

REPORT ON DRAFT BUDGET FOR 2025/2026 MEDIUM TERM REVENUE EXPENDITURE FRAMEWORK

(File No: 9/2/1/2)
(Author: KM/SM/LL)
(1ST Level: Budget Steering
Committee –17/03/2025)
(2ND Level: EXCO – 19/03/2025)
(3RD Level: Council – 31/03/2025)

1. PURPOSE

The purpose of the report is to table to council the 2025/26 draft budget as required in terms of section 16 of the Municipal Finance Management Act 56 of 2003.

- For Council to note draft budget on revenue, expenditure and assets.

2. AUTHORITY

Council

3. LEGAL / STATUTORY REQUIREMENTS

The constitution of the Republic of South Africa, 1996
Municipal Finance Management Act No 56, 2003 Chapter 7, Section 28
Municipal Budget Reporting Regulations
MScoa Regulations

4. 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 2025.

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 2024 to March 2025 as follows:

Budget process plan

On 29th August 2024, 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 14 – 17 October 2024, conducted its public consultative meetings with all 28 wards to review IDP for 2025-2027. The reviewed IDP has been used by the municipality to inform the draft budget for 2025/26 to 2027/28 (MTREF) for consideration. The tabled draft budget will then be subjected for comments and suggestions by stakeholders and public.

In term of MFMA section 16, the Mayor of the municipality must table the annual budget at a Council meeting at least 90 days before the start of the budget year – 31 March, as per 2025/26 budget process plan the municipality will table its draft budget to the council on 26th March 2025.

5. 2025/2026 Draft Budget

5.1 Revenue Draft Budget

Description	Current year	2025/26 Budget	Budget Percentage	2026/27 Budget	2027/28 Budget
Revenue	- 624,937,233.00	- 547,055,279.30	100%	- 571,125,711.59	- 596,255,242.90
Agency Services	- 2,900,000.00	- 2,900,000.00	1%	- 3,027,600.00	- 3,160,814.40
Fines; Penalties and Forfeits	- 4,527,000.00	- 4,527,000.00	1%	- 4,726,188.00	- 4,934,140.27
Interest	- 2,200,000.00	- 2,200,000.00	0%	- 2,296,800.00	- 2,397,859.20
Interest; Dividend and Rent on Land	- 10,580,000.00	- 10,580,000.00	2%	- 11,045,520.00	- 11,531,522.88
Licences or Permits	- 1,965,000.00	- 1,965,000.00	0%	- 2,051,460.00	- 2,141,724.24
Operational Revenue	- 4,035,000.00	- 2,026,000.00	0%	- 2,115,144.00	- 2,208,210.34
Property Rates by Usage	- 66,903,978.00	- 66,903,978.00	12%	- 69,847,753.03	- 72,921,054.17
Rental from Fixed Assets	- 7,355,000.00	- 7,355,000.00	1%	- 7,678,620.00	- 8,016,479.28
Sales of Goods and Rendering of Services	- 23,194,310.00	- 13,483,701.30	2%	- 14,076,984.16	- 14,696,371.46
Service Charges	- 1,482,600.00	- 1,482,600.00	0%	- 1,547,834.40	- 1,615,939.11
Transfers and Subsidies	- 499,794,345.00	- 433,632,000.00	79%	- 452,711,808.00	- 472,631,127.55

Remarks:

- The total approved budget amounted to R624, 937, 233 for 2024/2025 financial year. The proposed revenue for 2025/2026 MTREF amounts to R547, 055, 279. A decrease of R77, 8m caused by the following:
 - ❖ R2 million decrease in operation revenue which is caused by decrease in human settlement 3.5% admin fee caused by decrease in 2025/2026 human settlement allocation decrease;
 - ❖ R9,7 million on sales of goods and rendering of services which is due decrease in electrification programme allocation decrease plus output VAT implications;
 - ❖ R66 million net decrease in transfers and subsidies caused by:
 - Decrease of R1,6 million in equitable share from R289,9 million to R288,2 million;
 - Decrease of R9,7 million in disaster recovery grant from R36,2 million to R26,48 million;
 - Decrease of R57,4 million in human settlement grant from R111 million to R53,6 million.

- ❖ Increase of R100 thousand in financial management grant from R1,7 million to R1,7 million;
- ❖ Increase of R2,9 million in municipal infrastructure grant from R54,2 million to R57,1 million.
- The draft total Municipal Revenue Budget as a percentage of the total budget amounts to 21%.

MUNICIPAL TRANSFERS AND SUBSIDIES

Description	Current Year		2025/2026 Medium Term Revenue and Expenditure Framework		
	Original Budget 2024/25	Adjusted Budget	Draft 2025/26	Budget 2026/27	Budget 2027/28
Operating Transfers and Grants					
National Government	294,406,000.00	294,686,000.00	293,268,000.00	288,646,000.00	301,673,000
Local Government Equitable Share	289,930,000.00	289,930,000.00	288,295,000.00	286,246,000.00	299,173,000
Expanded Public Works Programme integrated Grant	2,656,000.00	2,656,000.00	2,773,000.00	-	-
Local Government Financial Management Grant	1,700,000.00	1,700,000.00	1,800,000.00	2,000,000.00	2,100,000
LG SETA	120,000.00	400,000.00	400,000.00	400,000.00	400,000
Provincial Government	1,434,000.00	3,184,000.00	1,434,000.00	1,434,000.00	1,434,000
Capacity Building and other: Library Grant	1,434,000.00	3,184,000.00	1,434,000.00	1,434,000.00	1,434,000
Total Operating Transfers and Grants	295,840,000.00	297,870,000.00	294,702,000.00	290,080,000.00	303,107,000
Capital Transfers and Grants					
National Government	103,391,000.00	113,138,344.75	98,550,000.00	79,915,000.00	83,524,000
Integra national electrification programme (INEP)	22,728,000.00	22,728,000.00	14,970,000.00	18,000,000.00	18,814,000
Municipal Infrastructure Grant (MIG)	54,199,000.00	54,199,000.00	57,096,000.00	61,915,000.00	64,710,000
Municipal Disaster Recovery Grant	26,464,000.00	36,211,344.75	26,484,000.00	-	-
Provincial Government	111,000,000.00	111,000,000.00	53,600,000.00	-	-
Human Settlement Housing Projects	111,000,000.00	111,000,000.00	53,600,000.00	-	-
Total Capital Transfers and Grants	214,391,000.00	224,138,344.75	152,150,000.00	79,915,000.00	83,524,000

5.2 Operating Expenditure Draft Budget

Description	Current year	2025/26 Budget	Budget Percentage	2026/27 Budget	2027/28 Budget
Expenditure	458,660,111	444,838,848	100%	462,632,402	481,137,698
Contracted Services	121,604,580	105,958,490	24%	110,196,830	114,604,703
Depreciation and Amortisation	93,470,000	90,550,000	20%	94,172,000	97,938,880
Employee Related Cost	98,880,431	106,006,270	24%	110,246,521	114,656,382
Inventory Consumed	7,773,502	6,850,000	2%	7,124,000	7,408,960
Irrecoverable Debts Written Off	8,780,000	9,000,000	2%	9,360,000	9,734,400
Operating Leases	1,167,218	1,167,220	0%	1,213,909	1,262,465
Operational Cost	82,939,171	82,047,568	18%	85,329,471	88,742,650
Remuneration of Councillors	24,485,405	25,562,800	6%	26,585,312	27,648,724
Transfers and Subsidies	19,559,804	17,696,500	4%	18,404,360	19,140,534

Remarks:

- The total approved budget amounted to R458, 660, 111 for 2024/2025 financial year. The proposed operating expenditure for 2025/2026 MTREF amounts to R444, 838, 848. A decrease of R13, 8m caused by the following:
 - ❖ R15,6 million reduction in contracted services.
 - ❖ R2,9 million reduction in depreciation and amortisation
 - ❖ R7,1 million increase in employee related costs.

- ❖ R923 thousand decrease in inventory consumed.
- ❖ R981 thousand decrease in operational cost.
- ❖ R1 million increase in remuneration of councillors.
- ❖ R1,8 million reduction in transfers and subsidies.
- The total percentage of the Employee Related Cost amounts to 24% of the total Draft Operating Expenditure.

6.Capital Budget by funding source

6.1. Municipal Infrastructure Grant (MIG)

Ward No	MIG Projects	MIG Budget
Ward 02	Sidakeni Community Hall - MIG	R3,100,000.00
Ward 03	Thabo Access Road Phase 1 - MIG	R4,350,855.00
Ward 06	Design of Ngwekazana /Gudlintaba AR - MIG	R500,000.00
Ward 07	Sikhumbeni Community Hall - MIG	R3,000,000.00
Ward 13	Mt White AR slab - MIG	R8,400,000.00
Ward 17	Sogoni Community Hall - MIG	R3,000,000.00
Ward 18	Kwabhaca Installation of Solar Street lights Phase 1 - MIG	R2,000,000.00
Ward 18	Kwabhaca Internal Streets Surfacing Phase 8 - MIG	R12,612,358.61
Ward 19	Bhakaleni to Sekileni via Mqoma AR - MIG	R8,273,003.00
Ward 25	Osborn Community Hall - MIG	R3,100,000.00
Ward 26	Zinkawini bridge - MIG	R5,800,000.00
All	Municipal Waste Management Specialised Vehicles - MIG	R2,959,783.39
	Total	57,096,000.00

Remarks:

- Municipal Infrastructure Grant is expected to increase by R2,9 million from R54,1 million in the 2024/2025 to R57 million for 2025/26 MTERF, it will be used to fund the following projects:
 - ❖ R3,1 million Sidakeni Community Hall;
 - ❖ R4,3 million Thabo Access Road Phase1;
 - ❖ R500 thousand Design of Ngwekazana/Gudlintaba Access Road;
 - ❖ R3 million Sikhumbeni Community Hall;
 - ❖ R8,4 million Mt White Access Road Slab;
 - ❖ R3 million Sogoni Community Hall;
 - ❖ R2 million KwaBhaca Installation of Solar Street Lights;
 - ❖ R12,6 million KwaBhaca Internal Streets Surfacing Phase 8;
 - ❖ R8,2 million Bhakaleni to Sekileni via Mqoma Access Road;
 - ❖ R3,1 million Osborn Community Hall;
 - ❖ R5,8 million Zinkawini Bridge;
 - ❖ R2,9 million Municipal Waste Management Specialised Vehicle.
- The Municipal Infrastructure Grant will be 100% spent as per the above projects in the 2025/2026 financial year.

6.2. Municipal Disaster Recovery Grant (MDRG)

Project Name	Ward	Allocated Fund	Source of Funding
Reconstruction of Mwaca Bridge	6	R7,500,000	DMRG
Extension of Silindini bridge	6	R5,200,000	DMRG
Reconstruction of Bangweni to Njijini bridge	15	R8,000,000	DMRG
Rehabilitation of Cabane concrete slab	20	R2,800,000	DMRG
Reconstruction of Lutshikini AR	11	R3,348,000	DMRG
TOTAL		R26,848,000	

Remarks:

- Municipal Disaster Recovery Grant have decrease by R10 million from R36,5 in the 2024/2025 to R26,8 million for 2025/26 MTERF. It will used to fund the following projects:
 - ❖ R7.5 million Reconstruction of Mwaca Bridge;
 - ❖ R5,2 million Extension of Silindini Brigde;
 - ❖ R8 million Reconstruction of Bangweni to Njijini Bridge;
 - ❖ R2.8 million Rehabilitation of Cabane Contrete Slab;
 - ❖ R3,3 million Reconstruction of Lutshijini Access Road.

Intergrated National Electrification Projects – INEP:

Project Name	Ward	Number of Connections	Allocated Fund
Sogoni Phase 2 Electriifcation	17	150	R4,070,000.00
Sixhotyeni link line	4		R6,500,000.00
Maduna Majojweni link line	6		R4,400,000.00
TOTAL			R14,970,000.00

Remarks:

- The INEP Grant has decreased from R22, 728, 000 in 2024/2025 to R14, 970, 000 in 2025/2026 MTERF. It will be used to fund the following projects:
 - ❖ R4m for Sogoni Phase 2 Electrification;
 - ❖ R6, 5m Sixhityeni Link Line;
 - ❖ R4, 4m for Maduna Majojweni Link Line.

6.3. Internal Funding Capital Budget by Department

6.3.1 Budget and Treasury Office

Budget and Treasury Office	
Assets - Capital	5,000,000.00
Furniture equipment Finance 200700002	3,500,000.00
Motor Vehicle200700040	1,500,000.00

Remarks:

- Budget and Treasury Office have of R5 million capital budget, which is made of the following:
 - ❖ R3,5 million to purchase office furniture for new council chambers
 - ❖ R1,5 million to purchase 2 motor vehicles for political office bearers.

6.3.2 Infrastructure and planning

Maintenance	47,500,000.00	
Sulubere AR Maint	1,500,000.00	Ward 01
Sigidini AR Maint	1,700,000.00	Ward 04
Upper Dambeni AR Maint	1,400,000.00	Ward 05
Hlombe AR - New	1,400,000.00	Ward 06
Ndakeni to Malenge AR Maint	1,800,000.00	Ward 08
Luxwesa AR Maintenance	1,400,000.00	Ward 09
Sigundwaneni AR Maint	1,400,000.00	Ward 10
Sikolweni - Magontsini AR Maint	1,400,000.00	Ward 11
Mpoza AR Maint	1,400,000.00	Ward 12
Bethane via Luqolweni to Bhakaneni AR Maint	1,200,000.00	Ward 13
Fadeni AR Maint	1,300,000.00	Ward 14
Thwa AR Maint	1,400,000.00	Ward 15
Moyeni - Galali AR Maint	1,400,000.00	Ward 16
Completion of Municipal Offices	6,300,000.00	Ward 18
Mtshazi koMkhulu to Qumra	1,500,000.00	Ward 19
Dangwana AR Maint	1,400,000.00	Ward 20
Bislan - Mpindweni AR Maint	1,400,000.00	Ward 21
Good hope via Komkhulu to Archie AR Maint	1,300,000.00	Ward 22
Magwaca - Qwidlana Clinic AR Maint	1,400,000.00	Ward 23
Sivumela AR Maint	1,500,000.00	Ward 24
Nkangala-Nkwazini A/R - new	2,200,000.00	Ward 27
Chithwa Internal Streets Maint	1,500,000.00	Ward 28
Nophoyi Cluster Sports Field Phase 2	1,600,000.00	Ward 12, 10, 13
Construction of Ext 8 Services Emaxesibeni	3,000,000.00	Ward 28
Emaxesibeni Municipal hall parking area	1,400,000.00	Ward 28
Ngxashini AR Maintenance	500,000.00	Rollover
Lutateni AR Maintenance	700,000.00	Rollover
Ntenetyana - Godola AR Maint	800,000.00	Rollover
Ncunteni AR Maint	900,000.00	Rollover
Velem via Mthonjeni - Gamakhulu AR Maint	800,000.00	Rollover
SDA - Magwaca AR Maint	600,000.00	Rollover

Remarks:

- Infrastructure and Planning Capital Budget funded by internal funding is R47,5 million, which is made of the following:

- ❖ R30,9 million road maintenance and refurbishment in various wards;
- ❖ R6,3 million completion of municipal offices;
- ❖ R1,5 million completion of Nophoyi sport facility;
- ❖ R3 million construction of Emaxesibeni Ext8 services;
- ❖ R1.4 million for Emaxesibeni hall parking area;
- ❖ R4,3 million anticipated rollover.

6.3.3 Local Economic development

Assets - Capital	3,800,000.00
Construction of Auction pens	200,000.00
Ntenetyana camp site	500,000.00
Ntsizwa Hiking trail	3,100,000.00

Remarks:

- Local Economic Development capital budget funded through internal funding is R3,8 million, which is made of the following:
 - ❖ R200 thousand for completion of auction pens;
 - ❖ R500 thousand for Ntenetyana camp site;
 - ❖ R3,1 million Ntsizwa hiking trail.

6.3.3 Citizen and Community Services

Public Safety	
Assets - Capital	6,240,000.00
Police:Construction of KwaBhaca vehicle pound facility	2,000,000.00
Shooting range Construction	4,000,000.00
Tools & equipment 209	240,000.00
Waste Management	
Assets - Capital	720,000.00
Machinery and equipment 208700036	600,000.00

Remarks:

- Citizen and Community Services capital budget funded through internal funding is R6,9 million, which is made of the following:
 - ❖ R2 million for construction of KwaBhaca vehicle pound facility
 - ❖ R4 million for Shooting range construction
 - ❖ R240 thousand tools and equipment
 - ❖ R600 thousand Machinery and equipment

Total Budget 2025/2026 - 2027/2028

Description	Total Approved Budget 2024/2025	Total Draft Budget 2025/2026	Budget +2026/2027	Budget +2027/2028
Operating Budget	R500 533 153	444,838,848.00	467,080,790.40	490,434,829.92
Capital Budget	R253 596 343	147,204,000.00	154,564,200.00	162,292,410.00
Total Budget	R754 129 496	592,042,848.00	621,644,990.40	652,727,239.92

The total capital expenditure on the draft budget for 2025/2026 MTREF amounts to 33,09%.

7. OVERVIEW OF BUDGET RELATED POLICIES AND BUDGET ASSUMPTIONS

Budget Related Policies

The budget related policies have been amended as per the new circulars and inputs made during management session and these have been implemented on the draft budget.

Budget Assumptions

There are no changes to the budget assumptions proposed on the draft budget.

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

Budget Related Policies

- Cash Management and Investment Policy Draft
- Credit Control and Debt Collection Policy Draft
- Fixed Asset Register Draft
- Funding and Reserves Policy Draft
- Indigents Policy Draft
- Municipal Property Rates Policy Draft
- Policy related to long-term financial planning Draft
- Policy related to the Management and Disposal of Assets Draft
- Policy relating to dealing with infrastructure investment and capital projects Draft
- Supply Chain Management Policy Draft
- Tariff Policy on Property Rates Draft
- Tariff Policy on Refuse Removal and Solid Waste Draft
- mSCOA Road Map Draft

Budget Funding

The draft 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.

Other Information

Status of Audit Outcome:

- The municipality received an Unqualified Audit Opinion with no material findings – Clean Audit.

Submission of Annual Financial Statements:

- The municipality submitted the Annual Financial Statements on the 31st August 2024.

Functionality of Audit Committee:

- The Audit Committee is fully functional and is seating on a regular basis as per the MFMA requirements.

Indigent Policy Implementation:

- The indigent management policy is being implemented with 6684 beneficiaries.

8. RECOMMENDATIONS BY ACCOUNTING OFFICER

Annexures

“A” – MFMA Budget Circular

“B” – Detailed Capital Budget Schedule

“C” – Detailed Operating Budget Schedule

8. RECOMMENDATIONS BY ACCOUNTING OFFICER

It is recommended;

1. That, the draft budget, inclusive of changes in terms of section 28 of the MFMA for Umzimvubu Local Municipality for the financial year 2025/2026; and indicative for the two projected years 2026/2027 and 2027/2028, as set-out in the schedules, be noted and approved by Council;
2. That, the Council notes and approves that draft operating revenue has decrease by R77, 8m from R624, 937, 233 to R547, 055, 279;
3. That, the Council notes and approves the decrease of R13, 8m on draft operating expenditure budget from R458, 660, 111 to R444, 838, 848;
4. That, the Council notes and approves that the draft Municipal Infrastructure Grant is expected to increase by R2,9 million from R54,1 million in the 2024/2025 to R57 million for 2025/26 MTERF, it will be used to fund the following projects:
 - a. R3,1 million Sidakeni Community Hall;
 - b. R4,3 million Thabo Access Road Phase1;
 - c. R500 thousand Design of Ngwekazana/Gudlintaba Access Road;
 - d. R3 million Sikhumbeni Community Hall;
 - e. R8,4 million Mt White Access Road Slab;
 - f. R3 million Sogoni Community Hall;
 - g. R2 million KwaBhaca Installation of Solar Street Lights;
 - h. R12,6 million KwaBhaca Internal Streets Surfacing Phase 8;
 - i. R8,2 million Bhakaleni to Sekileni via Mqoma Access Road;
 - j. R3,1 million Osborn Community Hall;
 - k. R5,8 million Zinkawini Bridge;
 - l. R2,9 million Municipal Waste Management Specialised Vehicle.
5. That, the Council notes and approves that the draft INEP Grant has decreased from R22, 728, 000 in 2024/2025 to R14, 970, 000 in 2025/2026 MTERF. It will be used to fund the following projects:
 - a. R4m for Sogoni Phase 2 Electrification;
 - b. R6, 5m Sixhityeni Link Line;
 - c. R4, 4m for Maduna Majojweni Link Line.
6. That, the Council notes and approves that the draft Municipal Disaster Recovery Grant have decrease by R10 million from R36,5 in the 2024/2025 to R26,8 million for 2025/26 MTERF. It will used to fund the following projects:
 - a. R7.5 million Reconstruction of Mwaca Bridge;
 - b. R5,2 million Extension of Silindini Brigde;
 - c. R8 million Reconstruction of Bangweni to Njijini Bridge;
 - d. R2.8 million Rehabilitation of Cabane Contrete Slab;
 - e. R3,3 million Reconstruction of Lutshijini Access Road.
7. That, the Council notes and approves the draft total budget of R592, 042, 848;
8. That, the Council notes that the changes made on budget related policies as per the attached;

9. That, the Council notes that there are no changes on the tariffs for the 2025/2026 financial year.

MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I **Tobela GP Nota**, Municipal Manager of **Umzimvubu Local Municipality**, hereby certify that the draft budget for the 2025/26 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 _____

10. ANNEXURES

10.1. ANNEXURE 'A'- 2025/26 Draft budget A schedule

10.2 ANNEXURE 'B'- 2025/26 Draft Tariffs

10.3 ANNEXURE 'C'- 2025/2026 Draft Budget Related policies