

# **NQUTHU MUNICIPALITY (KZN 242)**



## **BUDGET NARRATION 2025 - 2026**

# TABLE OF CONTENTS

## PART 1 – THIRD QUARTER REPORT

1.1 MAYORS' REPORT .....	3
1.2 RESOLUTIONS .....	4
1.3 EXECUTIVE SUMMARY .....	4
1.4 ANNUAL BUDGET TABLES .....	7

## PART 2 – SUPPORTING DOCUMENTATION

2.1 OVERVIEW OF ANNUAL BUDGET.....	16
2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP .....	17
2.3 MEASUREABLE PERFORMANCE OBJECTIVES AND INDICATORS.....	18
2.4 OVERVIEW OF BUDGET RELATED POLICIES .....	18
2.5 OVERVIEW OF BUDGET ASSUMPTION .....	18
2.6 OVERVIEW OF BUDGET FUNDING .....	19
2.7 EXPENDITURE ON ALLOCATION AND GRANT PROGRAMMES .....	20
2.8 ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY .....	20
2.9 COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS .....	20
2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW.....	20
2.11 ANNUAL BUDGETS AND SDBIPS – INTERNAL DEPARTMENTS .....	20
2.12 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS .....	20
2.13 CAPITAL EXPENDITURE DETAILS .....	20
2.14 LEGISLATION COMPLIANCE STATUS .....	21
2.15 MUNICIPAL STANDARD CHART OF ACCOUNTS (M-SCOA) .....	22
2.16 OTHER SUPPORTING DOCUMENTS .....	22
2.17 MUNICIPAL MANAGER'S QUALITY CERTIFICATE.....	23

## List of Tables – PART 1

Table 1 MBRR Table A1 - Budget Summary .....	8
Table 2 MBRR Table A2 - Budgeted Financial Performance (revenue & expenditure by standardisation) .....	9
Table 3 MBRR Table A3 – Budgeted Financial Performance (revenue and expenditure by municipal vote) .....	10
Table 4 MBRR Table A4 – Budgeted Financial Performance (revenue and expenditure) .....	11
Table 5 MBRR Table A5 – Budgeted Capital expenditure (standard classification and funding).....	12
Table 6 MBRR Table A6 – Budgeted Financial Position .....	13
Table 7 MBRR Table A7 – Budgeted Cash Flow .....	14
Table 8 MBRR Table A8 – Budgeted Cash Backed reserves .....	14
Table 9 MBRR Table A9 – Asset Management .....	15
Table 10 MBRR Table A10 – Basic Service Delivery Measurement .....	16

# **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. Where a municipality has entities under its control, then the Mayor must table a consolidated budget incorporating the entities. 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 draft 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 known 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 draft 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 draft 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 draft annual budget and specifically appropriate the amounts for different votes.
- That the Council approve all draft 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 R312 million rands (excluding capital transfers and contributions) and total expenditure budget at R251 million rands.

KZN242 Nquthu - Table A1 Budget Summary

Description	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
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	-	-	51 452	52 750	52 750	52 750	52 750	57 467	60 513	63 599
Service charges	25 105	23 572	28 965	34 070	34 070	34 070	34 869	37 066	39 153	41 576
Investment revenue	6 957	10 349	9 506	5 995	9 095	9 095	9 095	0	0	0
Transfer and subsidies - Operational	161 585	177 394	186 803	212 836	212 836	212 836	212 836	215 536	207 688	216 865
Other own revenue	8 411	6 970	7 494	5 380	6 969	6 969	6 969	2 614	2 542	2 718
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>202 058</b>	<b>218 284</b>	<b>284 220</b>	<b>311 031</b>	<b>315 720</b>	<b>315 720</b>	<b>316 519</b>	<b>312 683</b>	<b>309 896</b>	<b>324 758</b>
Employee costs	87 837	86 229	99 499	118 968	118 347	118 347	118 347	115 511	119 390	126 300
Remuneration of councillors	13 085	13 462	14 046	17 155	17 155	17 155	17 155	15 973	16 915	17 896
Depreciation and amortisation	25 428	30 722	35 926	36 000	36 000	36 000	36 000	0	0	0
Interest	378	-	-	0	0	0	0	0	0	0
Inventory consumed and bulk purchases	31 175	32 835	33 341	42 588	46 292	46 292	46 292	42 597	41 639	41 843
Transfers and subsidies	9 053	4 453	3 985	2 854	2 510	2 510	2 510	0	1	1
Other expenditure	145 991	115 932	137 243	104 505	101 820	101 820	101 820	76 956	71 021	68 468
<b>Total Expenditure</b>	<b>312 947</b>	<b>283 633</b>	<b>324 041</b>	<b>322 072</b>	<b>322 124</b>	<b>322 124</b>	<b>322 124</b>	<b>251 037</b>	<b>248 966</b>	<b>254 509</b>
<b>Surplus/(Deficit)</b>	<b>(110 890)</b>	<b>(65 348)</b>	<b>(39 821)</b>	<b>(11 041)</b>	<b>(6 404)</b>	<b>(6 404)</b>	<b>(5 605)</b>	<b>61 646</b>	<b>60 930</b>	<b>70 249</b>
Transfers and subsidies - capital (monetary allocations)	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)	-	2 005	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(48 925)</b>	<b>(22 317)</b>	<b>40 681</b>	<b>35 114</b>	<b>45 838</b>	<b>45 838</b>	<b>46 637</b>	<b>99 607</b>	<b>101 940</b>	<b>113 027</b>
Share of Surplus/Deficit attributable to Associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(48 925)</b>	<b>(22 317)</b>	<b>40 681</b>	<b>35 114</b>	<b>45 838</b>	<b>45 838</b>	<b>46 637</b>	<b>99 607</b>	<b>101 940</b>	<b>113 027</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>85 838</b>	<b>(59 168)</b>	<b>(30 719)</b>	<b>80 235</b>	<b>84 251</b>	<b>84 251</b>	<b>84 251</b>	<b>43 488</b>	<b>64 420</b>	<b>33 820</b>
Transfers recognised - capital	25 775	(17 159)	36 312	41 272	45 186	45 186	45 186	30 010	32 420	33 818
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	60 064	(42 009)	(67 031)	38 963	39 065	39 065	39 065	13 478	32 000	3
<b>Total sources of capital funds</b>	<b>85 838</b>	<b>(59 168)</b>	<b>(30 719)</b>	<b>80 235</b>	<b>84 251</b>	<b>84 251</b>	<b>84 251</b>	<b>43 488</b>	<b>64 420</b>	<b>33 820</b>
<b>Financial position</b>										
Total current assets	142 920	150 869	169 788	103 802	182 845	182 845	182 845	135 530	10 791	11 445
Total non current assets	630 434	663 323	734 296	754 284	818 216	818 216	818 216	531 829	64 420	33 820
Total current liabilities	68 526	115 378	141 086	103 485	138 251	138 251	138 251	109 277	(2 207)	(1 500)
Total non current liabilities	291	875	875	3 364	875	875	875	(1 592)	0	0
Community wealth/Equity	713 788	712 290	722 525	634 610	762 122	762 122	762 122	461 797	0	8 786
<b>Cash flows</b>										
Net cash from (used) operating	123 586	(7 542)	(463 659)	231 134	240 052	240 052	240 052	514 967	531 634	552 128
Net cash from (used) investing	-	-	-	-	-	-	-	53 461	77 810	42 778
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-
<b>Cash/cash equivalents at the year end</b>	<b>321 806</b>	<b>122 954</b>	<b>(354 835)</b>	<b>274 786</b>	<b>353 273</b>	<b>353 273</b>	<b>353 273</b>	<b>568 428</b>	<b>1 177 872</b>	<b>1 772 778</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	130 495	108 825	92 533	(11 820)	53 662	53 662	53 662	0	0	0
Application of cash and investments	(5 340)	82 037	104 727	30 992	59 952	59 952	59 977	459 150	(9 446)	(36)
<b>Balance - surplus (shortfall)</b>	<b>135 836</b>	<b>26 787</b>	<b>(12 194)</b>	<b>(42 812)</b>	<b>(6 291)</b>	<b>(6 291)</b>	<b>(6 316)</b>	<b>(459 150)</b>	<b>9 446</b>	<b>37</b>
<b>Asset management</b>										
Asset register summary (WDV)	404 420	487 598	593 325	520 797	596 330	596 330		376 594	1	1
Depreciation	24 813	26 866	31 133	36 000	36 000	36 000		0	0	0
Renewal and Upgrading of Existing Assets	(73)	(7 970)	(3 413)	12 000	12 000	12 000		0	0	0
Repairs and Maintenance	37 308	17 995	40 052	9 514	8 884	8 884		6 628	6 828	7 183
<b>Free services</b>										
Cost of Free Basic Services provided	-	-	-	799	799	799		0	0	0
Revenue cost of free services provided	-	-	58	2 085	2 085	2 085		0	0	0
<b>Households below minimum service level</b>										
Water:	-	-	-	-	-	-		-	-	-
Sanitation/sewerage:	-	-	-	-	-	-		-	-	-
Energy:	-	-	-	-	-	-		-	-	-
Refuse:	-	-	-	-	-	-		-	-	-

## Operating Revenue Framework

The municipality is highly dependent on the Equitable Share, given that the municipality holds a distribution licence on ward 09, the challenge persist with electricity distribution losses.

The municipality implemented its' 4th General Valuation Roll in the 2023/24 financial year, various challenges has been noted in relation to property rates payment and drastically low collection rate experienced in this financial year. Attempts to resolve market values where specific identification of challenges has been made are ongoing, the municipality considered rebates as well as they appear on the property rates tariffs table below and subsequent amendments table.

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. It must be noted however that the budget tables in certain instances show a zero budget figure (waster removal, rebates/ revenue forgone), due to in depth ongoing engagements in this regard. Furthermore the final budget will provide a complete and final decision on all inputs and engagement held on the contents of the draft budget.

Table: property rates tariffs

Categories	Rate Randage	Ratio to residential tariff	Rebates and exemption
Residential property	R0.01474	1:1	R220 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	R0.01672	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: amendments to tariffs for the financial year 2025/26  
**AMENDMENTS TO TARIFFS 2024/2025 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 the Nquthu Municipal Council by resolution taken on 17 May 2024 resolved to amend its tariffs in respect of the following:

Refuse removal	5%
Electricity	11.66% (subject to NERSA approval
Miscellaneous charges	5%

**Operating Expenditure Framework**

The municipality’s expenditure framework for the 2025/26 budget and MTREF is informed by the total expenditure budget of R251 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 has provided R76 million rands for Repairs and Maintenance provisions (under other expenses).
- 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 115 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 has been 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.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increase as granted by NERSA has been factored into the budget appropriations of R42 million rands. The budget estimate by Eskom when reading the municipality meters continues to be challenging.

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 can be seen in 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.

Catalyst Projects – the municipality will advance these projects in line with the vision of the municipality to uplift the youth through various initiatives. LED projects small business incubator support and development of local businesses will continue in the coming financial year, tourism and heritage – the municipality will progress in exploiting tourism opportunities that can be beneficial to the community.

#### **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.

KZN242 Nquthu - Table A1 Budget Summary

Description	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
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<b>Financial Performance</b>										
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Service charges	25 105	23 572	28 965	34 070	34 070	34 070	34 869	37 066	39 153	41 576
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Transfer and subsidies - Operational	161 585	177 394	186 803	212 836	212 836	212 836	212 836	215 536	207 688	216 865
Other own revenue	8 411	6 970	7 494	5 380	6 969	6 969	6 969	2 614	2 542	2 718
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>202 058</b>	<b>218 284</b>	<b>284 220</b>	<b>311 031</b>	<b>315 720</b>	<b>315 720</b>	<b>316 519</b>	<b>312 683</b>	<b>309 896</b>	<b>324 758</b>
Employee costs	87 837	86 229	99 499	118 968	118 347	118 347	118 347	115 511	119 390	126 300
Remuneration of councillors	13 085	13 462	14 046	17 155	17 155	17 155	17 155	15 973	16 915	17 896
Depreciation and amortisation	25 428	30 722	35 926	36 000	36 000	36 000	36 000	0	0	0
Interest	378	–	–	0	0	0	0	0	0	0
Inventory consumed and bulk purchases	31 175	32 835	33 341	42 588	46 292	46 292	46 292	42 597	41 639	41 843
Transfers and subsidies	9 053	4 453	3 985	2 854	2 510	2 510	2 510	0	1	1
Other expenditure	145 991	115 932	137 243	104 505	101 820	101 820	101 820	76 956	71 021	68 468
<b>Total Expenditure</b>	<b>312 947</b>	<b>283 633</b>	<b>324 041</b>	<b>322 072</b>	<b>322 124</b>	<b>322 124</b>	<b>322 124</b>	<b>251 037</b>	<b>248 966</b>	<b>254 509</b>
<b>Surplus/(Deficit)</b>	<b>(110 890)</b>	<b>(65 348)</b>	<b>(39 821)</b>	<b>(11 041)</b>	<b>(6 404)</b>	<b>(6 404)</b>	<b>(5 605)</b>	<b>61 646</b>	<b>60 930</b>	<b>70 249</b>
Transfers and subsidies - capital (monetary allocations)	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)	–	2 005	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(48 925)</b>	<b>(22 317)</b>	<b>40 681</b>	<b>35 114</b>	<b>45 838</b>	<b>45 838</b>	<b>46 637</b>	<b>99 607</b>	<b>101 940</b>	<b>113 027</b>
Share of Surplus/Deficit attributable to Associate	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	<b>(48 925)</b>	<b>(22 317)</b>	<b>40 681</b>	<b>35 114</b>	<b>45 838</b>	<b>45 838</b>	<b>46 637</b>	<b>99 607</b>	<b>101 940</b>	<b>113 027</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>85 838</b>	<b>(59 168)</b>	<b>(30 719)</b>	<b>80 235</b>	<b>84 251</b>	<b>84 251</b>	<b>84 251</b>	<b>43 488</b>	<b>64 420</b>	<b>33 820</b>
Transfers recognised - capital	25 775	(17 159)	36 312	41 272	45 186	45 186	45 186	30 010	32 420	33 818
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	60 064	(42 009)	(67 031)	38 963	39 065	39 065	39 065	13 478	32 000	3
<b>Total sources of capital funds</b>	<b>85 838</b>	<b>(59 168)</b>	<b>(30 719)</b>	<b>80 235</b>	<b>84 251</b>	<b>84 251</b>	<b>84 251</b>	<b>43 488</b>	<b>64 420</b>	<b>33 820</b>
<b>Financial position</b>										
Total current assets	142 920	150 869	169 788	103 802	182 845	182 845	182 845	135 530	10 791	11 445
Total non current assets	630 434	663 323	734 296	754 284	818 216	818 216	818 216	531 829	64 420	33 820
Total current liabilities	68 526	115 378	141 086	103 485	138 251	138 251	138 251	109 277	(2 207)	(1 500)
Total non current liabilities	291	875	875	3 364	875	875	875	(1 592)	0	0
Community wealth/Equity	713 788	712 290	722 525	634 610	762 122	762 122	762 122	461 797	0	8 786
<b>Cash flows</b>										
Net cash from (used) operating	123 586	(7 542)	(463 659)	231 134	240 052	240 052	240 052	514 967	531 634	552 128
Net cash from (used) investing	–	–	–	–	–	–	–	53 461	77 810	42 778
Net cash from (used) financing	–	–	–	–	–	–	–	–	–	–
<b>Cash/cash equivalents at the year end</b>	<b>321 806</b>	<b>122 954</b>	<b>(354 835)</b>	<b>274 786</b>	<b>353 273</b>	<b>353 273</b>	<b>353 273</b>	<b>568 428</b>	<b>1 177 872</b>	<b>1 772 778</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	130 495	108 825	92 533	(11 820)	53 662	53 662	53 662	0	0	0
Application of cash and investments	(5 340)	82 037	104 727	30 992	59 952	59 952	59 977	459 150	(9 446)	(36)
<b>Balance - surplus (shortfall)</b>	<b>135 836</b>	<b>26 787</b>	<b>(12 194)</b>	<b>(42 812)</b>	<b>(6 291)</b>	<b>(6 291)</b>	<b>(6 316)</b>	<b>(459 150)</b>	<b>9 446</b>	<b>37</b>

### 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:

- The operating surplus is positive over the medium term;
- The capital budget is approximately R43.3 million rands in 2025/26 and R64.4 million rands in 2026/27;
- Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years; and
- The cash projected is approximately R568 million 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, which is an indication afford commitments over the next three years.

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

**KZN242 Nquthu - 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
<b>Revenue - Functional</b>	1									
<b>Governance and administration</b>		203 730	221 267	285 145	297 997	301 176	301 176	286 097	290 769	304 201
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	248 136	249 759	261 423
Internal audit		-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		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	117	93	94
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		1 693	1 820	2 138	1 833	1 833	1 833	1 894	2 026	2 158
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		331	3 350	305	185	1 695	1 695	219	213	234
Planning and development		331	1 345	305	185	1 695	1 695	219	213	234
Road transport		-	2 005	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		54 152	31 507	72 576	52 717	58 804	58 804	62 318	57 806	60 850
Energy sources		52 341	29 960	70 594	50 682	56 769	56 769	62 317	57 806	60 850
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		1 810	1 547	1 981	2 035	2 035	2 035	0	0	0
<b>Other</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	264 022	261 316	364 722	357 186	367 962	367 962	350 644	350 906	367 536
<b>Expenditure - Functional</b>										
<b>Governance and administration</b>		153 779	157 039	167 019	172 773	167 432	167 432	114 367	116 122	116 426
Executive and council		29 980	36 895	33 068	36 913	34 458	34 458	29 943	31 690	33 509
Finance and administration		120 248	115 975	129 694	132 533	129 693	129 693	81 079	80 909	82 031
Internal audit		3 551	4 169	4 257	3 327	3 281	3 281	3 345	3 524	886
<b>Community and public safety</b>		30 381	34 361	24 121	33 066	35 109	35 109	24 799	26 106	27 610
Community and social services		15 944	19 663	5 483	15 470	17 807	17 807	7 731	8 183	8 654
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		14 437	14 698	18 638	17 596	17 302	17 302	17 069	17 923	18 957
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		50 650	33 734	65 385	27 566	26 893	26 893	27 995	27 734	29 271
Planning and development		11 126	11 553	17 019	16 443	15 953	15 953	13 316	12 250	12 945
Road transport		39 525	22 181	48 366	11 123	10 940	10 940	14 679	15 484	16 326
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		79 036	59 566	68 588	88 667	92 691	92 691	83 877	79 004	81 201
Energy sources		65 844	45 123	53 809	70 871	74 497	74 497	67 546	62 902	64 166
Water management		-	-	-	-	-	-	-	-	-
Waste water management		1 172	2 190	2 281	1 959	1 926	1 926	2 077	2 199	2 327
Waste management		12 020	12 253	12 498	15 837	16 267	16 267	14 254	13 903	14 709
<b>Other</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	313 846	284 700	325 112	322 072	322 124	322 124	251 037	248 966	254 509
<b>Surplus/(Deficit) for the year</b>		(49 824)	(23 384)	39 610	35 113	45 838	45 838	99 607	101 940	113 027

**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 R 350 million rands, and total expenditure functional totals to R251 million rands.

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

KZN242 Nguthu - 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
<b>R thousand</b>										
<b>Revenue by Vote</b>	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	0	0
Vote 3 - Budget and Treasury		167 035	185 835	245 886	251 524	254 624	254 624	248 035	249 649	261 293
Vote 4 - Corporate and Community Service		5 637	5 343	6 700	6 156	6 235	6 235	6 682	6 930	7 100
Vote 5 - Technical Services		54 214	33 561	72 609	52 827	58 914	58 914	57 941	53 317	56 365
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]		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	<b>264 022</b>	<b>261 316</b>	<b>364 722</b>	<b>357 186</b>	<b>367 962</b>	<b>367 962</b>	<b>350 644</b>	<b>350 906</b>	<b>367 536</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - Office of the Municipal Manager		19 554	27 607	21 263	20 068	19 129	19 129	17 080	17 931	16 109
Vote 2 - Planning and Economic Development		11 139	11 553	17 019	16 546	16 156	16 156	13 509	12 399	13 101
Vote 3 - Budget and Treasury		70 876	64 136	81 159	75 532	74 428	74 428	24 433	21 715	19 583
Vote 4 - Corporate and Community Service		79 027	75 471	67 619	81 921	80 868	80 868	73 153	76 695	80 960
Vote 5 - Technical Services		119 619	84 528	121 338	92 105	95 261	95 261	92 029	88 765	91 471
Vote 6 - Council And General		14 045	15 159	16 524	18 412	18 412	18 412	15 999	16 943	17 926
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]		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	<b>314 261</b>	<b>278 454</b>	<b>324 921</b>	<b>304 584</b>	<b>304 253</b>	<b>304 253</b>	<b>236 203</b>	<b>234 449</b>	<b>239 150</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>(50 239)</b>	<b>(17 139)</b>	<b>39 801</b>	<b>52 602</b>	<b>63 709</b>	<b>63 709</b>	<b>114 440</b>	<b>116 457</b>	<b>128 386</b>

**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 R350 million rands, and total expenditure by vote of R236 million rands, the table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality.

**Table A4 Budgeted Financial Performance (revenue and expenditure)**

KZN242 Nguthu - 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
<b>Revenue</b>											
<b>Exchange Revenue</b>											
Service charges - Electricity	2	23 761	22 456	27 499	32 108	32 108	32 108	32 889	37 066	39 153	41 576
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	0	0	0
Sale of Goods and Rendering of Services		297	185	178	259	259	259	259	242	0	0
Agency services		-	-	-	-	-	-	-	-	-	-
Interest		58	66	69	0	0	0	0	0	0	0
Interest earned from Receivables		560	534	665	681	681	681	681	0	0	0
Interest earned from Current and Non Current Assets		6 957	10 349	9 506	5 995	9 095	9 095	9 095	0	0	0
Dividends		-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		769	792	972	871	871	871	871	0	0	0
Licence and permits		-	-	-	-	-	-	-	-	-	-
<b>Special rating levies</b>		-	-	-	-	-	-	-	-	-	-
Operational Revenue		656	321	396	216	1 805	1 805	1 805	92	93	94
<b>Non-Exchange Revenue</b>											
Property rates	2	-	-	51 452	52 750	52 750	52 750	52 750	57 467	60 513	63 599
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		712	894	1 547	1 009	1 009	1 009	1 009	1 191	1 254	1 310
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		-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>202 058</b>	<b>218 284</b>	<b>284 220</b>	<b>311 031</b>	<b>315 720</b>	<b>315 720</b>	<b>316 519</b>	<b>312 683</b>	<b>309 896</b>	<b>324 758</b>
<b>Expenditure</b>											
Employee related costs	2	87 837	86 229	99 499	118 968	118 347	118 347	118 347	115 511	119 380	126 300
Remuneration of councillors		13 085	13 462	14 046	17 155	17 155	17 155	17 155	15 973	16 915	17 896
Bulk purchases - electricity	2	30 663	31 384	31 026	40 970	44 970	44 970	44 970	40 693	41 583	41 785
Inventory consumed	8	512	1 451	2 315	1 618	1 322	1 322	1 322	1 905	56	58
Debt impairment	3	13 965	3 563	12 634	-	0	0	0	-	0	0
Depreciation and amortisation		25 428	30 722	35 926	36 000	36 000	36 000	36 000	0	0	0
Interest		378	-	-	0	0	0	0	0	0	0
Contracted services		90 515	55 184	73 222	49 983	49 120	49 120	49 120	42 545	39 242	35 012
Transfers and subsidies		9 053	4 453	3 985	2 854	2 510	2 510	2 510	0	1	1
Irrecoverable debts written off		-	152	3 163	12 999	12 999	12 999	12 999	0	0	0
Operational costs		40 027	55 683	45 718	41 523	39 701	39 701	39 701	34 411	31 779	33 456
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
<b>Total Expenditure</b>		<b>312 947</b>	<b>283 633</b>	<b>324 041</b>	<b>322 072</b>	<b>322 124</b>	<b>322 124</b>	<b>322 124</b>	<b>251 037</b>	<b>248 966</b>	<b>254 509</b>
<b>Surplus/(Deficit)</b>		<b>(110 890)</b>	<b>(65 348)</b>	<b>(39 821)</b>	<b>(11 041)</b>	<b>(6 404)</b>	<b>(6 404)</b>	<b>(5 605)</b>	<b>61 646</b>	<b>60 930</b>	<b>70 249</b>
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	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(48 925)</b>	<b>(22 317)</b>	<b>40 681</b>	<b>35 114</b>	<b>45 838</b>	<b>45 838</b>	<b>46 637</b>	<b>99 607</b>	<b>101 940</b>	<b>113 027</b>
Income Tax		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after income tax</b>		<b>(48 925)</b>	<b>(22 317)</b>	<b>40 681</b>	<b>35 114</b>	<b>45 838</b>	<b>45 838</b>	<b>46 637</b>	<b>99 607</b>	<b>101 940</b>	<b>113 027</b>
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(48 925)</b>	<b>(22 317)</b>	<b>40 681</b>	<b>35 114</b>	<b>45 838</b>	<b>45 838</b>	<b>46 637</b>	<b>99 607</b>	<b>101 940</b>	<b>113 027</b>
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	1	<b>(48 925)</b>	<b>(22 317)</b>	<b>40 681</b>	<b>35 114</b>	<b>45 838</b>	<b>45 838</b>	<b>46 637</b>	<b>99 607</b>	<b>101 940</b>	<b>113 027</b>

Table A4 is a view of the budgeted financial performance in relation to the revenue and expenditure per revenue and expenditure category. Total revenue is R312 million rands, and it represents a reduced revenue growth 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 based on an average property rates market value increase in the

supplementary General Valuation Roll and expected revenue projections from the sale of various vacant sites as well as already occupied sites owned by the municipality whereby the occupants are earmarked for purchase.

Service charges relating to electricity, constitute the biggest component of 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.

Service charges – refuse removal projected revenue is estimated at R0 million rands R1.9 million rands, the zero movement will be reviewed in depth as the engagements are ongoing within the revenue office as the calculations of tariffs are still in progress.

Transfers recognised – Operating grants are projected at R215 million excluding capital grants projections.

**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
<b>R thousand</b>	1										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure, to be appropriated</b>	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	40 485	61 176	30 437
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]		—	—	—	—	—	—	—	—	—	—
<b>Capital multi-year expenditure sub-total</b>	7	<b>56 477</b>	<b>(48 935)</b>	<b>14 560</b>	<b>60 467</b>	<b>64 484</b>	<b>64 484</b>	<b>64 484</b>	<b>40 486</b>	<b>61 177</b>	<b>30 437</b>
<b>Single-year expenditure to be appropriated</b>	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	0	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	1	1
Vote 5 - Technical Services		9 869	(9 705)	(25 388)	15 854	15 854	15 854	15 854	1	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]		—	—	—	—	—	—	—	—	—	—
<b>Capital single-year expenditure sub-total</b>		<b>10 265</b>	<b>(9 631)</b>	<b>(28 676)</b>	<b>15 854</b>	<b>15 854</b>	<b>15 854</b>	<b>15 854</b>	<b>1</b>	<b>2</b>	<b>2</b>
<b>Total Capital Expenditure - Vote</b>		<b>66 741</b>	<b>(58 566)</b>	<b>(14 116)</b>	<b>76 322</b>	<b>80 338</b>	<b>80 338</b>	<b>80 338</b>	<b>40 487</b>	<b>61 178</b>	<b>30 439</b>
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		<b>2 379</b>	<b>684</b>	<b>895</b>	<b>2 266</b>	<b>2 266</b>	<b>2 266</b>	<b>2 266</b>	<b>0</b>	<b>0</b>	<b>0</b>
Executive and council		1 409	—	608	700	700	700	700	0	0	0
Finance and administration		970	684	287	1 565	1 565	1 565	1 565	0	0	0
Internal audit		—	—	—	—	—	—	—	—	—	—
<b>Community and public safety</b>		<b>19 132</b>	<b>(26 510)</b>	<b>(2 529)</b>	<b>53 516</b>	<b>49 053</b>	<b>49 053</b>	<b>49 053</b>	<b>21 918</b>	<b>24 407</b>	<b>20 292</b>
Community and social services		18 930	(26 743)	758	43 602	39 139	39 139	39 139	21 917	24 407	20 291
Sport and recreation		—	—	(3 413)	8 696	8 696	8 696	8 696	0	0	0
Public safety		201	233	126	1 218	1 218	1 218	1 218	0	0	0
Housing		—	—	—	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—	—
<b>Economic and environmental services</b>		<b>56 885</b>	<b>(30 857)</b>	<b>(55 360)</b>	<b>22 541</b>	<b>25 726</b>	<b>25 726</b>	<b>25 726</b>	<b>18 569</b>	<b>36 770</b>	<b>10 146</b>
Planning and development		13 209	(32 818)	(7 408)	4 696	4 696	4 696	4 696	0	0	0
Road transport		43 676	1 961	(47 951)	17 845	21 031	21 031	21 031	18 569	36 770	10 146
Environmental protection		—	—	—	—	—	—	—	—	—	—
<b>Trading services</b>		<b>7 443</b>	<b>(2 485)</b>	<b>26 275</b>	<b>1 913</b>	<b>7 207</b>	<b>7 207</b>	<b>7 207</b>	<b>3 001</b>	<b>3 242</b>	<b>3 382</b>
Energy sources		7 443	(10 725)	18 880	1 478	6 772	6 772	6 772	0	0	0
Water management		—	—	—	—	—	—	—	—	—	—
Waste water management		—	—	—	—	—	—	—	—	—	—
Waste management		—	8 240	7 395	435	435	435	435	3 001	3 242	3 382
<b>Other</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Capital Expenditure - Functional</b>	3	<b>85 838</b>	<b>(59 169)</b>	<b>(30 719)</b>	<b>80 235</b>	<b>84 251</b>	<b>84 251</b>	<b>84 251</b>	<b>43 488</b>	<b>64 420</b>	<b>33 820</b>
<b>Funded by:</b>											
National Government		25 775	(17 159)	19 301	41 245	39 865	39 865	39 865	30 010	32 420	33 818
Provincial Government		—	—	17 012	27	5 321	5 321	5 321	0	0	0
District Municipality		—	—	—	—	—	—	—	—	—	—
Transfers and subsidies - capital (monetary allocations) (Nat/ Prov Deparin Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educ Institutions)		—	—	—	—	—	—	—	—	—	—
<b>Transfers recognised - capital</b>	4	<b>25 775</b>	<b>(17 159)</b>	<b>36 312</b>	<b>41 272</b>	<b>45 186</b>	<b>45 186</b>	<b>45 186</b>	<b>30 010</b>	<b>32 420</b>	<b>33 818</b>
<b>Borrowing</b>	6										
Internally generated funds		60 064	(42 009)	(67 031)	38 963	39 065	39 065	39 065	13 478	32 000	3
<b>Total Capital Funding</b>	7	<b>85 838</b>	<b>(59 169)</b>	<b>(30 719)</b>	<b>80 235</b>	<b>84 251</b>	<b>84 251</b>	<b>84 251</b>	<b>43 488</b>	<b>64 420</b>	<b>33 820</b>

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**

KZN242 Nquthu - 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
<b>R thousand</b>											
<b>ASSETS</b>											
<b>Current assets</b>											
Cash and cash equivalents		130 495	108 825	92 533	(11 820)	53 662	53 662	53 662	0	0	0
Trade and other receivables from exchange transactions	1	3 871	7 931	7 424	11 208	10 723	10 723	10 723	19 144	9 998	10 617
Receivables from non-exchange transactions	1	1 751	2 214	34 888	44 149	54 352	54 352	54 352	57 521	792	828
Current portion of non-current receivables		–	–	–	–	–	–	–	–	–	–
Inventory	2	2 023	1 528	1 279	139	(110)	(110)	(110)	1 279	0	0
VAT		4 500	30 256	33 598	60 017	64 153	64 153	64 153	57 519	0	0
Other current assets		279	115	66	108	66	66	66	66	0	0
<b>Total current assets</b>		<b>142 920</b>	<b>150 869</b>	<b>169 788</b>	<b>103 802</b>	<b>182 845</b>	<b>182 845</b>	<b>182 845</b>	<b>135 530</b>	<b>10 791</b>	<b>11 445</b>
<b>Non current assets</b>											
Investments		–	–	–	–	–	–	–	–	–	–
Investment property		41 472	41 405	41 338 546,02	42 923	41 338	41 338	41 338	41 338	(0)	(0)
Property, plant and equipment	3	588 858	621 823	692 868	711 266	776 787	776 787	776 787	490 401	64 420	33 820
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	11	(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
<b>Total non current assets</b>		<b>630 434</b>	<b>663 323</b>	<b>734 296</b>	<b>754 284</b>	<b>818 216</b>	<b>818 216</b>	<b>818 216</b>	<b>531 829</b>	<b>64 420</b>	<b>33 820</b>
<b>TOTAL ASSETS</b>		<b>773 353</b>	<b>814 192</b>	<b>904 084</b>	<b>858 086</b>	<b>1 001 061</b>	<b>1 001 061</b>	<b>1 001 061</b>	<b>667 359</b>	<b>75 211</b>	<b>45 266</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
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	2 243	0	0
Trade and other payables from exchange transactions	4	53 929	71 870	83 555	64 119	87 556	87 556	87 556	62 653	(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	12 708	(0)	(0)
VAT		1 238	27 101	31 653	27 101	31 653	31 653	31 653	31 653	0	0
Other current liabilities		–	–	–	–	–	–	–	–	–	–
<b>Total current liabilities</b>		<b>68 526</b>	<b>115 378</b>	<b>141 086</b>	<b>103 485</b>	<b>138 251</b>	<b>138 251</b>	<b>138 251</b>	<b>109 277</b>	<b>(2 207)</b>	<b>(1 500)</b>
<b>Non current liabilities</b>											
Financial liabilities	6	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(2 488)	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
<b>Total non current liabilities</b>		<b>291</b>	<b>875</b>	<b>875</b>	<b>3 364</b>	<b>875</b>	<b>875</b>	<b>875</b>	<b>(1 592)</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>		<b>68 818</b>	<b>116 253</b>	<b>141 961</b>	<b>106 848</b>	<b>139 127</b>	<b>139 127</b>	<b>139 127</b>	<b>107 685</b>	<b>(2 207)</b>	<b>(1 500)</b>
<b>NET ASSETS</b>		<b>704 536</b>	<b>697 939</b>	<b>762 123</b>	<b>751 237</b>	<b>861 934</b>	<b>861 934</b>	<b>861 934</b>	<b>559 674</b>	<b>77 418</b>	<b>46 766</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated surplus/(deficit)	8	713 654	712 149	722 373	634 468	761 971	761 971	761 971	0	0	0
Reserves and funds	9	134	141	152	141	152	152	152	461 797	–	8 786
Other		–	–	–	–	–	–	–	–	–	–
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	10	<b>713 788</b>	<b>712 290</b>	<b>722 525</b>	<b>634 610</b>	<b>762 122</b>	<b>762 122</b>	<b>762 122</b>	<b>461 797</b>	<b>0</b>	<b>8 786</b>

**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). This format of presenting the statement of financial position is aligned to GRAP, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth.

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 will impact on 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.

**Table A7: Budgeted Cash Flows**

KZN242 Nquthu - 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
<b>R thousand</b>											
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		–	–	–	43 374	43 374	43 374	43 374	36 266	36 266	36 264
Service charges		476 561	3 758	4 875	23 338	23 338	23 338	23 338	29 704	31 495	31 923
Other revenue		–	–	–	2 767	2 767	2 767	2 767	0	0	0
Transfers and Subsidies - Operational	1	–	357 630	–	212 835	212 835	212 835	212 835	195 536	192 450	201 402
Transfers and Subsidies - Capital	1	–	–	–	46 128	52 216	52 216	52 216	75 922	82 020	85 556
Interest		–	–	–	–	–	–	–	0	0	0
Dividends		–	–	–	–	–	–	–	–	–	–
<b>Payments</b>											
Suppliers and employees		(352 975)	(368 930)	(468 534)	(97 308)	(94 477)	(94 477)	(94 477)	177 538	189 402	196 981
Interest		–	–	–	–	–	–	–	–	–	–
Transfers and Subsidies	1	–	–	–	–	–	–	–	–	–	–
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>123 586</b>	<b>(7 542)</b>	<b>(463 659)</b>	<b>231 134</b>	<b>240 052</b>	<b>240 052</b>	<b>240 052</b>	<b>514 967</b>	<b>531 634</b>	<b>552 128</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current receivables		–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		–	–	–	–	–	–	–	–	–	–
<b>Payments</b>											
Capital assets		–	–	–	–	–	–	–	53 461	77 810	42 778
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>53 461</b>	<b>77 810</b>	<b>42 778</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing		–	–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits		–	–	–	–	–	–	–	–	–	–
<b>Payments</b>											
Repayment of borrowing		–	–	–	–	–	–	–	–	–	–
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>123 586</b>	<b>(7 542)</b>	<b>(463 659)</b>	<b>231 134</b>	<b>240 052</b>	<b>240 052</b>	<b>240 052</b>	<b>568 428</b>	<b>609 444</b>	<b>594 906</b>
Cash/cash equivalents at the year begin:	2	198 220	130 495	108 825	43 652	113 221	113 221	113 221	0	568 428	1 177 872
Cash/cash equivalents at the year end:	2	321 806	122 954	(354 835)	274 786	353 273	353 273	353 273	568 428	1 177 872	1 772 778

**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 total R568 million rands in 2025/26 financial year.

**Table A8: Cash backed reserves / accumulated surplus reconciliation**

KZN242 Nquthu - 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
<b>R thousand</b>											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	321 806	122 954	(354 835)	274 786	353 273	353 273	353 273	568 428	1 177 872	1 772 778
Other current investments > 90 days		(191 310)	(14 129)	447 368	(286 606)	(239 611)	(239 611)	(239 611)	(568 428)	(1 177 872)	(1 772 778)
Non-current investments	1	–	–	–	–	–	–	–	–	–	–
<b>Cash and investments available:</b>		<b>130 495</b>	<b>108 825</b>	<b>92 533</b>	<b>(11 820)</b>	<b>53 662</b>	<b>53 662</b>	<b>53 662</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Application of cash and investments</b>											
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)	(25 946)	(84)	(89)
Other working capital requirements	3	(13 488)	70 834	82 975	53 560	75 460	75 460	75 460	10 591	(9 361)	(8 733)
Other provisions		10 899	10 074	13 034	10 074	13 034	13 034	13 034	12 708	(0)	(0)
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	134	141	152	141	152	152	152	461 797	–	8 786
<b>Total Application of cash and investments:</b>		<b>(5 340)</b>	<b>82 037</b>	<b>104 727</b>	<b>30 992</b>	<b>59 952</b>	<b>59 952</b>	<b>59 977</b>	<b>459 150</b>	<b>(9 446)</b>	<b>(36)</b>
<b>Surplus/(shortfall) - Excluding Non-Current Creditors Tif to Debt Relief Benefits</b>		<b>135 836</b>	<b>26 787</b>	<b>(12 194)</b>	<b>(42 812)</b>	<b>(6 291)</b>	<b>(6 291)</b>	<b>(6 316)</b>	<b>(459 150)</b>	<b>9 446</b>	<b>37</b>
<b>Creditors transferred to Debt Relief - Non-Current portion</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Surplus/(shortfall) - Including Non-Current Creditors Tif to Debt Relief Benefits</b>		<b>135 836</b>	<b>26 787</b>	<b>(12 194)</b>	<b>(42 812)</b>	<b>(6 291)</b>	<b>(6 291)</b>	<b>(6 316)</b>	<b>(459 150)</b>	<b>9 446</b>	<b>37</b>

**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 and secondly reconciling the available funding to the liabilities/commitments that exist. The outcome of this exercise would either be a surplus 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”. From the table above the municipality reflects surplus cash for the year 2025/26.

**Table A9: Asset Management**

KZN242 Nquthu - Table A9 Asset Management

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										
<b>CAPITAL EXPENDITURE</b>										
<b>Total New Assets</b>	1	85 911	(51 198)	(27 306)	68 235	72 251	72 251	43 488	64 420	33 820
Roads Infrastructure		39 001	(1 939)	(44 549)	17 817	21 003	21 003	21 569	40 012	13 527
Storm water Infrastructure		6 329	–	–	0	0	0	0	0	0
Electrical Infrastructure		5 662	(10 725)	17 012	0	5 294	5 294	0	0	0
Water Supply Infrastructure		–	–	–	0	0	0	0	0	0
Sanitation Infrastructure		9 180	(34 533)	–	0	0	0	0	0	0
Solid Waste Infrastructure		–	–	–	–	–	–	3 001	3 242	3 382
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
<b>Infrastructure</b>		<b>60 172</b>	<b>(47 198)</b>	<b>(27 537)</b>	<b>17 818</b>	<b>26 297</b>	<b>26 297</b>	<b>24 570</b>	<b>43 254</b>	<b>16 909</b>
Community Facilities		19 003	(6 396)	(2 912)	43 602	39 139	39 139	18 916	21 165	16 909
Sport and Recreation Facilities		–	300	–	0	0	0	0	0	0
<b>Community Assets</b>		<b>19 003</b>	<b>(6 096)</b>	<b>(2 912)</b>	<b>43 602</b>	<b>39 139</b>	<b>39 139</b>	<b>18 916</b>	<b>21 165</b>	<b>16 909</b>
<b>Heritage Assets</b>		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
<b>Investment properties</b>		–	–	–	–	–	–	–	–	–
Operational Buildings		4 029	(2 721)	3 489	5 130	5 130	5 130	0	0	0
Housing		–	–	–	–	–	–	–	–	–
<b>Other Assets</b>		<b>4 029</b>	<b>(2 721)</b>	<b>3 489</b>	<b>5 130</b>	<b>5 130</b>	<b>5 130</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Biological or Cultivated Assets</b>		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		–	–	–	–	–	–	–	–	–
<b>Intangible Assets</b>		–	–	–	–	–	–	–	–	–
Computer Equipment		773	628	287	957	957	957	0	0	0
Furniture and Office Equipment		60	4	–	0	0	0	0	0	0
Machinery and Equipment		462	444	2 501	28	28	28	0	1	1
Transport Assets		1 412	3 741	(3 133)	700	700	700	0	0	0
Land		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
Mature		–	–	–	–	–	–	–	–	–
Immature		–	–	–	–	–	–	–	–	–
<b>Living Resources</b>		–	–	–	–	–	–	–	–	–
<b>Total Renewal of Existing Assets</b>	2	–	–	–	391	391	391	0	0	0
Roads Infrastructure		–	–	–	0	0	0	0	0	0
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		–	–	–	–	–	–	–	–	–
Water Supply Infrastructure		–	–	–	–	–	–	–	–	–
Sanitation Infrastructure		–	–	–	–	–	–	–	–	–
Solid Waste Infrastructure		–	–	–	–	–	–	–	–	–
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
<b>Infrastructure</b>		–	–	–	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**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 R9 million in this regard.

**Table A10: Basic Service Delivery Measurement**

KZN242 Nquthu - Table A10 Basic service delivery measurement

Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>										
Water (6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per indigent household per month)		-	-	-	781	781	781	0	0	0
Refuse (removed once a week for indigent households)		-	-	-	17	17	17	0	0	0
<b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>		-	-	-	-	-	-	-	-	-
<b>Total cost of FBS provided</b>	8	-	-	-	799	799	799	0	0	0
<b>Highest level of free service provided per household</b>										
Property rates (R value threshold)										
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)										
Refuse (average litres per week)										
<b>Revenue cost of subsidised services provided (R'000)</b>	9									
Property rates (tariff adjustment) ( impermissible values per section 17 of MPRA)										
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA				58	2 085	2 085	2 085	0	0	0
Water (in excess of 6 kilolitres per indigent household per month)										
Sanitation (in excess of free sanitation service to indigent households)										
Electricity/other energy (in excess of 50 kwh per indigent household per month)										
Refuse (in excess of one removal a week for indigent households)										
Municipal Housing - rental rebates										
Housing - top structure subsidies	6									
Other										
<b>Total revenue cost of subsidised services provided</b>		-	-	58	2 085	2 085	2 085	0	0	0

### 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 will be attended accordingly to ensure that ESKOM and Ontec customers that receive FBE are budgeted for accordingly.

## 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 has been adopted by council, with notable consideration on capital projects earmarked for 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 for all relevant stakeholders.

DETAIL PROCESS FOLLOWED AND IDP CREDIBILITY REQUIREMENTS	
ISSUE	TIMEFRAME
IDP/Budget Process Plan/Timetable approved by Council	
IDP Meetings – inputs from Ward Councilors & Ward committees	
First IDP/Budget Steering Committee meeting	
Departmental Inputs on Draft Allocations	
Second Budget Steering Committee – Consider Annual Budget	
IDP Representative Forum	

Draft Budget Input captured and Budget Balanced	
Draft IDP & Budget tabled in Council	April
IDP & Budget workshop – Council	April
Public Consultation	April – May
Finalise Sector/Departmental Strategy Plan/Budget – IDP	April – May
Consideration of Comments received	May
Tabling of Final MTREF	Proposed 31 May 2025

## 2.2. Overview of alignment of annual budget with IDP

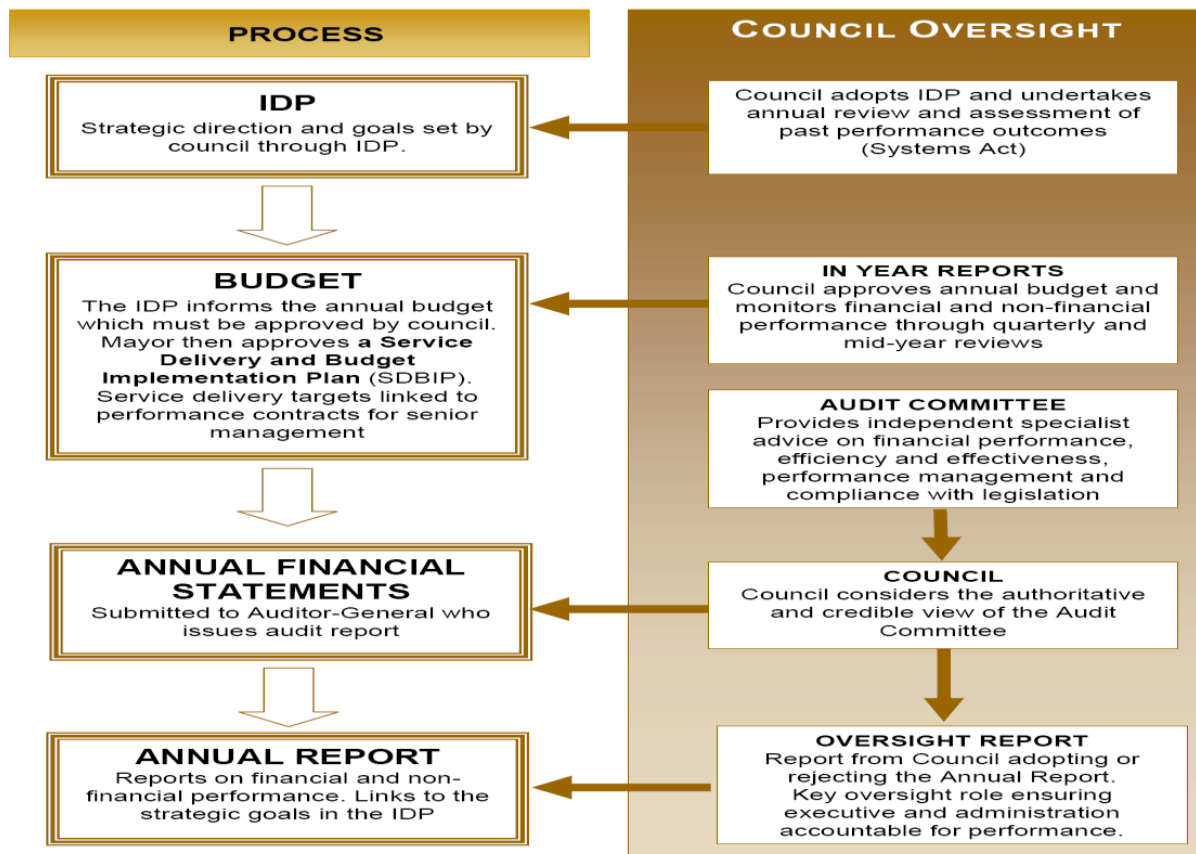
The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

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 have been reviewed in the attempt to enhance financial resources. All draft 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.

## **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 economy climate. In light of 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 transversal contract in seeking to identify areas of loss and infrastructure replacement, and refurbishment where necessary. The loss of electricity is slightly going down, street light refurbish (small town rehabilitation project) in 2023/24 replaced street lighting within the town, with an aim to put new LED lighting that saves energy as such lights are not connected to the grid.

## **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 tranches of funds in relation to operational grants and capital grants.

The municipality is currently putting cash not immediately needed on short-term investments that do not exceed a period of 90 days so that interest could be earned to fund the operations of the municipality.

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 municipality always strives to fully spend its conditional grants within a prescribed year, this financial year the municipality has met spending requirements in reporting for MIG and INEP allocations, furthermore the municipality. All the grants received by the municipality are fully cash backed as required.

## **2.8. Allocations on 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 and we have been graded as Grade 3 for the purpose of councilor remuneration. The current council has no vacancies.

The management is made up as 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.

The salaries budget will be increased in line with the salary collective agreement and the average CPIX as published by Treasury.

Vacant post with full budget will be filled considering office space and critical nature of each post.

## **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. Some contracts are coming to an end by the end of this financial year and the bidding process has started. 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 have been substantially adhered to through the following activities:

- In year reporting

Reporting to 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

Draft 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 assist the municipality to verify the specific goals related to ethnic group, business location, and gender criteria.

- Financial Management Capability Maturity Model

The municipality is implementing the 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 the A schedule.

## **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

Quality certificate

I Mpumelelo B Jiyane, municipal manager of Nquthu Municipality - KZN242, hereby certify that the annual budget 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 Mr Mpumelelo B Jiyane

Municipal manager of Nquthu Municipality - KZN242

Signature 

Date 31/03/2025