	12,346,464.00
Waste management	6,100,000.00	6,100,000.00	3,250,000.00	3,380,000.00	3,515,200.00
LED	6,200,000.00	6,200,000.00	4,450,000.00	4,628,000.00	4,813,120.00
Total	129,054,000.00	195,526,000.00	258,148,000.00	147,757,600.00	106,251,784.00

Commented [MK1]: Please insert a table of capital budget per department for all departments

The capital budget per municipal departments is tabulated as below,
Council

Project	New or upgrading the existing	Ward/region	Budget 2024/25	Funding source
Furniture equipment	New	Whole of Municipality	305,000.00	Internal funding

The department will procure sound system and tents to reduce hiring costs which have a negative impact on cash coverage.

Budget and Treasury

Project	New or upgrading the existing	Ward/region	Budget 2024/25	Funding source
Furniture equipment	New	Whole of Municipality	150,000.00	Internal funding

Community safety

Project	New or upgrading the existing	Ward/region	Budget 2024/25	Funding source
Shooting range	New	Ward 18	4,000,000.00	Internal
Tools & equipment 209	New	Whole of municipality	191,100.00	Internal
Security equipment 209700023	Upgrading	Whole of municipality	100,000.00	Internal
TRAFFIC EQUIPMENT 209700029	Upgrading	Whole of municipality	312,000.00	Internal
Police:Construction of KwaBhaca public transport pound facility 2nd phase	New	Ward 18	4,000,000.00	Internal
Police:EmaXesibeni Pound upgrading 2nd phase	Upgrading	Ward 28	2,500,000.00	Internal

When SPCA conducted their assessment, it was discovered that ULM is none compliant with regulations in terms of animal health and safety hence there was a need to budget for upgrading of EmaXesibeni pound.

The department of transport also raised concerns with regards to impounding of motor vehicles and the department decided to start the process of constructing a motor vehicle pound that is compliant with DOT regulations.

Waste Management

Project	New or upgrading the existing	Ward/region	Budget 2024/25	Funding source
Machinery and equipment 208700036	New	Whole of municipality	850,000.00	Internal
Library office Furniture	New	Whole of municipality	100,000.00	DSRAC
Community Amenities 208700041	Upgrading	Whole of municipality	2,300,000.00	Internal

Library services are funded externally by DSRAC and there are business plans signed by the Municipality and the funder where it was stipulated that furniture for libraries will be procured through the grant.

Landfill sites are always monitored by the Department of Environmental Affairs for compliance with legislation hence there's a budget put aside to upgrade community amenities.

Local economic development

Project	New or upgrading the existing	Ward/region	Budget 2024/25	Funding source
Auction Pens	Upgrading	Ward 18	1,000,000.00	Internal
Ntsizwa Hiking trail	New	Ward 8	3,000,000.00	Internal
Ntenetyana camp site	New	Ward 15	450,000.00	Internal

As part of the revenue enhancement strategy, Ntenetyana dam and Ntsizwa hiking trails were projects targeted in order to increase revenue streams hence there's budget allocated to such projects.

Disaster projects

Project	Ward	Amount
Sibhozweni AR	27	2,500,000.00
Ngcozana AR	13	7,250,000.00
Sirhoqobeni Slab	5	2,000,000.00
Bonga AR	5	4,250,000.00
Mhlozini AR and Bridge	9	4,500,000.00
Badibanise- Internal Roads	18	3,500,000.00

The above projects were affected by disaster and there's an allocation for 2024/25 financial year to repair the affected infrastructure.

DEPARTMENTAL INPUTS Budget and Treasury Office

Remarks:

- BTO did not increase operational budget since the municipality is in a recovery phase in terms of cash coverage.

Community Safety

Operational Maintenance			
Segment Description	Proposed Budget	Reduction	New Proposed Budget
Outsourced Services Internal Auditors	901,600.00	100,000.00	801,600.00
Strategic Annual Risk Assessment	450,000.00	100,000.00	350,000.00
Conveyancing	360,000.00	100,000.00	260,000.00
External Audit	4,735,000.00	300,000.00	4,435,000.00
Total Budget	6,446,600.00	600,000.00	5,846,600.00

Remarks:

- The department is forced to increase security costs expenditure after the department of labour proposed an increase in wages and that affected the contract between the municipality and the security company. A variation order has been effected to cater for the proposed changes.

Council

SegmentDesc	AccType	TotalBudget	TotalActual	Pending	Available Budget	Spending %	Adjustment	2024/25
Support Traditional Leaders	OPEX	500,000.00	193,179.74	84,810.00	222,010.26	39%	-	500,000.00
Ward committee 202300363 Remuneration	OPEX	4,857,304.00	3,088,400.00	-	1,768,904.00	64%	-	4,857,304.00
Subsistence and Travelling travel claim 202300327	OPEX	600,000.00	402,182.78	-	197,817.22	67%	600,000.00	-
Vehicle rental 202300327	OPEX	170,000.00	118,111.59	46,500.00	5,388.41	69%	170,000.00	170,000.00
Vehicle rental 202300327	OPEX	21,040.00	9,640.00	5,500.00	5,900.00	46%	158,960.00	21,040.00
Flights 202300327	OPEX	235,000.00	153,527.83	58,091.24	23,380.93	65%	100,000.00	235,000.00
Subsistence and Travelling accommodation 202300327	OPEX	890,000.00	489,137.69	306,155.13	4,707.18	61%	100,000.00	970,000.00
Strategic planning 202300319 accommodation	OPEX	855,000.00	625,294.79	31,930.43	197,774.78	73%	-	855,000.00
Travel agency costs 202300327	OPEX	315,000.00	160,063.36	47,252.65	107,683.99	51%	-	315,000.00
Transportation Mayor Cup 202500075	OPEX	360,000.00	-	11,080.00	348,920.00	0%	-	360,000.00
Transportation for IDP Outreach 202300239	OPEX	360,000.00	-	-	360,000.00	0%	-	360,000.00
Transportation for Mayoral Imbizo 202500075	OPEX	360,000.00	-	-	360,000.00	0%	-	360,000.00
Expenditure:Operational Cost:Skills Development Fund Levy	OPEX	183,555.00	124,908.17	-	58,646.83	68%	183,555.00	-
Traditional leaders 202210080	OPEX	135,000.00	52,429.88	-	82,570.12	39%	-	135,000.00
Conferences 202300055	OPEX	333,004.00	194,218.26	32,363.83	106,421.91	58%	-	333,004.00
Tent and Chairs for Mayoral cup 202500075	OPEX	90,000.00	-	-	90,000.00	0%	-	90,000.00
Hiring of Charges for Mayoral Imbizo 202300107	OPEX	360,000.00	-	10,500.00	349,500.00	0%	-	360,000.00
Mayoral Cup-Hire Charges	OPEX	72,004.00	-	-	72,004.00	0%	-	72,004.00
Hiring Charges-Stakeholder Engagement	OPEX	2,700,000.00	1,707,417.00	444,000.00	548,583.00	63%	-	2,700,000.00
Advertising fees 202300003	OPEX	194,400.00	185,668.79	-	8,731.21	96%	-	194,400.00
Awards Trophies and Medals for Sport Awards 202500075	OPEX	450,000.00	-	-	450,000.00	0%	-	450,000.00
Catering Services-Stakeholder Engagement	OPEX	358,787.00	222,490.00	83,940.00	52,357.00	62%	-	358,787.00
Catering for Mayoral Cup 202500075	OPEX	180,000.00	-	11,000.00	169,000.00	0%	-	180,000.00
Catering 202300035	OPEX	45,000.00	41,652.00	-	3,348.00	93%	-	45,000.00
Catering for mayoral Imbizo 202300107	OPEX	304,765.00	-	-	304,765.00	0%	-	304,765.00
Catering for IDP Outreach	OPEX	360,000.00	48,315.00	-	311,685.00	13%	-	360,000.00

The department did not increase operational expenditure as well.

Total Budget 2024/2025 - 2026/2027

Description	Approved Budget 2023/2024	Adjustment Budget 2023/2024	Budget 2024/2025	Budget Year +2025/2026	Budget Year +2026/2027
Operating Budget	452 617 000	521 909 000	354 864 000	368 871 360	383 626 314
Capital Budget	314 687 000	387 706 000	258 148 000	147 757 000	106 252 000
Total	767 304 000	909 615 000	613 012 000	516 628 360	489 878 314

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.

AUTHORITY

- Council

LABOUR IMPLICATIONS

- None

PARTIES CONSULTED

- Provincial Treasury

FINANCIAL IMPLICATIONS

- None

ANNEXURES

Annexure “A” – MFMA Budget Circulars and Provincial Gazette

Annexure “B” – Final Budget schedules 2024-25

Annexure “C” – Proposed Tariffs 2024-25

Annexure “D” – Budget Related Policies

10. RECOMMENDATIONS BY ACCOUNTING OFFICER

It is recommended that;

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 schedules, be approved:
2. That, the Council approves the reduction in Operational expenditure by R22 029 000 from R498 497 000 to R476 468 000 in order to improve the cash coverage ratio.
3. That, the Council approves the total operating revenue amounting to R402 512 000
4. That, the Council approves the CAPEX from internally generated funds amounting to R68 865 000
5. That, the Council approves the CAPEX from grants amounting to R192 148 000 towards construction of Infrastructure assets.
6. That, the Council approves the funding of Mhluzini and Bhonga Access roads from disaster recovery grant with an amount of R4 500 000 and R4 250 000 respectively which were initially planned to be funded internally.
7. That, the Council approves the amount of R4 000 000 towards completion of Chitwa recreational park
8. That , the Council approves the amount of R1000 000 towards construction of Auction pens.
9. That, the Council approves an additional amount of R500 000 towards designs of streetlights in ward 18 and 28.
10. That, the Council approves the total revenue budget of R 378 401 000.
11. That, the Council notes that there are no changes in the budget assumptions and budget related policies.

MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I Tobela GP Nota, Municipal Manager of **Umzimvubu Local Municipality**, hereby certify that the Final Budget for the 2024/25 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual Budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Print Name _____

Municipal Manager of Umzimvubu Local Municipality (EC442)

Signature _____

Date _____

11. ANNEXURES

11.1. ANNEXURE 'A'- FINAL BUDGET SCHEDULES

11.2 ANNEXURE 'B'- TARIFF STRUCTURE

11.3 ANNEXURE 'C'- FINAL PROCUREMENT PLAN

11.4 ANNEXURE 'D'- BUDGET RELATED POLICIES

EC442 MTREF