

NQUTHU MUNICIPALITY (KZN 242)



BUDGET NARRATION 2025 - 2026

TABLE OF CONTENTS

PART 1 – THIRD QUARTER REPORT

1.1 MAYORS' REPORT	4
1.2 RESOLUTIONS	5
1.3 EXECUTIVE SUMMARY	5
1.4 ANNUAL BUDGET TABLES	9

PART 2 – SUPPORTING DOCUMENTATION

2.1 OVERVIEW OF ANNUAL BUDGET.....	20
2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP	21
2.3 MEASUREABLE PERFORMANCE OBJECTIVES AND INDICATORS.....	23
2.4 OVERVIEW OF BUDGET RELATED POLICIES	23
2.5 OVERVIEW OF BUDGET ASSUMPTION	24
2.6 OVERVIEW OF BUDGET FUNDING	26
2.7 EXPENDITURE ON ALLOCATION AND GRANT PROGRAMMES	25
2.8 ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY	25
2.9 COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS	25
2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW.....	26
2.11 ANNUAL BUDGETS AND SDBIPS – INTERNAL DEPARTMENTS	26
2.12 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS	26
2.13 CAPITAL EXPENDITURE DETAILS	27
2.14 LEGISLATION COMPLIANCE STATUS	27
2.15 MUNICIPAL STANDARD CHART OF ACCOUNTS (M-SCOA)	28

2.16 OTHER SUPPORTING DOCUMENTS	29
2.17 MUNICIPAL MANAGER’S QUALITY CERTIFICATE.....	30

List of Tables – PART 1

Table 1 MBRR Table A1 - Budget Summary	10
Table 2 MBRR Table A2 - Budgeted Financial Performance (revenue & expenditure by standardisation)	12
Table 3 MBRR Table A3 – Budgeted Financial Performance (revenue and expenditure by municipal vote)	13
Table 4 MBRR Table A4 – Budgeted Financial Performance (revenue and expenditure)	14
Table 5 MBRR Table A5 – Budgeted Capital expenditure (standard classification and funding).....	16
Table 6 MBRR Table A6 – Budgeted Financial Position	17
Table 7 MBRR Table A7 – Budgeted Cash Flow	18
Table 8 MBRR Table A8 – Budgeted Cash Backed reserves	19
Table 9 MBRR Table A9 – Asset Management	19
Table 10 MBRR Table A10 – Basic Service Delivery Measurement	20

PART1

ANNUAL BUDGET

1.1. Mayors Report

In terms Section 16 of the MFMA, the Mayor of the Municipality must table the draft annual budget, 90 days before the start of the financial year. The budget assumptions and policies which have a direct impact to the tabled budget must also be prepared and submitted for approval as required by Section 21 (1) (a) of the MFMA. The budget estimates for the 2025/2026 MTREF period is presented to Council for consideration for approval. National Treasury issued MFMA Circular No. 129 which provides an update to all municipalities on the preparation of statutory planning and reporting documents required for the 2025/26 Medium Term Revenue and Expenditure Framework (MTREF).

The Nquthu Municipality council adopted a final budget on 31 March 2025, taking into cognisance the two outer years as well as the published gazette for capital grants, equitable share, and other operational grants. The SDBIDP and OPMS scorecard has been formulated in line with the budget to ensure attainable performance indicators. It is a widely know fact that government fiscus are depleting, the municipality considers broader economic outlook globally and locally including VAT subject. Additionally, the municipality strives to complete allocated grant funds in time to be eligible for additional grant funding.

In preparing the 2025/26 budget main objectives to be achieved are the following:

- a) Grow local economy, create jobs, and improve community-based projects.
- b) Eradicate poverty and uplift previously disadvantaged communities.
- c) Build a capable, corruption-free administration and achieve clean audit opinion
- d) Manage expenditure prudently, grow revenue base
- e) Build long term financial sustainability so as to invest in social and economic development.

Assumptions

When preparing the 2025 /2026 budget estimates, the following assumptions were taken into consideration:

1. The average CPI index for the period 01 July 2025 to 28 February 2026.

2. The bulk electricity service provider will be allowed a maximum 11.32% inflation increase.
3. The employee related costs and councillor allowances will be allowed in line with gazette.
4. Critical positions will be filled and strategic positions in the management will be filled.
5. Interest rates will remain at 8% for outstanding debtors.
6. Collection rate is assumed to gradually increase in line with CPI or remain still.
7. Austerity factors relating to possible changes to VAT.

The approved annual budget was funded, which gives confidence in the financial management. I always put emphasis in ensuring proper budgeting that results in a funded budget position.

1.2. Resolutions

The annual budget is tabled before council for consideration by Council. Hereunder are the resolutions in terms of the Municipal Budget and Reporting Regulations Schedule -A Annual Budget requirements for consideration by council:

- That the Council approve the municipal annual budget and specifically appropriate the amounts for different votes.
- That the Council approve all rates and taxes tariffs for services provided by the municipality.
- That the Council approve measurable performance objectives for the annual budget for each year of the MTREF 2025-2027.
- That the Council approve all budget related policies or amendments to such policies.

1.3. Executive Summary

Purpose

The fundamental purpose of this report is to comply with Section 9 of the Municipal Budget and Reporting Regulations (MBRR), by submitting to the Council for the approval of the budget in a format specified in Schedule A. The executive summary provides a high-level overview of the budgeted financial performance of the municipality.

Table A1 Budget summary provides for total revenue budget at R358 million rands (excluding capital transfers and contributions) and total expenditure budget at R333 million rands.

Choose name from list - Table A1 Budget \$

Description	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousands							
Financial Performance							
Property rates	52 750	52 750	52 750	52 750	62 160	65 455	68 793
Service charges	34 070	34 070	34 070	34 869	39 560	41 780	44 339
Investment revenue	5 995	9 095	9 095	9 095	8 150	8 210	7 501
Transfer and subsidies - Operational	212 836	212 836	212 836	212 836	215 536	207 688	216 865
Other own revenue	5 380	6 969	6 969	6 969	33 127	8 557	9 030
Total Revenue (excluding capital transfers and contributions)	311 031	315 720	315 720	316 519	358 533	331 690	346 528
Employee costs	118 968	118 347	118 347	118 347	124 644	125 639	132 836
Remuneration of councillors	17 155	17 155	17 155	17 155	15 974	16 915	17 896
Depreciation and amortisation	36 000	36 000	36 000	36 000	37 000	0	0
Interest	0	0	0	0	0	0	0
Inventory consumed and bulk purchases	42 588	46 292	46 292	46 292	42 916	41 638	41 842
Transfers and subsidies	2 854	2 510	2 510	2 510	5 454	5 710	5 870
Other expenditure	104 505	101 820	101 820	101 820	107 075	85 417	86 322
Total Expenditure	322 072	322 124	322 124	322 124	333 063	275 319	284 766
Surplus/(Deficit)	(11 041)	(6 404)	(6 404)	(5 605)	25 470	56 370	61 761
Transfers and subsidies - capital (monetary allocations)	46 155	52 243	52 243	52 243	37 961	41 010	42 778
Transfers and subsidies - capital (in-kind)	-	-	-	-	-	-	-
	35 114	45 838	45 838	46 637	63 431	97 380	104 539
Surplus/(Deficit) after capital transfers & contributions	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Associate	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	35 114	45 838	45 838	46 637	63 431	97 380	104 539
Capital expenditure & funds sources							
Capital expenditure	80 235	84 251	84 251	84 251	55 592	29 179	30 439
Transfers recognised - capital	41 272	45 186	45 186	45 186	32 250	29 178	30 436
Borrowing	-	-	-	-	-	-	-
Internally generated funds	38 963	39 065	39 065	39 065	23 342	1	2
Total sources of capital funds	80 235	84 251	84 251	84 251	55 592	29 179	30 439
Financial position							
Total current assets	103 802	182 845	182 845	182 845	202 519	58 879	61 978
Total non current assets	754 284	818 216	818 216	818 216	799 814	29 179	30 439
Total current liabilities	103 485	138 251	138 251	138 251	111 751	(2 207)	(1 500)
Total non current liabilities	3 364	875	875	875	875	0	0
Community wealth/Equity	807 389	890 547	890 547	890 547	889 706	90 265	93 917
Cash flows							
Net cash from (used) operating	231 134	240 052	240 052	240 052	64 929	86 983	87 026
Net cash from (used) investing	-	-	-	-	(64 803)	(117 420)	(82 388)
Net cash from (used) financing	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	274 786	353 273	353 273	353 273	71 522	41 085	45 722
Cash backing/surplus reconciliation							
Cash and investments available	(11 820)	53 662	53 662	53 662	51 831	4 175	4 720
Application of cash and investments	30 992	59 952	59 952	59 977	(17 684)	(2 292)	7 197
Balance - surplus (shortfall)	(42 812)	(6 291)	(6 291)	(6 316)	69 515	6 466	(2 476)
Asset management							
Asset register summary (WDV)	520 797	596 330	596 330		609 594	1	1
Depreciation	36 000	36 000	36 000		37 000	0	0
Renewal and Upgrading of Existing Assets	12 000	12 000	12 000		3 313	0	0
Repairs and Maintenance	9 514	8 884	8 884		8 006	6 828	7 183

Operating Revenue Framework

The municipality is highly dependent on the equitable share grant, given that the municipality holds a distribution licence on ward 09, the challenge persist with electricity distribution losses. Currently the municipality is engaging on the process to participate in the transversal contract for smart metering avenues to curb losses on electricity.

The municipality implemented its’ 4th General Valuation Roll in the 2023/24 financial year, thus the municipality advertises annually the supplementary valuations calling for objections. However since the implementation of the 4th valuation roll the municipality only received 10 objections during the MPRA S49 notice period, and there are none objections received for the two advertised supplementary valuations.

The municipality in the tariff of charges document for the financial year 2025/26 considered the following rates and tariffs as well as rebates for property rates. Furthermore the tariff structure in terms of rebate granting is thoroughly revised to reduce the rebates for residential properties and pensioners customers.

Table 1: approved property rates tariffs and rebates

Categories	Rate Randage	Ratio to residential tariff	Rebates and exemption
Residential property	R0.01474	1:1	R120 000,00
Business, Commercial property	R0.02927	1:2.2	R0
Industrial property	R0.03332	1:2.26	R0
Agricultural property	R0.00350	1:0.25	R0
Public Service Purposes	R0.03332	1:2.26	R0
Public Benefit Organization	R0.00350	1:0.25	R0
Vacant Property	R0.01756	1:1.42	R0
Public Worship	R0.00000	1:0	100%
Municipal property	R0.00000	1:0	100%
Mining	R0.03332	1:2.26	R0

The following amendments were made to refuse removal, electricity and other miscellaneous charges.

Table 2: amendments to tariffs for the financial year 2025/26

AMENDMENTS TO TARIFFS 2025/2026 FINANCIAL YEAR

Notice is hereby given in terms of Section 75A (3)(b) of the Local Government Municipal Systems Act (Act 32 of 2000), that Nquthu Municipal Council by resolution taken on **28 May 2025** resolved to amend its tariffs in respect of the following:

Electricity will increase by 11.80% subject to NERSA approval.

All approved tariffs including Refuse removal and Miscellaneous charges are available for inspection and will be displayed on the Municipal noticeboard, libraries and Municipal website.

Operating Expenditure Framework

The municipality's expenditure framework for the 2025/26 budget and MTREF is informed by the total expenditure budget of R333 million rands as well as the following other aspects:

- Primary drivers of this budget seek to keep tariff increases within the inflationary envelope.
- Despite stringent measures implemented to curb expenditure and to stimulate responsible spending, the municipality provided R8 million rands for repairs and maintenance provisions (under other expenses). The repairs and maintenance provision is informed by the replacement of damaged or lost assets that are not replaced after the incident. In this instance the attention is drawn to the vehicle pool that declined significantly after the auction sale and after insurance declaration of write-off of the vehicles.
- The final budget results in a marginal surplus (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit.
- Funding of the budget over the medium-term is informed by Section 18 and 19 of the MFMA
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of “no project plan/ demand plan, no budget”. If there is no business plan no funding allocation can be made. This is incumbent of the Accounting Officer to enforce to the HOD's.

Crucial elements contribute to summary of the 2025/26 budget and MTREF (classified per main type of operating expenditure):

The budgeted allocation for employee related costs for the coming financial year totals to R 124 million rands compared to 118 million rands in the previous year. Based on the three-year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase. Allocation for employee related costs and council allowances are budgeted for in the two outer years.

The cost associated with the remuneration of councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The MEC has approved that three office-bearers' positions namely the Mayor, the Deputy Mayor and Speaker be designated as full-time, these three have been budgeted for at full-time.

The bulk electricity purchases are directly informed by the purchase of electricity from Eskom. The annual price increase of 11.32% as granted by NERSA has been factored into the budget appropriations of R40 million rands. The municipality is engaging ESKOM to convert meters from conventional meters at municipal halls to prepaid meters. Given this possibility the municipality will appropriate funds during the adjustment budget phase should the bulk account funding be needing extra funds.

The expenditure does not include distribution losses, as the proper system for the accounting of all losses is being assessed and engagements are ongoing to resolve electricity losses issue.

Contracted Services these are to be kept to the minimum in the areas where the need for specialized expertise is required. Further details relating to contracted services are shown on MBRR SA1.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.

Local Economic Development panel of service providers were appointed to assist with LED unit enhancement in terms of sourcing more funding that will cover all wards of the municipality in the scope of economic development. In the budget year the municipality catered for projects such as tractor support, SMME support and other agricultural activities are budgeted such as fencing materials.

1.4. ANNUAL BUDGET STATEMENT TABLES – TABLE A1

The following pages present the main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2025/26 budget.

Choose name from list - Table A1 Budget \$

Description	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
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Share of Surplus/Deficit attributable to Associate	-	-	-	-	-	-	-
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Asset register summary (WDV)	520 797	596 330	596 330		609 594	1	1
Depreciation	36 000	36 000	36 000		37 000	0	0
Renewal and Upgrading of Existing Assets	12 000	12 000	12 000		3 313	0	0
Repairs and Maintenance	9 514	8 884	8 884		8 006	6 828	7 183

Explanatory notes to table A1: Budget Summary

Table A1 provides a budget summary and overview of the municipality's budget that includes all major financial components (i.e. operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

Financial management reforms emphasise the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

- a) The operating surplus is positive at R25 million
- b) The capital budget is R55.5 million rands in 2025/26 and it drastically reduced in the following year at R29 million rands and in R30 million rands in 207/28. This is due to internal fund re-generation strategy in the subsequent years to revive the investment balance and attract higher interests.
- c) Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years; and
- d) The cash projected extracted from table A7 is approximately R71.5million rands at the end of the 2025/26 financial year.

The municipality's cash backing / surplus reconciliation over the medium-term budget shows a positive outcome of R69.5 million rands, which indicate commitments over the next three years.

Table A2 Budgeted Financial Performance (revenue & expenditure functional classification)

Choose name from list - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand	1									
Revenue - Functional										
<i>Governance and administration</i>		203 730	221 267	285 145	297 997	301 176	301 176	301 485	306 587	319 667
Executive and council		36 806	35 231	39 222	46 128	46 128	46 128	37 961	41 010	42 778
Finance and administration		166 924	186 036	245 923	251 869	255 048	255 048	263 524	265 577	276 889
Internal audit		—	—	—	—	—	—	—	—	—
<i>Community and public safety</i>		5 810	5 191	6 696	6 287	6 287	6 287	2 011	2 119	2 252
Community and social services		4 117	3 371	4 558	4 454	4 454	4 454	25	—	—
Sport and recreation		—	—	—	—	—	—	—	—	—
Public safety		1 693	1 820	2 138	1 833	1 833	1 833	1 986	2 119	2 252
Housing		—	—	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		331	3 350	305	185	1 695	1 695	25 017	220	241
Planning and development		331	1 345	305	185	1 695	1 695	25 017	220	241
Road transport		—	2 005	—	—	—	—	—	—	—
Environmental protection		—	—	—	—	—	—	—	—	—
<i>Trading services</i>		54 152	31 507	72 576	52 717	58 804	58 804	67 980	63 775	67 145
Energy sources		52 341	29 960	70 594	50 682	56 769	56 769	65 245	60 895	64 118
Water management		—	—	—	—	—	—	—	—	—
Waste water management		—	—	—	—	—	—	—	—	—
Waste management		1 810	1 547	1 981	2 035	2 035	2 035	2 735	2 880	3 027
<i>Other</i>	4	—	—	—	—	—	—	—	—	—
Total Revenue - Functional	2	264 022	261 316	364 722	357 186	367 962	367 962	396 494	372 700	389 306
Expenditure - Functional										
<i>Governance and administration</i>		153 779	157 039	167 019	172 773	167 432	167 432	173 372	122 389	126 102
Executive and council		29 980	36 895	33 068	36 913	34 458	34 458	33 804	35 820	37 575
Finance and administration		120 248	115 975	129 694	132 533	129 693	129 693	136 651	83 046	87 641
Internal audit		3 551	4 169	4 257	3 327	3 281	3 281	2 917	3 524	886
<i>Community and public safety</i>		30 381	34 361	24 121	33 066	35 109	35 109	39 359	38 198	39 987
Community and social services		15 944	19 663	5 483	15 470	17 807	17 807	22 384	20 234	20 989
Sport and recreation		—	—	—	—	—	—	—	—	—
Public safety		14 437	14 698	18 638	17 596	17 302	17 302	16 975	17 964	18 998
Housing		—	—	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		50 650	33 734	65 385	27 566	26 893	26 893	34 745	34 818	36 557
Planning and development		11 126	11 553	17 019	16 443	15 953	15 953	20 433	19 335	20 231
Road transport		39 525	22 181	48 366	11 123	10 940	10 940	14 311	15 483	16 326
Environmental protection		—	—	—	—	—	—	—	—	—
<i>Trading services</i>		79 036	59 566	68 588	88 667	92 691	92 691	85 587	79 914	82 121
Energy sources		65 844	45 123	53 809	70 871	74 497	74 497	68 757	62 902	64 165
Water management		—	—	—	—	—	—	—	—	—
Waste water management		1 172	2 190	2 281	1 959	1 926	1 926	1 963	2 199	2 327
Waste management		12 020	12 253	12 498	15 837	16 267	16 267	14 867	14 813	15 629
<i>Other</i>	4	—	—	—	—	—	—	—	—	—
Total Expenditure - Functional	3	313 846	284 700	325 112	322 072	322 124	322 124	333 063	275 319	284 766
Surplus/(Deficit) for the year		(49 824)	(23 384)	39 610	35 113	45 838	45 838	63 431	97 380	104 539

Explanatory notes to table A2: Budgeted Financial Performance (revenue and expenditure by functional classification)

Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per functional classification. The functional classification divides the municipal services into functional areas.

In this section municipal revenue, operating expenditure and capital expenditure are classified in terms of each functional areas. Total revenue functional budget amounts to R396 million rands indicating an increase from R357 million rands figure in the 2024/25, and total expenditure functional totals to R333 million rands also increased from R322 million rands in 2024/25.

Table A3: Budgeted Financial Performance (revenue & expenditure by municipal vote)

Choose name from list - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Revenue by Vote	1									
Vote 1 - Office of the Municipal Manager		36 806	35 231	39 222	46 128	46 128	46 128	37 961	41 010	42 778
Vote 2 - Planning and Economic Development		331	1 345	305	551	2 061	2 061	25 274	482	506
Vote 3 - Budget and Treasury		167 035	185 835	245 886	251 524	254 624	254 624	262 618	264 618	275 868
Vote 4 - Corporate and Community Service		5 637	5 343	6 700	6 156	6 235	6 235	7 037	7 304	7 493
Vote 5 - Technical Services		54 214	33 561	72 609	52 827	58 914	58 914	63 604	59 286	62 661
Vote 6 - Council And General		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	264 022	261 316	364 722	357 186	367 962	367 962	396 494	372 700	389 306
Expenditure by Vote to be appropriated	1									
Vote 1 - Office of the Municipal Manager		19 554	27 607	21 263	20 068	19 129	19 129	19 097	20 613	18 697
Vote 2 - Planning and Economic Development		11 139	11 553	17 019	16 546	16 156	16 156	20 672	19 524	20 428
Vote 3 - Budget and Treasury		70 876	64 136	81 159	75 532	74 428	74 428	74 533	19 597	20 852
Vote 4 - Corporate and Community Service		79 027	75 471	67 619	81 921	80 868	80 868	89 450	89 091	93 511
Vote 5 - Technical Services		119 619	84 528	121 338	92 105	95 261	95 261	92 721	88 764	91 469
Vote 6 - Council And General		14 045	15 159	16 524	18 412	18 412	18 412	17 739	18 743	19 776
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	314 261	278 454	324 921	304 584	304 253	304 253	314 213	256 333	264 733
Surplus/(Deficit) for the year	2	(50 239)	(17 139)	39 801	52 602	63 709	63 709	82 281	116 367	124 573

Explanatory notes to Table A3:

Budgeted financial performance in relation to the revenue and expenditure per municipal vote shows a total revenue by vote amount of R396 million rands, and total expenditure by vote of R314 million rands,

the table facilitates the budgeted operating performance in relation to the organisational structure of the municipality, hence the surplus for the year amounting to R82 million rands.

Table A4 Budgeted Financial Performance (revenue and expenditure)

Choose name from list - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Revenue											
Exchange Revenue											
Service charges - Electricity	2	23 761	22 456	27 499	32 108	32 108	32 108	32 889	37 183	39 277	41 708
Service charges - Water	2	-	-	-	-	-	-	-	-	-	-
Service charges - Waste Water Management	2	-	-	-	-	-	-	-	-	-	-
Service charges - Waste Management	2	1 344	1 115	1 467	1 962	1 962	1 962	1 980	2 377	2 503	2 631
Sale of Goods and Rendering of Services		297	185	178	259	259	259	259	236	7	8
Agency services		-	-	-	-	-	-	-	-	-	-
Interest		58	66	69	0	0	0	0	0	0	0
Interest earned from Receivables		500	534	665	681	681	681	681	1 171	1 234	1 296
Interest earned from Current and Non Current Assets		6 957	10 349	9 506	5 995	9 095	9 095	9 095	8 150	8 210	7 501
Dividends		-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		769	792	972	871	871	871	871	1 043	1 099	1 155
Licence and permits		-	-	-	-	-	-	-	-	-	-
Special rating levies		-	-	-	-	-	-	-	-	-	-
Operational Revenue		656	321	396	216	1 805	1 805	1 805	25 125	324	327
Non-Exchange Revenue											
Property rates	2	-	-	51 452	52 750	52 750	52 750	52 750	62 160	65 455	68 793
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		712	894	1 547	1 009	1 009	1 009	1 009	4 463	4 699	4 931
Licences or permits		1 023	957	1 010	1 010	1 010	1 010	1 010	1 088	1 195	1 313
Transfer and subsidies - Operational		161 585	177 394	186 803	212 836	212 836	212 836	212 836	215 536	207 688	216 865
Interest		2 882	1 886	2 657	1 335	1 335	1 335	1 335	0	0	0
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		158	1 335	-	-	0	0	0	0	0	0
Other Gains		1 297	-	-	-	0	0	0	0	0	0
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		202 058	218 284	284 220	311 031	315 720	315 720	316 519	358 533	331 690	346 528
Expenditure											
Employee related costs	2	87 837	86 229	99 499	118 968	118 347	118 347	118 347	124 644	125 639	132 836
Remuneration of councillors		13 085	13 462	14 046	17 155	17 155	17 155	17 155	15 974	16 915	17 896
Bulk purchases - electricity	2	30 663	31 384	31 026	40 970	44 970	44 970	44 970	40 870	41 583	41 785
Inventory consumed	8	512	1 451	2 315	1 618	1 322	1 322	1 322	2 046	55	57
Debt impairment	3	13 965	3 563	12 634	-	-	-	-	-	0	0
Depreciation and amortisation		25 428	30 722	35 926	36 000	36 000	36 000	36 000	37 000	0	0
Interest		378	-	-	0	0	0	0	0	0	0
Contracted services		90 515	55 184	73 222	49 983	48 980	48 980	48 980	51 147	46 531	45 746
Transfers and subsidies		9 053	4 453	3 985	2 854	2 510	2 510	2 510	5 454	5 710	5 870
Irrecoverable debts written off		-	152	3 163	12 999	12 999	12 999	12 999	15 000	0	0
Operational costs		40 027	55 683	45 718	41 523	39 841	39 841	39 841	40 928	38 886	40 576
Losses on disposal of Assets		212	1 350	2 507	-	0	0	0	0	0	0
Other Losses		1 273	-	-	-	0	0	0	0	0	0
Total Expenditure		312 947	283 633	324 041	322 072	322 124	322 124	322 124	333 063	275 319	284 786
Surplus/(Deficit)		(110 890)	(65 349)	(39 821)	(11 041)	(6 404)	(6 404)	(5 605)	25 470	56 370	61 761
Transfers and subsidies - capital (monetary allocations)	6	61 964	41 026	80 502	46 155	52 243	52 243	52 243	37 961	41 010	42 778
Transfers and subsidies - capital (in-kind)	6	-	2 005	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		(48 925)	(22 317)	40 681	35 114	45 838	45 838	46 637	63 431	97 380	104 539
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		(48 925)	(22 317)	40 681	35 114	45 838	45 838	46 637	63 431	97 380	104 539
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		(48 925)	(22 317)	40 681	35 114	45 838	45 838	46 637	63 431	97 380	104 539
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	(48 925)	(22 317)	40 681	35 114	45 838	45 838	46 637	63 431	97 380	104 539

REVENUE ANALYSIS

Table A4 reflects on the budgeted financial performance in relation to the revenue and expenditure per revenue and expenditure category. Total revenue is R358 million rands, subsequent years represents a reduced revenue budget in the two outer years.

Projected property rates revenue is estimated at R57 million rands from R52 million rands budgeted in the previous year. The increase is premised on the fact that the residential rebates and pensioners rebate are decreased to R120 000.00 and R220 000.00 respectively therefore the municipality expects to bill more revenue. Additionally, the municipality advertised properties for sale, thus the ownership change will result in movement from municipal properties to residential properties.

Service charges relating to electricity, contribute significantly to the revenue basket of the municipality with a budget of R37 million rands in 2025/26. However, the electricity losses cripple the expected revenue generation. The municipality introduced seasonal tariffs for electricity customers in line with Cost of Supply study. The electricity tariff increase subject to NERSA approval is 11.80%, hence the increase in the budgeted revenue.

Service charges – refuse removal projected revenue is estimated at R2.3 million rands. The increase is supported by the tariff increase of 19.4% to align the costs of providing the service with the revenue billed and introduction of new tariffs in the residential category. The tariff increase for commercial sector is 6.1%.

Fines and penalties revenue is increase because the municipality is embarking on various initiatives in the traffic management unit including frequent roadblocks and warrant issuing and checking.

Transfers recognised – Operating grants are projected at R215 million rands as per the published DORA gazette, the transfer and subsidies item exclude capital grants projections.

Other revenue items increased relatively in line with the assessment performed during the adjustment budget process and the performance in the new year will be assessed for comparison of the actual figures with the budgeted figures.

EXPENDITURE ANALYSIS

Contracted services include all the commitments in terms of contracts entered into between the municipality and the service providers for various services. The increase is informed and supported by the appointments made (commitments) and the budgeted services for the 2025/26. The contract register is reviewed monthly and reported to council to monitor the performance of service providers and to curb the expenditure beyond the appointment value.

The debt impairment line item is not budgeted for in the 2025/26 following the same conduct in the current year. Debt impairment exercise is performed at year end to evaluate the debts to be impaired and disclosed in the AFS. However the municipality is intending to engage in debt write-off initiatives as an attempt to encourage the

settlement of old debts. Additionally the municipality is looking closely into possible avenues for reducing the Ingonyama Trust debt thereby ultimately write-off the debt.

Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1) 2026/27	Budget Year +2) 2027/28
R thousand											
Capital expenditure - Vote											
Multi-year expenditure, to be appropriated	2										
Vote 1 - Office of the Municipal Manager		-	-	-	0	0	0	0	0	0	0
Vote 2 - Planning and Economic Development		4 029	1 715	(10 678)	2 609	2 609	2 609	2 609	0	0	0
Vote 3 - Budget and Treasury		-	-	-	0	0	0	0	0	0	0
Vote 4 - Corporate and Community Service		776	628	287	957	957	957	957	0	0	0
Vote 5 - Technical Services		50 263	(51 278)	24 343	56 202	60 218	60 218	60 218	50 191	25 936	27 055
Vote 6 - Council And General		1 409	-	608	700	700	700	700	0	0	0
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	56 477	(48 935)	14 560	60 467	64 484	64 484	64 484	50 191	25 936	27 055
Single-year expenditure to be appropriated	2										
Vote 1 - Office of the Municipal Manager		-	-	-	0	0	0	0	0	0	0
Vote 2 - Planning and Economic Development		-	-	-	0	0	0	0	348	0	0
Vote 3 - Budget and Treasury		-	-	-	0	0	0	0	0	0	0
Vote 4 - Corporate and Community Service		396	74	(3 287)	0	0	0	0	0	0	0
Vote 5 - Technical Services		9 869	(9 705)	(25 388)	15 854	15 854	15 854	15 854	2 965	1	1
Vote 6 - Council And General		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		10 265	(9 631)	(28 676)	15 854	15 854	15 854	15 854	3 314	1	2
Total Capital Expenditure - Vote		66 741	(58 566)	(14 116)	76 322	80 338	80 338	80 338	53 505	25 937	27 057
Capital Expenditure - Functional											
Governance and administration											
Executive and council		2 379	684	895	2 266	2 266	2 266	2 266	0	0	0
Finance and administration		1 409	-	608	700	700	700	700	0	0	0
Internal audit		970	684	287	1 565	1 565	1 565	1 565	0	0	0
Community and public safety											
Community and social services		19 132	(26 510)	(2 529)	53 516	49 053	49 053	49 053	26 372	19 452	20 292
Sport and recreation		18 930	(26 743)	758	43 602	39 139	39 139	39 139	23 407	19 452	20 291
Public safety		-	-	(3 413)	8 696	8 696	8 696	8 696	2 965	0	0
Housing		201	233	126	1 218	1 218	1 218	1 218	0	0	0
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services											
Planning and development		56 885	(30 857)	(55 360)	22 541	25 726	25 726	25 726	28 805	6 485	6 765
Road transport		13 209	(32 818)	(7 408)	4 696	4 696	4 696	4 696	348	0	0
Environmental protection		43 676	1 961	(47 951)	17 845	21 031	21 031	21 031	28 457	6 485	6 765
Trading services											
Energy sources		7 443	(2 485)	26 275	1 913	7 207	7 207	7 207	414	3 242	3 382
Water management		7 443	(10 725)	18 880	1 478	6 772	6 772	6 772	0	0	0
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	8 240	7 395	435	435	435	435	414	3 242	3 382
Other											
Total Capital Expenditure - Functional	3	85 838	(59 168)	(30 719)	80 235	84 251	84 251	84 251	55 592	29 179	30 439
Funded by:											
National Government		25 775	(17 159)	19 301	41 245	39 865	39 865	39 865	32 250	29 178	30 436
Provincial Government		-	-	17 012	27	5 321	5 321	5 321	0	0	0
District/Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (Nat/ Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educ Institutions)		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	25 775	(17 159)	36 312	41 272	45 186	45 186	45 186	32 250	29 178	30 436
Borrowing	6										
Internally generated funds		60 064	(42 009)	(67 031)	38 963	39 065	39 065	39 065	23 342	1	2
Total Capital Funding	7	85 838	(59 168)	(30 719)	80 235	84 251	84 251	84 251	55 592	29 179	30 439

Table A5 is a breakdown of the Capital Expenditure by vote, functional classification and funding (multi-year expenditure appropriation). The municipality has approved multi-year capital budget appropriations in terms of section 16(3) of the MFMA.

Table A6: Budgeted Financial Position

Choose name from list - Table A6 Budgeted Financial Position

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand											
ASSETS											
Current assets											
Cash and cash equivalents		130 496	108 825	92 533	(11 820)	53 662	53 662	53 662	51 831	4 175	4 720
Trade and other receivables from exchange transactions	1	3 871	7 931	7 424	11 208	10 723	10 723	10 723	10 218	(18 641)	(19 823)
Receivables from non-exchange transactions	1	1 751	2 214	34 888	44 149	54 352	54 352	54 352	84 007	73 345	77 080
Current portion of non-current receivables		–	–	–	–	–	–	–	–	–	–
Inventory	2	2 023	1 528	1 279	139	(110)	(110)	(110)	1 369	0	0
VAT		4 500	30 256	33 598	60 017	64 153	64 153	64 153	55 029	0	0
Other current assets		279	115	66	108	66	66	66	66	0	0
Total current assets		142 920	150 869	169 788	103 802	182 845	182 845	182 845	202 519	58 879	61 978
Non current assets											
Investments		–	–	–	–	–	–	–	–	–	–
Investment property		41 472	41 405	41 338 546,02	42 923	41 338	41 338	41 338	39 384	(0)	(0)
Property, plant and equipment	3	588 858	621 823	692 868	711 266	776 787	776 787	776 787	760 348	29 179	30 439
Biological assets		–	–	–	–	–	–	–	–	–	–
Living and non-living resources		–	–	–	–	–	–	–	–	–	–
Heritage assets		79	79	79	79	79	79	79	79	0	0
Intangible assets		24	16	11	16	11	11	11	3	(0)	(0)
Trade and other receivables from exchange transactions		–	–	–	–	–	–	–	–	–	–
Non-current receivables from non-exchange transactions		–	–	–	–	–	–	–	–	–	–
Other non-current assets		–	–	–	0	0	0	0	0	0	0
Total non current assets		630 434	663 323	734 296	754 284	818 216	818 216	818 216	799 814	29 179	30 439
TOTAL ASSETS		773 353	814 192	904 084	858 086	1 001 061	1 001 061	1 001 061	1 002 332	88 058	92 417
LIABILITIES											
Current liabilities											
Bank overdraft		–	–	–	–	–	–	–	–	–	–
Financial liabilities		20	20	20	20	20	20	20	20	–	–
Consumer deposits		2 063	2 169	2 312	2 170	2 313	2 313	2 313	1 803	0	0
Trade and other payables from exchange transactions	4	53 929	71 870	83 555	64 119	87 566	87 566	87 566	49 725	(2 207)	(1 500)
Trade and other payables from non-exchange transactions	5	377	4 143	10 512	0	3 675	3 675	3 675	0	0	0
Provision		10 899	10 074	13 034	10 074	13 034	13 034	13 034	13 054	(0)	(0)
VAT		1 238	27 101	31 653	27 101	31 653	31 653	31 653	47 149	0	0
Other current liabilities		–	–	–	–	–	–	–	–	–	–
Total current liabilities		68 526	115 378	141 086	103 485	138 251	138 251	138 251	111 751	(2 207)	(1 500)
Non current liabilities											
Financial liabilities	6	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	0	0
Provision	7	312	896	896	3 384	896	896	896	896	(0)	(0)
Long term portion of trade payables		–	–	–	–	–	–	–	–	–	–
Other non-current liabilities		–	–	–	0	0	0	0	0	0	0
Total non current liabilities		291	875	875	3 364	875	875	875	875	0	0
TOTAL LIABILITIES		68 818	116 253	141 961	106 848	139 127	139 127	139 127	112 626	(2 207)	(1 500)
NET ASSETS		704 536	697 939	762 123	751 237	861 934	861 934	861 934	889 706	90 265	93 917
COMMUNITY WEALTH/EQUITY											
Accumulated surplus/(deficit)	8	666 081	679 218	763 054	807 247	890 395	890 395	890 395	889 554	90 265	85 131
Reserves and funds	9	134	141	152	141	152	152	152	152	–	8 786
Other		–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	10	666 214	679 359	763 206	807 389	890 547	890 547	890 547	889 706	90 265	93 917

Explanatory notes to Table A6: Budgeted Financial Position

Table A6 is consistent with international standards of good financial management practice and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).

The assets comprise of current and non-current assets aspects thereby showing a total assets figure of R1 billion rands. In the current assets’ component, the receivables from non-exchange transactions contribute significantly with the R84 million rands figure. Additionally, the non-current assets component shows that property, plant and equipment line item hold a huge amount which relates to the property that the municipality holds. The municipality finalised various projects in the previous and current year thus the value of capitalised assets

increased. The fixed asset register (FAR) of the municipality entails all the crucial movements in assets management and the total figure of all assets that the municipality keep.

The order of items within each group illustrates items in order of liquidity, i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first. Movements on the budgeted statement of financial performance impact the budgeted statement of financial position. Assumptions made on the collection rate for instance, will affect the budgeted cash position of the municipality and the budgeted impairment of debtors.

Current liabilities and non-current liabilities sizeable portion comprise of provisions and trade and other payables from exchange services. There is zero budget for the trade and other payables from non-exchange services however the actual trend in the current year yields a R3.6-million-rand figure which has significantly decreased from the previous year figures audited. The municipality will assess further this line item and if the need arises there will be necessary adjustments.

Table A7: Budgeted Cash Flows

Choose name from list - Table A7 Budgeted Cash Flows

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		-	-	-	43 374	43 374	43 374	43 374	35 887	0	0
Service charges		476 561	3 758	4 875	23 338	23 338	23 338	23 338	34 700	0	0
Other revenue		-	-	-	2 767	2 767	2 767	2 767	31 683	0	0
Transfers and Subsidies - Operational	1	-	357 630	-	212 835	212 835	212 835	212 835	215 536	196 545	202 200
Transfers and Subsidies - Capital	1	-	-	-	46 128	52 216	52 216	52 216	37 961	80 620	82 388
Interest		-	-	-	-	-	-	-	6 862	(510)	(301)
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(352 975)	(368 930)	(468 534)	(97 308)	(94 477)	(94 477)	(94 477)	(297 701)	(189 672)	(197 261)
Interest		-	-	-	-	-	-	-	-	-	-
Transfers and Subsidies	1	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		123 586	(7 542)	(463 659)	231 134	240 052	240 052	240 052	64 929	86 983	87 026
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		-	-	-	-	-	-	-	(64 803)	(117 420)	(82 388)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	-	-	-	-	-	(64 803)	(117 420)	(82 388)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		123 586	(7 542)	(463 659)	231 134	240 052	240 052	240 052	126	(30 437)	4 638
Cash/cash equivalents at the year begin:	2	198 220	130 495	108 825	43 652	113 221	113 221	113 221	71 395	71 522	41 085
Cash/cash equivalents at the year end:	2	321 806	122 954	(354 835)	274 786	353 273	353 273	353 273	71 522	41 085	45 722

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

The budgeted cash flow statement is the first measurement in determining if the budget is funded, it shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget. Cash and cash equivalents closing balance (at year end) total to R71.5 million rands. The municipality maintains the status whereby cash flow from financing activities encompasses zero borrowing or refinancing funding. The investing activities contribute to financing and funding internal capital projects as contained in the IDP.

Table A8: Cash backed reserves / accumulated surplus reconciliation

Choose name from list - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	321 806	122 954	(354 835)	274 786	353 273	353 273	353 273	71 522	41 085	45 722
Other current investments > 90 days		(191 310)	(14 129)	447 368	(286 606)	(239 611)	(239 611)	(239 611)	(19 691)	(36 910)	(41 002)
Non current investments	1	—	—	—	—	—	—	—	—	—	—
Cash and investments available:		130 495	108 825	92 533	(11 820)	53 662	53 662	53 662	51 831	4 175	4 720
Application of cash and investments											
Unspent conditional transfers		377	4 143	10 512	0	3 675	3 675	3 675	0	0	0
Unspent borrowing		—	—	—	—	—	—	—	—	—	—
Statutory requirements	2	(3 261)	(3 155)	(1 945)	(32 784)	(32 368)	(32 368)	(32 368)	(7 959)	(84)	(89)
Other working capital requirements	3	(13 488)	70 834	82 975	53 560	75 460	75 460	75 485	(22 930)	(2 207)	(1 500)
Other provisions		10 869	10 074	13 034	10 074	13 034	13 034	13 034	13 054	(0)	(0)
Long term investments committed	4	—	—	—	—	—	—	—	—	—	—
Reserves to be backed by cash/investments	5	134	141	152	141	152	152	152	152	—	8 786
Total Application of cash and investments:		(5 340)	82 037	104 727	30 992	59 952	59 952	59 977	(17 684)	(2 292)	7 197
Surplus(shortfall) - Excluding Non-Current Creditors Trf to Debt Relief Benefits		135 836	26 787	(12 194)	(42 812)	(6 291)	(6 291)	(6 316)	69 515	6 466	(2 476)
Creditors transferred to Debt Relief - Non-Current portion		—	—	—	—	—	—	—	—	—	—
Surplus(shortfall) - Including Non-Current Creditors Trf to Debt Relief Benefits		135 836	26 787	(12 194)	(42 812)	(6 291)	(6 291)	(6 316)	69 515	6 466	(2 476)

Explanatory notes to Table A8: Cash Backed Reserves/Accumulated Surplus Reconciliation

The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 funding a municipal budget. The table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end (R51 million rands) and secondly reconciling the available funding to the liabilities/commitments that exist (R17 million rands). The outcome of this exercise would either be a surplus (R69.5 million rands) or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality’s budget must be “funded”. Circular 129 emphasise that all municipalities that adopted funded budgets in 2024/25, will not be allowed to adopt unfunded budgets in 2025/26 and going forward, this implies that such budget will be referred by National/ Provincial treasury for review until the funded position is achieved.

Table A9: Asset Management Explanatory notes to Table A9: Asset Management

Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality has projected R8 million rands for repairs and maintenance in this regard.

Table A10: Basic Service Delivery Measurement

Explanatory notes to Table A10: Basic Service Delivery Measurement

Table A10 provides an overview of free basic services and service delivery levels, including backlogs (below minimum service level), for each of the main services, and the cost of Free Basic Services amounts to R0 million rands in 2025/26 a reduction from R6 million rands budgeted in the previous year. The FBE service is continuously provided to ESKOM and Ontec customers thereby 50kWh of electricity is provided to qualifying customers. The zero-budget noted from the Table A10 will be revisited to correct the mis presentation.

Part 2 – Supporting Documentation

2.1. Overview of the annual budget process

The budget preparation process plan was adopted by the municipal council. Strategic planning resolutions were adopted by the council, with notable consideration on budget activities assisting in service delivery. Public participation meetings commenced in the first week of April in respect of public consultation to ensure smooth preparation of the budget. The Budget steering committee meetings have been held as per the process plan.

THE BUDGET PROGRAMME				
2024/2025 TO 2026/2027 MTREF BUDGET PROCESS				
MONTH	BUDGET ACTIVITY	DATE	Mayor and Council	Administration
August	Submit Monthly Report upload Data Strings to portal	16/08/2024	Mayor tables in Council the schedule of key deadlines setting the time table for: preparing, tabling and approving the budget; reviewing the IDP (as per s 34 of MSA) and budget related policies and consultation processes at least 10 months before the start of the budget year MFMA s 21,22, 23; MSA s 34, Ch 4	
September	Submit Monthly Report upload Data Strings to portal	14/09/2023	Council through the IDP review process determines strategic objectives for service delivery and development for next three-year budgets including review of provincial and national government sector and strategic plans	Budget offices of municipality determine revenue projections and proposed rate and service charges and drafts initial allocations to functions and departments for the next financial year after taking into account strategic objectives
	First Meeting of the budget steering committee re: Presentation on quarterly report	17/09/2024		
October	Submit Monthly Report upload Data Strings to portal Section 72 report	14/10/2024		
November	Submit Monthly Report upload Data Strings to portal	14/11/2024		
December	Submit Monthly Report upload Data Strings to portal	13/12/2024	Mayor tables municipality budget, resolutions, plans, and proposed revisions to IDP	submits draft budget and plans for next financial year to the Mayor for tabling
	Second Meeting of the budget steering committee re: Preparation for Adjustment budget setting due date for inputs and templates	04/12/2024		

THE BUDGET PROGRAMME				
2024/2025 TO 2026/2027 MTREF BUDGET PROCESS				
MONTH	BUDGET ACTIVITY	DATE	Mayor and Council	Administration
	Budget administrative tasks re: Loading of the MTREF Budget - EMS	19/06/2025	Mayor must approve SDBIP within 28 days after approval of the budget and ensure that annual performance contracts are concluded in accordance with s 57(2) of the MSA. Mayor to ensure that the annual performance agreements are linked to the measurable performance objectives approved with the budget and SDBIP. The mayor submits the approved SDBIP and performance agreements to council, MEC for local government and makes public within 14 days after approval. MFMA s 53; MSA s 38-45, 57(2)	MFMA s 69; MSA s 57
	Submission of the MTREF Budget and I.D.P. Document to: 1. National Treasury 2. Provincial Treasury	20/06/2025		
July	Submit Monthly Report upload Data Strings to portal Section 72 report	14/07/2025	Begins planning for next three-year budget in accordance with co-ordination role of budget process MFMA s 53	Budget section prepare the schedule of key deadlines and align the IDP and Budget process MFMA s 68, 77
	Budget Evaluation Process re: MTREF Budget, the SDBIP & I.D.P I.D.P and SDBIP document to all relevant stakeholders 1. National Treasury 2. Provincial Treasury 3. National DPLG 4. Provincial DPLG	22/07/2025		

2.2. Overview of alignment of annual budget with IDP

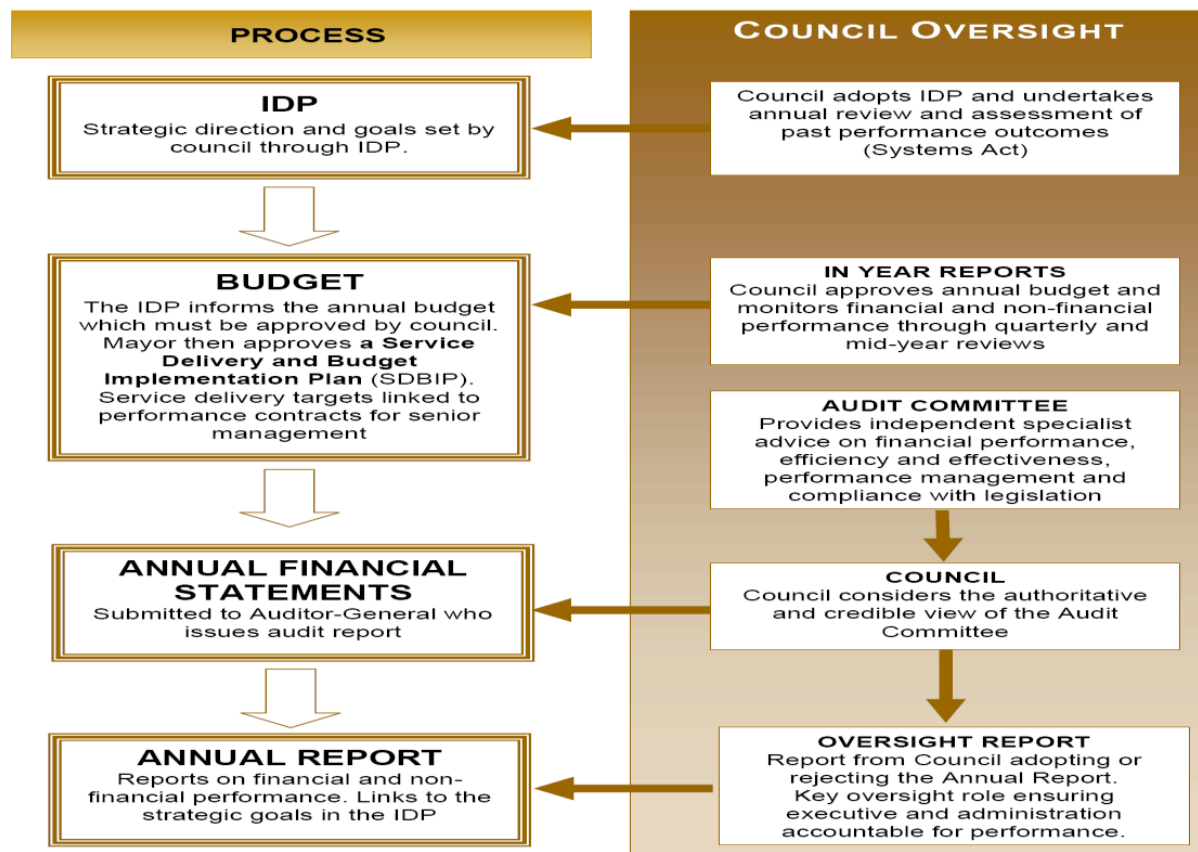
The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilize integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents.

The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by Nquthu Municipality correlate with National and Provincial intent, hence the council's IDP aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in the municipal area. Applied to the municipality, issues of national and provincial importance are reflected in the IDP of the municipality. A clear understanding of global and local economic outlook intent is taken to cognisance to ensure that the municipality strategically complies with the key national and provincial priorities.



2.3. Measurable performance objectives and indicators

- **SDBIP and IDP**

All performance indicators as outlined in the SDBIP will be measured with tangible POEs.

2.4. Overview of budget related policies

The budget policies were reviewed during the draft budget and adopted with the final budget to enhance financial resources. All budget related policies are available on the municipal website. The following policies were reviewed in the current year and tabled in council.

- Budget Policy
- Supply Chain Management Policy
- Property Rates Policy
- Banking/Cash Management and Investment Policy
- Debt Collection and Credit Control Policy
- Virement Policy
- Indigent Policy
- Property Rates By-Law
- Tariffs policy
- Contract Management Policy
- Cost Containment Policy
- Supply Chain Management IPDM Policy
- Bad Debts Impairment Policy
- Inventory Management Policy
- Tariff By-Laws
- Retentions Policy
- Fixed Assets Management Policy
- UIFW Reduction Strategy
- Revenue Enhancement Strategy

- Credit Control By-Law
- UIFW Expenditure Policy
- Tariff of charges document

The Municipal Property Rates Policy and By-Laws are shared with National CoGTA for reviews and recommendations. The SCM policy is shared with Provincial Treasury for inputs and alignment with regulations and legislative amendments. Furthermore, the publication of the resolution levying rates advert in the newspaper and the gazette were undertaken to ensure that the municipality can enforce new tariffs in the coming year.

2.5. Overview of budget assumptions

The municipality is not immune to the current economic climate facing the country as well as the entire world given the slow recovery of the economy, high fuel prices, high unemployment, retrenchment of workforce and many other factors attributable to difficult economic climate. Considering the losses in the electricity trading account the municipality has put an effort to mitigate such losses through the appointment of the service providers through a transversal contract in seeking to identify areas of loss and infrastructure replacement, and refurbishment where necessary. The loss of electricity is slightly going down, owing to the massification project which sought to replace streetlight with LED solar street lighting that saves energy.

2.6. Overview of budget funding

The municipal is still highly dependent on equitable share to fund its operations. The municipal DoRA allocation funding will be received in three trenches of funds in relation to operational grants and capital grants.

The municipality notes the movements in the investment of funds that are not immediately required for operational activities, however the intent in the coming year is to ensure an increase in the investment is achieved through streamlined expenditure and VAT returns (refunds) investing. In this stance the municipality will reduce drastically the creditors' days in line with the circular 71 norm.

The municipality did not receive additional funds allocation; however, no stopping has been witnessed in the current year for MIG and INEP projects, the municipality is very committed to stimulate further practices that ensues responsible grant spending to allow future qualification for additional to finalize all the capital projects as outlined.

2.7. Expenditure on grants and reconciliations of unspent funds

The grant register is kept, furthermore the municipality expended fully at 100% on the MIG grant, the INEP grant had a roll-over balance approved at the beginning of the year, it is noted that there is a balance of R3.6 million rands on the INEP grant. All the grants received by the municipality are fully cash backed as required.

Summary of Grants received and expenditure to date								
Grant Type	General Ledger Vote no.	Audited Balance as at	Dora/Prov Allocation for year	Received	Spent & transferred to income	Balance as at	Available funds/not committed	% Variance
		1-Jul-2024		2024/25	2024/25	2024/25	2024/25	
Library support	IL001007002002002008004013008003	-	(2 060 976,00)	(2 060 972,00)	R 2 060 972,00	-	-	-100%
Massification Eletrification	IL001007002001002008004011002003	(6 087 447,25)	-	-	R 2 566 413,45	(3 521 033,80)	(3 521 033,80)	
Eletrification	IL001007002001002005001003	(2 670 000,73)	(16 474 000,00)	(16 474 000,00)	R 15 479 208,68	(3 664 792,05)	(3 664 792,05)	-124%
Small Town rehabilitation	IL001007002001002008004011005003	(1 727 080,78)	-	-	R -	(1 727 080,78)	(1 727 080,78)	
Cybercadet	IL001007002002002008004013001003	-	(533 083,00)	(533 083,00)	R 533 083,00	-	-	-100%
MIG	IL001007002001002005002003	-	(46 128 000,00)	(46 128 000,00)	R 46 128 000,00	0,00	0,00	-100%
Sportfield Maintance	IL001007002001002008004011001003	(27 120,59)	-	-	R -	(27 120,59)	(27 120,59)	
Bornem Grant	IL001007002002002003034001003	-	-	-	R -	-	-	
FMG	IL001007002002002005004003	-	(1 800 000,00)	(1 800 000,00)	R 1 275 952,66	(524 047,34)	(524 047,34)	-71%
Library Modular	IL001007002002002008004013009003	-	(1 500 612,00)	(1 500 612,00)	R 1 500 612,00	-	-	-100%
EPWP	IL001007002002002005002003	-	(1 478 004,00)	(1 478 000,00)	R 1 478 004,00	4,00	4,00	-100%
Library Volunteer	IL001007002002002008004013007003	-	(113 333,00)	(113 333,00)	R 88 000,00	(25 333,00)	(25 333,00)	-78%
disaster relief grant			(5 100 000,00)	(5 100 000,00)		(5 100 000,00)	(5 100 000,00)	0%
TOTALS		(10 511 649,35)	(75 188 008,00)	(75 188 000,00)	71 110 245,80	(14 589 403,56)	(14 589 403,56)	

2.8. Allocations of grants made by the municipality

There are no grants that are made by the municipality to any outside entity.

2.9. Councilor and employee benefits

The councilor remuneration is currently paid out using the recent councilor remuneration gazette for upper limits and the municipality is on Grade 3 level for the purpose of councilor remuneration. The current council has no vacancies.

The salaries budget increased from R118 million rands to R135 million, the increase is informed by the filling of vacancies in line with the budget.

Staff Benefits in terms of Section 66 of the MFMA

Actual staff benefits and Councillors allowances for the period ending 31 May 2025

Staff Benefits		
Item	Budget	Year to date actuals
Salaries & Wages	R90 900 174,00	R 69 159 675,23
Contributions to pension funds	R14 138 419,00	R 8 962 245,38
Contributions to medical aids	R2 285 865,00	R 3 282 642,40
Contributions to UIF	R645 865,00	R 537 561,45
Contributions to SDL	R926 451,00	R 810 254,24
Travel, motor car	R4 115 290,00	R 4 305 882,09
Salga	R42 565,00	R 38 610,45
Housing benefits and allowances	R739 759,00	R 115 897,60
Cellphone Allowance	R0,00	R0,00
Overtime payments	R2 424 094,00	R 1 731 692,00
Bonuses	R6 201 475,00	R 4 794 399,08
Other leave & long service	R2 223 140,00	R 643 191,07
Allowances (Standby and Drivers Allowance)	R1 122 829,00	R 2 602 782,35
Totals	R 125 765 926,00	R 96 984 833,34
Councillors Allowances		
Item	Budget	Year to date actuals
Councillors Allowances	R16 456 910,00	R 13 082 425,44
Cellphone/Data Allowance	R1 711 057,00	R 1 501 294,72
Contributions to SDL	R40 995,00	R 136 739,96
Totals	R18 208 962,00	R 14 720 460,12

The management is made up of Municipal Manager, Director Planning, Housing and LED, CFO, Director Technical services, Direct Co-operate and community services, there are no vacancies in the top management. Staff complement will be tabled with the final budget; any vacant positions are considered in the budget.

2.10. Monthly targets for revenue, expenditure and cash flow

Monthly targets estimate for revenue and expenditure as well as expected cash flow projections are outlined in the budget tables of A-schedules.

2.11. Annual budgets and SDBIPs – internal departments

The annual budget and departmental SDBIP's have been prepared by all the departments.

2.12. Contracts having future budgetary implications

The municipality contracted services are documented in detail in the municipality's contract register. Notices are sent to end users to attend to contracts that are coming to an end. The notice is sent six months in advance. An ongoing assessment of all contracted service providers is ongoing quarterly to

rate the service rendered and value for money. The notable contract having future budgetary implication in the 2024/25 financial year is the banking services, the procurement process is ongoing.

2.13. Capital expenditure details

The capital budget of the municipality is mainly made up of MIG as well as own funding. Due to the high demand for road maintenance, halls, and crèche construction, these are dominant categories that are being attended to by the municipality. The municipality is further attempting to renew existing infrastructure by formulating and implementing maintenance plans.

2.14. Legislation compliance status

Compliance with the MFMA implementation requirements has been substantially adhered to through the following activities:

- In year reporting

Reporting to the National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the municipality's website.

- Internship programme

The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.

- Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

- Audit Committee and Internal Audit

An Audit Committee has been established and is fully functional. The Internal Audit function is co-sourced with an internal staff member as well as consulting firm.

- Service Delivery and Implementation Plan

The draft SDBIP is prepared accordingly, and the PMS office is engaging the Provincial Cogta.

- Annual Report

The annual report for the period ending 30 June 2024 has been compiled in terms of the MFMA and National Treasury requirements, all necessary processes including tabling in council and public participation comments consideration did take place.

- MFMA Training

All the Senior Managers, middle management and SCM officials have undertaken the minimum competency levels training, and this is now being cascaded to the Middle management as well as other officials within the municipality. Within the BTO unit one official and five financial interns are currently attending minimum competency levels training.

- Policies

Amendments were made to the various budget related polices in addressing findings by Auditor General and to align all amendments made in legislation.

- Central Supplier Database

With the introduction of the Central Supplier Database the municipality has been assisting all the local service providers to register on this platform so that they can be able to vend with the municipality, quite a number of vendors are now registered. This is facilitated by the LED department in consultation with the SCM unit.

The CSD aspect assists the municipality to verify the specific goals related to ethnic groups, business location, and gender criteria.

- Financial Management Capability Maturity Model

The municipality is implementing a plan to address all the issues that were raised in the assessment. Specific officials are assigned to attend to relevant areas within FMCMM model.

2.15. Other supporting documents

The supporting documents in the form of budget schedules have been printed under schedule A.

2.16. Municipal standard chart of accounts (M-SCOA)

The municipality is currently undertaking all the regulated processes and directives of the M-SCOA circulars.

The municipality's current service providers are Inzalo (EMS), and CCG Financial systems. The following are other systems that the municipality utilize in the financial management spectrum.

- Payroll – Sage
- Assets – SDM
- Prepaid – Ontec