

EMADLANGENI MUNICIPALITY

KZ253



MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK

DRAFT BUDGET

2024/25 TO 2026/27

1. TABLE OF CONTENTS

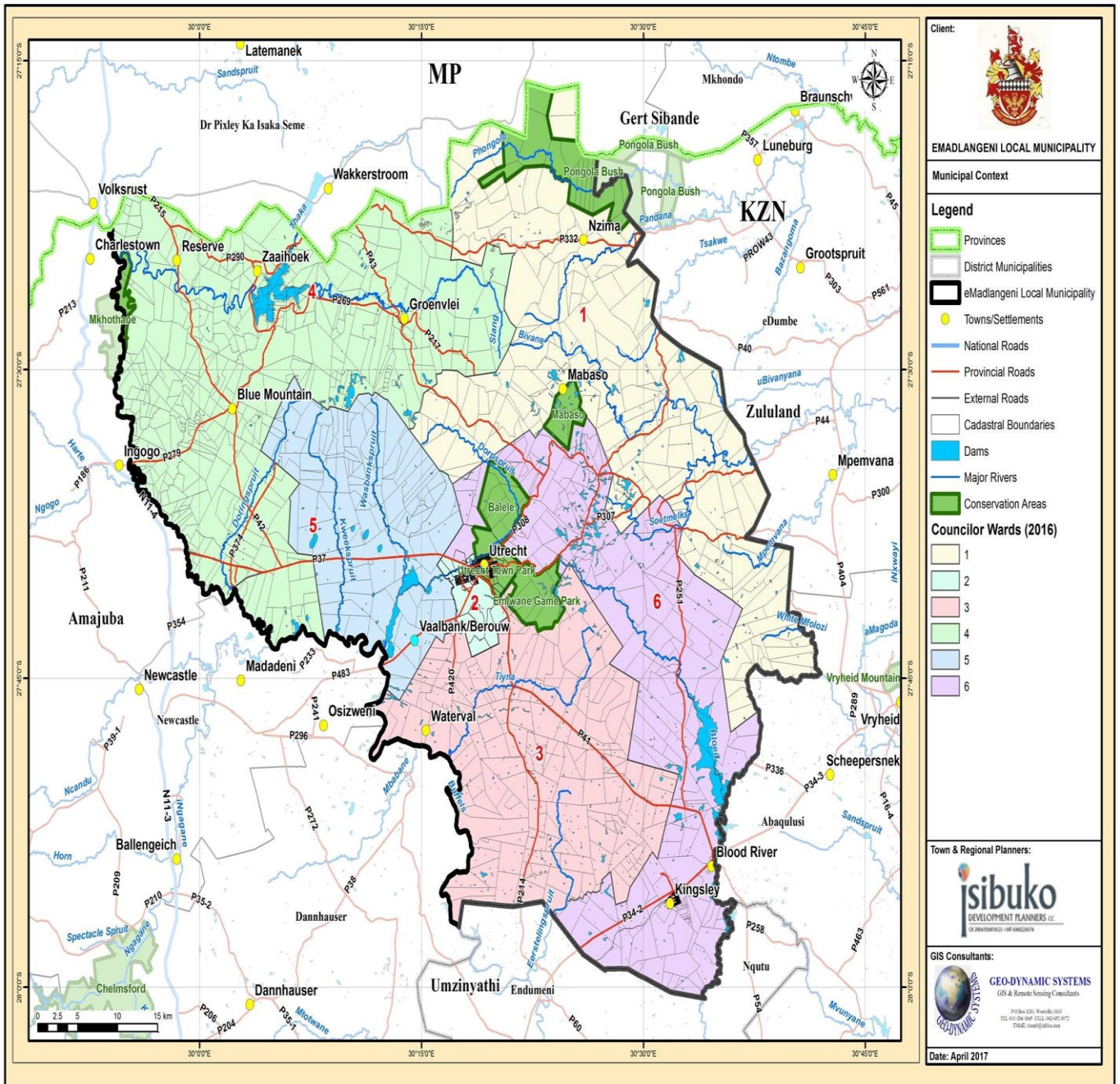
NO	SECTION DESCRIPTION	PAGE
I	Abbreviations & Acronyms	3
II	Map of eMadlangeni Area	4
III	Organizational Structure	5
IV	eMadlangeni Municipality Profile	6
PART 1 – ANNUAL BUDGET		
1	Mayors Report	7
2	Council Resolutions	8-10
3	Executive Summary	11
4	Operating Revenue Framework	13-14
5	Operating Expenditure Framework	15
6	Capital Expenditure	16
7	Budget Related Tables	17
PART 2 – SUPPORTING DOCUMENTATION		
8	Overview of the Annual Budget Process	18 – 19
9	Overview of Alignment of Annual Budget with Integrated Development Plan	19
10	Measurable Performance Objectives and Indicators	20 - 25
11	Overview of Budget Related Policies	25 – 27
12	Overview of Budget Assumptions	27 – 28
13	Overview of Budget Funding	28 – 30
14	Grant Allocations	31 – 32
15	Legislation Compliance Status	32
16	Service Delivery and Budget Implementation Plans	33
17	Contracts Having Future Budgetary Implications	33
18	Municipal Managers Quality Certification	33
19	Other Supporting Tables: Budget (Annexure A)	
20	Tariffs (Annexure B)	
21	Budgeted Related Policies (Annexure C)	
22	Treasury Draft Budget Assessment Comment (Annexure D)	

SECTION DESCRIPTION

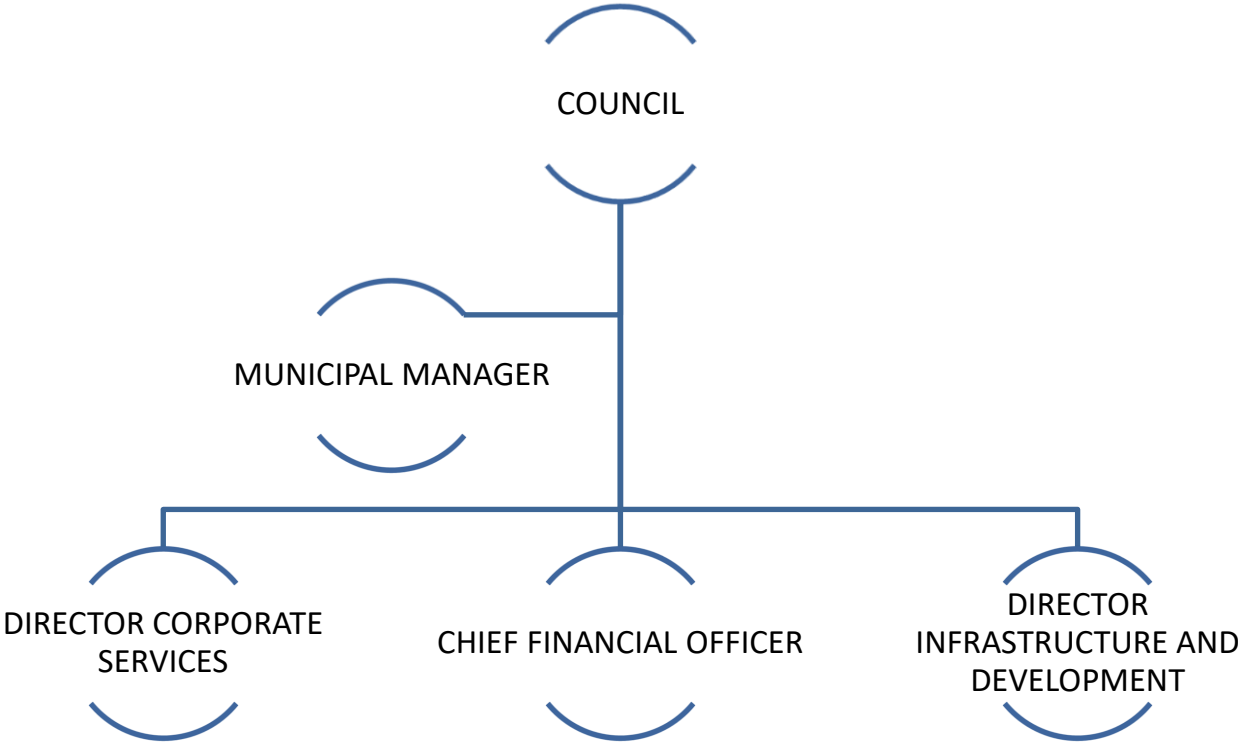
I. ABBREVIATIONS AND ACRONYMS

BSC	Budget Steering Committee
CFO	Chief Financial Officer
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DOHS	Department of Human Settlements
EE	Employment Equity
EMA	EMadlangeni Municipal Area
M	Mayor
FBS	Free Basic Services
GRAP	Generally Recognized Accounting Practice
GDP	Gross Domestic Product
GFS	Government Financial Statistics
HR	Human Resources
ICT	Information Communication Technology
IDP	Integrated Development Plan
INEP	Integrated National Electrification Programme
KPA	Key Performance Area
KPI	Key Performance Indicator
K/Wh	Kilo Watt Hours
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MSCOA	Municipal Standard Chart of Accounts
MSFM	Municipal Services Financial Model
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NT	National Treasury
NGO	Non-Governmental Organizations
NKPIs	National Key Performance Indicators
OP	Operational Plan
PMS	Performance Management System
PT	Provincial Treasury
PPE	Property Plant and Equipment
PPP	Public Private Partnership
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprise

II. MAP OF EMADLANGENI AREA



III. ORGANIZATIONAL STRUCTURE



IV. EMADLANGENI MUNICIPALITY PROFILE

OVERVIEW OF THE MUNICIPALITY

EMadlangeni Municipality is the largest municipality in the Amajuba District in terms of area; it covers 3 714 km² of the land. It consists of a vast rural in which there are approximately 1400 commercial farms and a low percentage of economic activity. eMadlangeni has an exceptionally low population density, which is 36 948 according to Community survey 2022 figures and made up of 6 wards

The Municipality is located in Utrecht. It is predominantly rural and is characterised by vast commercial farmlands with rural settlements concentrated in selected areas. The municipality is rich in heritage and forms part of the Battlefields tourism route in terms of tourism development and promotion in KwaZulu-Natal. The municipal area includes Balele Game Park.

Economic development is the biggest need. Diversification of the local economy requires immediate attention. Limited mining occurs while sectors making a notable contribution to the economy of the area include trade, finance and government services. Agriculture is the most important economic sector with excellent potential.

VISION OF THE MUNICIPALITY

By 2036 eMadlangeni Municipality will be a self-sustaining exemplary local municipality with a diverse thriving economy where people enjoy a high quality of life within a sustainable and resilient environment.

MISSION

The municipality pledges to its communities and stakeholders to the embodiment of good governance; deliver services in an efficient and effective manner; promote and facilitate sustainable socio-economic development; To create mutual trust and understanding between the municipality and the community. Promote tourism, agriculture and mining, and facilitate the development of urban hubs in support of these economic sectors and delivery of services. To apply good and transparent corporate governance in order to promote community development

ECONOMIC / SOCIAL DEVELOPMENT

Emadlangeni has a young population. This implies that most are in the economically active age group and hence planning is required for more employment opportunities. This is a challenge that needs a strategic approach in light of the general economic dynamics of the district as a whole.

The eMadlangeni is an agricultural area and is most wool producing area in KwaZulu Natal. It is also known for cattle and mixed-farming.

PART 1 – ANNUAL BUDGET

1. MAYORS REPORT

The Mayor LM Buthelezi to deliver the budget speech in March 2024. A copy of the speech to be circulated under separate cover at the Council Meeting.

The second review of the current new generation 5-year IDP and draft SDBIP will also be tabled during the Council meeting.

2. COUNCIL RESOLUTIONS

2.1 BUDGET RELATED RESOLUTIONS

- That the 2024/25- 2026/27 MTREF (Medium-Term Revenue and Expenditure Framework) of the eMadlangeni Municipality be approved by Council and also considered adjustment where necessary
- That the note be taken of the contents of the budget documentation circulated in accordance with the Municipal Finance Management Act, No.56 of 2003, MBRR and relevant MFMA circulars.

2.2 ESTIMATES OF INCOME AND EXPENDITURE

- i. That in terms of section 24 of the Municipal Finance Management Act, No.56 of 2003, the annual budget of the municipality for the financial year 2024/2025; and indicative allocations for the two outer years 2025/2026- 2026/2027; and the multi-year and single year capital appropriations are approved as set-out in the following tables of the budget document:
 - Budgeted Financial Performance (Revenue and Expenditure by Standard Classification) (**Table A2**)
 - Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote) (**Table A3**)
 - Budgeted Financial Performance (Revenue by Source and Expenditure by Type) (**Table A4**)
 - Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source (**Table A5**)
- ii. That the financial position, cash flow, cash-backed reserve/ accumulated surplus, asset management and basic service delivery targets are adopted as set out in the following tables:
 - Budgeted Financial Position (**Table A6**)
 - Budgeted Cash Flows (**Table A7**)
 - Asset Management (**Table A9**)
 - Basic Service Delivery Measurement (**Table A10**)

2.3 BUDGET RELATED POLICIES

- a. That the following budget related policies as per the **Annexure** (Annual Budget and Medium Term Revenue and Expenditure Framework 2024/25- 2026/27) be submitted in terms of S7 of Municipal Budget and Reporting Regulations: -
- b. That the following draft policies be adopted by Council remain unchanged and are hereby approved
 - Bad Debt Write Off and Impairment of Debts policy
 - Cost Containment policy
 - Fleet Management policy
 - Leave policy
 - Budget policy
 - Cash and Investment policy
 - Petty Cash policy
 - Virement policy
 - Indigent policy
 - Debt Collection and Credit Control policy

- C. That the following draft policies be adopted by Council with changes and are hereby approved
- SCM Policy
 - Assets
 - Revenue Enhancement Strategy

2.4 TARIFFS

That the Council of eMadlangeni Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) **APPROVES AND ADOPTS** with effect from 1 July 2024 the draft tariffs as contained in **Annexure B**:

- i. The tariffs for electricity not yet received from NERSA
- ii. The tariffs for solid waste services;
- iii. The tariffs, rebates and exemptions for property rates for different categories and
- iv. The tariffs for rendering other services of the municipality for different categories.

2.5 RECAPITULATION: VALUATION OF RATEABLE PROPERTY

The municipality is now in the 4th generation of the General Valuation Roll that was implemented as from 1 July 2023.

That it be recorded that the recapitulation certificate summarizing the valuation of rateable property, As certified by the Municipal Valuer, is laid on the table.

The following resolutions, pertaining to property rates (items 2.1.4 to 2.1.9) and in conformity with the provisions of Section 14 of the Local Government: Municipality Property Rates Act 6 of 2004 and Sections 17(3) (a) (ii) and 24 (2) (c) (i) of the Local Government: Municipal Finance Management Act 56 of 2003, be adopted.

2.6 DETERMINATION OF RATES

In terms of Section 8 of the Local Government: Property Rates Act, 2004 read together with the Rates Policy, as amended, and to be adopted with the current budget, the Municipality may levy different Rates for different categories of Property.

That the rate randage for the said financial year for the eMadlangeni Municipality, be and is hereby assessed and levied for the following categories at:

Categories	2024/2025 Cents in the rand	2025/2026 Cents in the rand	2026/2027 Cents in the rand
Agriculture properties used for agricultural purposes	0.00180	0.00188	0.00196
Business/commercial/industrial purposes	0.04535	0.04744	0.04962
Industrial properties	0.04535	0.04744	0.04962
Mining properties	0.57669	0.60321	0.63096
Public service infrastructure	0	0	0
Residential properties	0.01684	0.01761	0.01842
Public Service Purpose	0.06529	0.06829	0.07143
Vacant land zoned residential	0.10397	0.10875	0.11345

Multiple-Use Property will be dealt with in accordance with the Rates Policy

2.7 EXEMPTIONS, REBATES AND REDUCTIONS

That the following reductions on the market values of the property and rebates on rates payable, be and are hereby granted in accordance with the Rates Policy.

- All beneficiaries of the RDP houses who have not developed their houses be granted full rebates.

2.7.1 RESIDENTIAL PROPERTY

That in addition to the statutory reduction of R 15 000, a further reduction of R 35 000 be and is hereby approved for all residential properties.

2.7.2 PUBLIC BENEFIT ORGANISATIONS

That on application and approval, only Public Benefits Organizations listed in paragraph 11.5. of the Municipality's Draft Rates Policy 2024/2025 shall receive an exemption from rates. This is subject to them fully complying with being a NPO/PBO.

2.7.3 VACANT LAND

That the rebate of R15 000 on the market value of Vacant land, as defined in the Rates Policy be granted.

2.7.4 MUNICIPAL PROPERTIES

All municipal owned properties are exempted from property rates, except for Trading Services.

2.8 DATE OF OPERATION OF DETERMINATION OF RATES

That this determination comes into operation on 01 July 2024.

2.9 ADMINISTRATION CHARGE ON ARREARS

That the administration charge on arrear rates as referred to in Section 10.2 of the debt collection and credit control policy is determined at 1.5%. Collection of area rates is in accordance with the municipal policy.

2.9.1 Interest on Arrears

That the interest rate to be applied to arrear accounts, shall be interest rate as prescribed by regulation 9 of the Municipal Property Rates Regulations, 2006.

2.10 NEW FUNCTIONS/ SERVICES

That no new functions or service be introduce without specific approval thereto by the Council after full considerations of the effect thereof on the Council's Budget. New functions and services can only be approved in principle and thereafter would have to be prioritized in terms of the Integrated Development Plan together with all other submissions that have been received.

2.11 PARTICULARS OF INVESTMENTS

That in terms of Section 17(3) (k) of the Municipal Finance Management Act No. 26 of 2003, particulars of the Councils investments are reflected in **Table SA15 –SA16**.

2.12 RENUMERATION OF COUNCILLORS AND SENIOR OFFICIALS

That in terms of Section 17(3)(k) of the Municipal Finance Management Act No. 56 of 2003 that the proposed cost to Council of the salary, allowances and benefits of each political office bearer, councilor and senior officials of the municipality.

3. EXECUTIVE SUMMARY

INTRODUCTION

The 2024/2025 Medium Term budget is a total budget of **R 161.3 million** which has been developed with an overall planning framework and includes programs and projects to achieve the strategic objectives of the IDP. This budget was set against the backdrop of slow economic growth where tough choices had to be made to achieve the development outcomes for the municipality.

Economic challenges will continue to pressurize municipal revenue generation and collections in 2024/2025, hence a conservative approach has been adopted when projecting expected revenues and receipts. Despite increasingly challenging circumstances, service delivery will continue to be sustained through this budget by re-prioritizing expenditure to ensure key objectives are achieved.

Provisions in this medium term budget continue to support government's commitment to broadening service delivery and expanding investment in infrastructure. This budget has been developed to contribute to the municipality achieving the strategic objectives of the IDP. The 2024/2024 MTREF is informed by the municipality's long-term financial strategy with emphasis on affordability and long-term sustainability. National Treasury's MFMA Circulars No.126 & 128 was used to guide the compilation of the 2024/2025 MTREF. In addition, this budget format and content incorporates the requirements of the Municipal Budget and Reporting Regulations

The following budgeting PRINCIPLES were applied in formulating the medium term budget:

- Realistic and achievable collection rates.
- Sustainable, affordable, realistic and balanced budget.
- Major tariffs to be cost reflective, realistic and affordable.
- Need to ensure rates base growth to ensure sustainability of free basic services.
- Budget to contribute to achieving strategic objectives of the IDP.

The main CHALLENGES experienced during the compilation of the 2024/2025 MTREF can be summarized as follows:

- Huge backlogs on infrastructure projects;
- High unemployment which impacts on collection rates.
- National Treasury austerity measures with minimal growth or decline in grant allocations.
- Limited resources and minimal growth in the rates base & costs to unblock development.
- Aging and poorly maintained roads and electricity infrastructure;
- Increasing cost of bulk electricity;
- Revenue recovery from cost reflective core municipal services;
- Ensure a funded budget - The revenue collection from non-cash items such as depreciation, actuarial provisions, landfill sites etc. cannot fully be recovered from tariffs
- Wage increases for municipal staff that continues to exceed consumer inflation, as well as the need to fill critical vacancies.

The following are some of the AUSTERITY MEASURES that need to be considered in the 2024/2025 medium term budget. In order to address the above challenges, ensure reasonable levels of tariffs and to conform to National Treasury cost containment guidelines.

- Productivity assessment and benchmarking of costs undertaken.
- Strategic approach to vacancies, analysis of vacancies carried out.
- Productivity analysis to include value for money and staff redeployment.
- Utilization of vehicles being closely monitored via the vehicle tracking system.
- Fuel, overtime and standby, travelling and accommodation, legal fees, security, catering, and consultants are some of the costs that are closely monitored by the Head of Departments.

4. OPERATING REVENUE FRAMEWORK

In order for eMadlangeni Local Municipality to continue improving the quality of services that is provided to its citizens, it needs to generate the required revenue. In these tough economic times, strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines;
- Economic development growth with the municipal area;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases guidelines;
- Determining the tariff escalation rate of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA) as amended;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policy of the municipality.

While the municipality is optimistic about growth prospects in the next few year, there is no provision of such growth in the municipality's revenue budget. Ordinarily, the municipality is expected to reflect such growth in the revenue budget; however, the municipality chose to be cautious and conservative in this case. Taking into account, the MFMA provision that the budget must be funded from realistically anticipated revenue for collection, the municipality opted to use the current revenue base for the purposes of the MTREF but adjustments will be done in future when such growth in the revenue base materializes.

The following table is a summary of the 2024/2025 MTREF (classified by main revenue source):

Table Financial Performance: Revenue

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

Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
Revenue											
Exchange Revenue											
Service charges - Electricity	2	14 098	15 745	14 139	19 227	19 226	19 226	13 228	21 380	22 428	23 526
Service charges - Water	2	-	-	-	-	-	-	-	-	-	-
Service charges - Waste Water Management	2	-	-	-	-	-	-	-	-	-	-
Service charges - Waste Management	2	1 760	1 831	1 917	2 434	2 434	2 434	1 341	2 429	2 540	2 657
Sale of Goods and Rendering of Services		376	317	353	527	265	265	198	428	446	467
Agency services		-	-	-	-	-	-	-	-	-	-
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		-	-	-	-	-	-	0	-	-	-
Interest earned from Current and Non Current Assets		182	576	557	493	905	905	620	1 037	1 084	1 134
Dividends		-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		1 105	1 099	1 407	1 082	1 244	1 244	1 160	1 567	1 639	1 714
Licence and permits		1 484	1 635	1 791	1 673	1 613	1 613	1 226	2 083	2 179	2 279
Operational Revenue		37	72	6	142	639	639	708	122	128	134
Non-Exchange Revenue											
Property rates	2	21 787	22 635	25 471	45 345	45 345	45 345	25 384	47 567	50 017	52 317
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		1	227	689	6 275	604	604	663	6 563	6 865	7 181
Licences or permits		-	-	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational		44 734	42 504	43 866	47 469	47 469	47 469	48 270	46 303	44 822	43 599
Interest		3 944	4 009	1 788	-	5 671	5 671	4 581	-	-	-
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		-	-	-	-	-	-	-	-	-	-
Other Gains		(417)	1 409	1 109	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and cont		89 092	92 059	93 091	124 667	125 416	125 416	97 378	129 477	132 148	135 009

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. Rates and service charges revenue comprise of 35% of the total revenue mix. In the 2024/2025 financial year, revenue from rates, services charges and electricity totaled to R71.3 million. This increased in rates, service charges and electricity revenue to R74.9 million and R84.3 million for 2025/2026, and 2026/2027 respectively.

The table above excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Property rates are the second largest revenue source totaling 29 per cent (R47.6 million). Other revenue consists of various items such as fines, licenses and permits, rental of equipment, reconnection fees etc.

Operating grants (including capital) transfers total to R 78.2 million in the 2024/2025 financial year and decreases to R 70.0 million by 2025/2026. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Choose name from list - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24			2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		36 702	33 467	36 076	41 069	41 069	41 069	42 936	42 692	41 469
Finance Management	-	0	-	-	3 000	3 000	3 000	3 000	3 000	3 000
Local Government Equitable Share	-	36 702	33 467	36 076	38 069	38 069	38 069	39 936	39 692	38 469
Other transfers/grants [insert description]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Operating Transfers and Grants	5	36 702	33 467	36 076	41 069	41 069	41 069	42 936	42 692	41 469
Capital Transfers and Grants										
National Government:		0	-	-	19 199	60 989	60 989	33 189	24 611	15 932
Municipal Infrastructure Grant (MIG)	-	-	-	-	18 249	17 028	17 028	10 160	10 430	10 932
Integrated National Electrification Programme Grant	-	0	-	-	950	25 438	25 438	16 849	8 000	5 000
Municipal Disaster Recovery Grant	-	-	-	-	-	18 523	18 523	6 180	6 181	-
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Capital Transfers and Grants	5	0	-	-	19 199	60 989	60 989	33 189	24 611	15 932
TOTAL RECEIPTS OF TRANSFERS & GRANTS		36 702	33 467	36 076	60 268	102 058	102 058	76 125	67 303	57 401

5. OPERATING EXPENDITURE FRAMEWORK

The Council expenditure framework for the 2024/2025 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue);
- Funding of the budget over the medium term as informed by section 18 and 19 of the MFMA;
- Funded capital programs as planned in the IDP.
- Strict adherence to the principle of no project plan no budget.

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

Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
Expenditure											
Employee related costs	2	38 210	39 576	46 463	47 879	51 995	51 995	35 317	51 683	52 855	54 927
Remuneration of councillors		3 715	3 925	4 597	4 858	4 473	4 473	3 098	4 771	5 029	5 180
Bulk purchases - electricity	2	14 679	16 734	15 896	20 301	20 249	20 249	13 138	22 883	23 936	25 037
Inventory consumed	8	2 172	2 924	4 121	6 029	3 291	3 291	1 965	5 972	6 325	6 616
Debt impairment	3	-	-	6 770	10 400	10 400	10 400	(52)	2 852	2 983	3 120
Depreciation and amortisation		9 658	9 567	11 563	9 864	9 864	9 864	3 263	9 847	10 328	10 803
Interest		161	1 726	1 967	300	164	164	165	-	-	-
Contracted services		13 598	23 686	26 679	18 485	16 849	16 849	11 820	16 725	17 353	18 491
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Irrecoverable debts written off		-	-	-	-	-	-	4	-	-	-
Operational costs		17 573	18 882	21 786	12 019	11 761	11 761	7 197	12 322	12 378	12 918
Losses on disposal of Assets		-	-	1 612	-	-	-	-	-	-	-
Other Losses		-	-	-	-	-	-	-	-	-	-
Total Expenditure		99 767	117 020	141 455	130 136	129 046	129 046	75 914	127 055	131 187	137 092

5.1 Employee Related Costs: R51.7 million (40% Total Expenditure)

Employee Related Costs was increased by an overall 4.9%. The municipality still waiting for the Collective Agreement on Wages and Salaries signed by the Local Government National Bargaining Council that set the salaries increases.

5.2 Remuneration of Councillors: R4.9 million (4% Total Expenditure)

The cost associated with the remuneration of Councillor's is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998).

5.3 Depreciation and Asset Impairment: R9.8 million (8% of Total Expenditure)

The 2024/2025 depreciation and asset impairment budget increased to R 9.8 million increase of 4.9% from the full year forecast for 2023/2024 year. This line item is influenced by assessment reports produced professional at time of asset verification.

5.4 Debt Impairment: R2.8 million (2% of Total Expenditure)

Based on the audited financial statements, the contribution to impairment was to R 11 million from 2022 to 2023 financial year. The provision is a non-cash item. We are currently busy with data cleansing and the current workings show there's a lot of debtors to be written off by council as some accounts that are currently billed were actually either closed or consolidated in 2017 when MSCOA was implemented.

5.5 Finance Charges: R0 thousand

The municipality did not budget for any interest charge on late payments as we are planning to pay all our creditors on time.

5.6 Bulk Purchases: R22.9 million (18% of Total Expenditure)

The budget for Electricity will be increased base on NERSA guideline, which are not yet received. The increase is currently based on the CPI inflation.

5.7 Other Expenditure & Materials : R17.8 million (14% of Total Expenditure)

The municipality has shifted the focus and decided to improve the maintenance of infrastructure; the high increase on material is due to anticipated high expenditure on roads and electricity maintenance.

5.8 Contracted Services : R16.7 million (13%of Total Expenditure)

An increase on contracted services is informed by consumer price index.

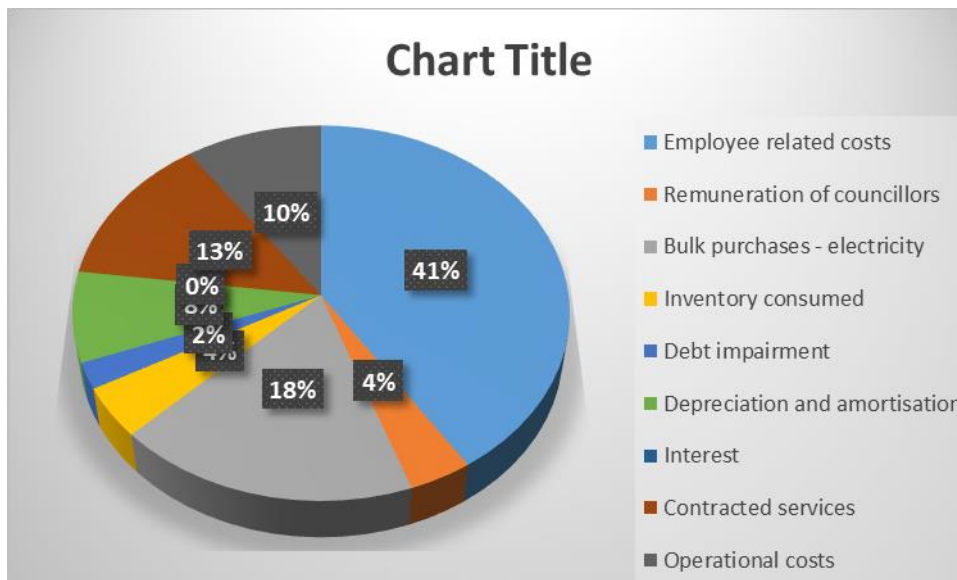
5.9 Repairs and maintenance (3%)

The municipality is still struggling to set aside the amount as per the guidelines due to the availability of finances to fully cover this, and will endeavour to do this over the years.

5.10 Total Operating Expenditure R126.6 million

Total operating expenditure for the 2024/2025 financial year has been appropriated at **R126.6** million when compared to **R 129.0 million** for the 2023/2024 Budget, operational expenditure has decrease by **2%** for the outer years' operating expenditure has increased by **4.6%** an increased by **4.6%** respectively

The following pie chart gives a breakdown of the main expenditure categories for the 2024/2025 financial year.



6. CAPITAL EXPENDITURE

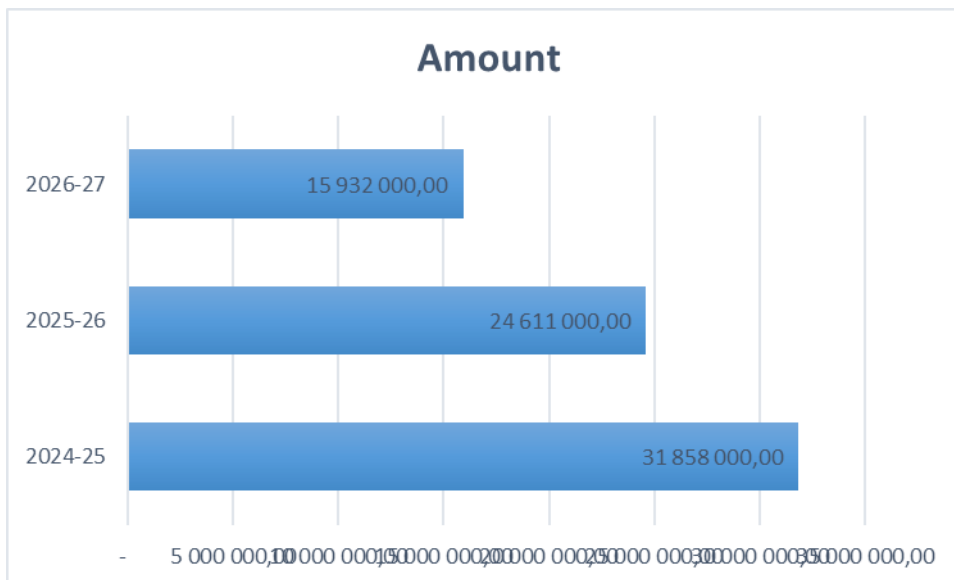
The capital budget totalled to R 33.5 million in 2024/2025. This was funded by National and Provincial grants in the amount of R31.9 and R1.6 million being funded from Council's internal sources.

Capital Budget Performance (Current Year)

The capital performance for current year and three outer years.

Description	2024/2025 Budget R'000	2025/2026 Budget R'000	2026/2027 Budget R'000
Total Capital Expenditure	31 858	24 611	15 932
Total Capital Financing	31 858	24 611	15 932

The following graph indicates the fluctuation of capital budget which might have negative impact on service delivery.



7. BUDGET TABLES

Budget Summary

Choose name from list - Table A1 Budget Summary

Description	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
Financial Performance										
Property rates	21 787	22 635	25 471	45 345	45 345	45 345	25 384	47 567	50 017	52 317
Service charges	15 858	17 576	16 056	21 661	21 661	21 661	14 569	23 809	24 968	26 184
Investment revenue	182	576	557	493	905	905	620	1 037	1 084	1 134
Transfer and subsidies - Operational	44 734	42 504	43 866	47 469	47 469	47 469	48 270	46 303	44 822	43 599
Other own revenue	6 531	8 767	7 142	9 699	10 037	10 037	8 535	10 762	11 257	11 775
Total Revenue (excluding capital transfers and contributions)	89 092	92 059	93 091	124 667	125 416	125 416	97 378	129 477	132 148	135 009
Employee costs	38 210	39 576	46 463	47 879	51 995	51 995	35 317	51 683	52 855	54 927
Remuneration of councillors	3 715	3 925	4 597	4 858	4 473	4 473	3 098	4 771	5 029	5 180
Depreciation and amortisation	9 658	9 567	11 563	9 864	9 864	9 864	3 263	9 847	10 328	10 803
Interest	161	1 726	1 967	300	164	164	165	-	-	-
Inventory consumed and bulk purchases	16 852	19 658	20 018	26 330	23 540	23 540	15 102	28 855	30 261	31 653
Transfers and subsidies	-	-	-	-	-	-	-	-	-	-
Other expenditure	31 171	42 568	56 847	40 905	39 009	39 009	18 969	31 899	32 714	34 529
Total Expenditure	99 767	117 020	141 455	130 136	129 046	129 046	75 914	127 055	131 187	137 092
Surplus/(Deficit)	(10 675)	(24 961)	(48 364)	(5 469)	(3 631)	(3 631)	21 464	2 422	961	(2 083)
Transfers and subsidies - capital (monetary allocations)	14 310	11 829	23 834	42 737	60 039	60 039	6 969	31 858	24 611	15 932
Transfers and subsidies - capital (in-kind)	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	3 635	(13 132)	(24 530)	37 268	56 408	56 408	28 433	34 280	25 572	13 849
Share of Surplus/Deficit attributable to Associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	3 635	(13 132)	(24 530)	37 268	56 408	56 408	28 433	34 280	25 572	13 849
Capital expenditure & funds sources										
Capital expenditure	(725)	(57 708)	(1 843)	39 051	55 241	55 241	101 903	29 408	21 689	14 155
Transfers recognised - capital	(3 996)	(39 724)	(1 632)	37 163	52 450	52 450	37 057	27 883	21 401	13 854
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	3 271	(17 984)	(210)	1 888	2 791	2 791	64 846	1 525	288	301
Total sources of capital funds	(725)	(57 708)	(1 843)	39 051	55 241	55 241	101 903	29 408	21 689	14 155
Financial position										
Total current assets	42 118	30 894	28 181	41 878	95 215	95 215	81 802	14 336	18 243	14 714
Total non current assets	196 113	148 954	142 367	237 402	468 927	468 927	165 525	384 050	11 361	3 352
Total current liabilities	55 163	58 268	74 288	35 727	37 084	37 084	114 183	32 083	931	974
Total non current liabilities	(1 200)	(1 669)	(2 753)	19 074	22 284	22 284	(3 043)	5 963	-	-
Community wealth/Equity	174 598	112 522	88 894	258 089	539 989	539 989	117 327	361 250	28 555	16 969
Cash flows										
Net cash from (used) operating	4 331	3 396	1 878	5 394	3 581	3 581	42 817	25 025	20 356	12 877
Net cash from (used) investing	-	-	9	44 908	63 527	63 527	(9)	(33 819)	(24 942)	(16 278)
Net cash from (used) financing	-	-	-	-	-	-	-	-	(173)	-
Cash/cash equivalents at the year end	4 331	3 396	1 888	50 303	67 108	67 108	42 808	471	(4 288)	(7 690)
Cash backing/surplus reconciliation										
Cash and investments available	6 167	4 987	3 142	8 802	6 506	6 506	40 978	471	(4 586)	(3 402)
Application of cash and investments	19 490	27 091	34 665	20 961	(434)	(434)	62 591	24 971	(4 790)	(2 544)
Balance - surplus (shortfall)	(13 323)	(22 104)	(31 523)	(12 158)	6 939	6 939	(21 613)	(24 500)	204	(858)
Asset management										
Asset register summary (WDV)	196 113	148 954	142 367	237 402	468 927	468 927	384 050	384 050	11 361	3 352
Depreciation	9 658	9 567	11 563	9 864	9 864	9 864	9 847	9 847	10 328	10 803
Renewal and Upgrading of Existing Assets	27 726	3 587	(903)	153	133	133	968	970	176	184
Repairs and Maintenance	842	869	955	1 546	1 557	1 557	2 036	2 036	2 600	2 721
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	(2 051)	(2 134)	(2 224)	(11 180)	(11 165)	(11 165)	(5 297)	(5 540)	(5 795)	-
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Budget summary

- It provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
- The Cash backing/surplus reconciliation shows a slight decrease in cash over the MTREF.

- Financial management reforms emphasize the importance of the municipal budget being funded. This equires 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/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognized is reflected on the Financial Performance Budget;
 - ii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget.

Cash flow

Choose name from list - Table A7 Budgeted Cash Flows

Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		-	-	-	34 009	38 543	38 543	811	38 053	42 514	47 086
Service charges		2 175	743	603	18 789	18 789	18 789	19 377	20 237	22 470	24 874
Other revenue		28	28	29	16 678	17 821	17 821	30	9 148	10 132	11 186
Transfers and Subsidies - Operational	1	3 879	4 298	2 852	47 469	47 469	47 469	21 140	46 303	44 822	43 599
Transfers and Subsidies - Capital	1	-	-	-	42 737	60 039	60 039	-	31 858	24 611	15 932
Interest		-	-	-	493	905	905	-	1 037	1 084	1 134
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(1 750)	(1 673)	(1 605)	(154 480)	(179 820)	(179 820)	1 460	(121 612)	(125 277)	(130 934)
Interest		-	-	-	(300)	(164)	(164)	-	-	-	-
Transfers and Subsidies	1	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		4 331	3 396	1 878	5 394	3 581	3 581	42 817	25 025	20 356	12 877
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		-	-	9	44 908	63 527	63 527	(9)	(33 819)	(24 942)	(16 278)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	9	44 908	63 527	63 527	(9)	(33 819)	(24 942)	(16 278)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	(173)	-
Payments											
Repayment of borrowing		-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	-	(173)	-
NET INCREASE/ (DECREASE) IN CASH HELD		4 331	3 396	1 888	50 303	67 108	67 108	42 808	(8 795)	(4 759)	(3 402)
Cash/cash equivalents at the year begin:	2	-	-	-	-	-	-	-	9 266	471	(4 288)
Cash/cash equivalents at the year end:	2	4 331	3 396	1 888	50 303	67 108	67 108	42 808	471	(4 288)	(7 690)

8. OVERVIEW OF ANNUAL BUDGET PROCESS

8.1 POLITICAL OVERSIGHT OF BUDGET PROCESS

The concept of political oversight over the budget process is of paramount importance and it is crucial to ensuring that strategy informs budget.

The political oversight role of the Mayor is contained in Section 53 (1)(a) and (b) of the Municipal Finance Management Act (MFMA). It requires that the Mayor must provide political guidance over the budget process and the priorities that guide the preparation of the budget. It further requires that the Mayor co-ordinate the revision of the IDP and the preparation of the annual budget and to determine how the IDP is to be taken into account for the purpose of the budget.

The demands on the Municipality to address service delivery backlogs and to improve service delivery to all of its citizens, within current financial resources, are challenging. Political oversight of the budget process is therefore essential to ensure that the priorities of the municipality are addressed through budget allocations.

8.2 SCHEDULE OF KEY DEADLINES RELATING TO BUDGET PROCESS

One of the objectives of the budget timetable is to ensure the development of IDP and the budget and also to ensure that a balanced budget is tabled for consideration and approval. The timetable schedule for the compilation of the 2024/2025 budget cycle was tabled to Council during 2023 in compliance with the MFMA.

The following is a detailed key deadlines relating to the budget process:

IDP/BUDGET PROCESS PLAN: 2024/2025

Date	IDP	PMS	BTO
JULY 2023	<ol style="list-style-type: none"> 1. Lodge advert to register on IDP Forum Database 2. Publication and advertisement of the availability for comments of the Draft 2024/25 Process Plan for at least 14days. 3. Ensuring alignment of the Section 54 & 56 Managers individual Scorecards with the IDP strategies 	<ol style="list-style-type: none"> 1. Signing of new performance contracts for Section 54&56 Managers and submission to EXCO (Section 69 of the MFMA and Section 54&56 of the MSA). 2. Prepare Departmental Business Plans SDBIP (Component 3) for the next financial year. 3. Previous year S54&56 Managers' Performance Assessments 	<ol style="list-style-type: none"> 1. IDP and Finance to discuss the 2024/2025 Budget planning issues 2. Prepare budget process plan and timetable for the 2024/2025. 3. Compile Section 71 Reports and present to the Mayor. 4. Compile section 52 Report.
AUGUST 2023	<ol style="list-style-type: none"> 1. Adoption of the Final Process Plan by end of August 2023 2. Publication/notification to the public of the adoption of the Final 2024/25 Process Plan 2. Manager IDP/PMS to submit the Final IDP, PMS and Budget Process Plan to COGTA. 3. Receive MEC comments on previous year's IDP COGTA submission. 4. End of August 2021 IDP Project Steering Meeting (Extended MANCO) 	<ol style="list-style-type: none"> 1. Quarterly Project Implementation Report 2. Quarterly Audit Committee meeting 3. Performance evaluation panel 4. Start the process of the Drafting Annual Report 2022/2023 	<ol style="list-style-type: none"> 1. Obtain Council's approval for 2024/2025 Multi-year budget process and timetable (IDP Process Plan) 2. Review external mechanisms affecting the medium term budget forecasts. 3. Compile Section 71 Reports and present to the Mayor

SEPTEMBER 2023	<ol style="list-style-type: none"> 1. Formalise Council's Vision, Mission, Objectives and Strategies 2. Consultation with and alignment with Sector Departments. 3. Create template in relation to the scorecard (*Situational Analysis*) 4. Feedback to Steering Committee regarding MEC's assessment 5. Review and updating of Departmental Sector Plans 6. Ward Councillors and Ward committees to submit community needs for budget consideration 		<ol style="list-style-type: none"> 1. Assess Council's 2022/2023 Financial Statements and current year's revised results and capacity, to determine the impact on future strategies and budgets 2. Assess the funding policies including the tariff structures. 3. Compile Section 71 Reports and present to the Mayor.
OCTOBER 2023	<ol style="list-style-type: none"> 1. Integration of information from adopted Sector Plans into the IDP Review 2. Review mission, vision and objectives 3. Cross border municipal alignment and Formulate Strategies 4. Feedback from Senior Managers on Priorities - Projects – as well as Budget inclusions 5. Regional alignment (District Municipality) 		<ol style="list-style-type: none"> 1. Complete first Quarter Section 52 Financial Performance Evaluation Report. 2. Discuss Findings and obtain input from management, BSC and Council. 3. Compile Section 71 Reports and present to the Mayor.
NOVEMBER 2023	<ol style="list-style-type: none"> 1. 22 November 2023 - IDP Steering Committee - Reviewing of strategies/IDP RF 2. November 2023 - Sector Alignment Workshop – COGTA 	<ol style="list-style-type: none"> 1. Quarterly Project Implementation Report (for first quarter) 2. Quarterly Audit Committee meeting (for the first quarter) 	<ol style="list-style-type: none"> 1. Compile Section 71 Reports and present to the Mayor.
DECEMBER 2023	<ol style="list-style-type: none"> 1. Review KPI's and targets 2. IDP Best Practise Conference with COGTA 3. Amajuba District Municipality Planner's Forum 4. Review of Strategies 	<ol style="list-style-type: none"> 1. Compile annual report (MFMA Sect 121) 	<ol style="list-style-type: none"> 1. Compile Section 71 Reports and present to Mayor. 2. Commence processes for Section 72 and adjustment budge

	5. Alignment of Capital estimates to the IDP		
JANUARY 2024	<ol style="list-style-type: none"> 1. Steering Committee in the month of January 2024 2. Send reminders 22-24 January 2024 requesting projects (with proposed budgets) 3. IDP Review integration phase 4. Projects/Send template by the end of January 2024 	<ol style="list-style-type: none"> 1. Mayor tables annual report MFM Sect 127 (2) 2. Make public annual report and invite community inputs into report (MFMA Sect 127 & MSA Sect 12a) 3. Sect 54&56 Managers' quarterly assessments (for second quarter) 4. Tabling of Midterm Report to Council by the 25th of January. 	<ol style="list-style-type: none"> 1. Submit the mid-year budget and performance assessment report to Council. Submit to National Treasury and Provincial Treasury both printed and electronic form the mid-year budget and performance assessment (Section 35). 2. Compile Section 71 Reports and present to Mayor.
FEBRUARY 2024	<ol style="list-style-type: none"> 1. Consolidation of information and finalization of MEC Assessment issues 2. Meeting with COGTA IDP submission and assessment 3. Draft IDP & Budget – Prioritization and Budget Allocation 4. Conclusion of Sector Plans initiated and integration into the IDP Review report 5. Finalise outstanding MEC assessment issues 	<ol style="list-style-type: none"> 1. Quarterly Project Implementation Report (for second quarter implementation) 2. Quarterly performance audit committee meeting 3. Oversight process for the annual report and public participation. 4. Submit annual report to AG, Provincial & DTLGA (MFMA Sect 127). 5. Adjustment of the Organizational Scorecard targets tabled to Council with Adjustment budget. 	<ol style="list-style-type: none"> 1. Compile Section 71 Reports and present to Mayor. 2. Adjustment budget to be considered if necessary 3. Make public the adjustment budget and supporting documentation within 10 working days after being approved by Council (Section 126). 4. Draft IDP & Budget – Prioritization and Budget Allocation 5. Review of the Mid-year visit Report by National Treasury and implementation of any recommendations. 6. Compile Section 71 Reports and present to Mayor.

MARCH 2024	<ol style="list-style-type: none"> 1. 21 IDP Representative Forum on/by mid-March 2024 2. 18-29 March 2024 Adoption of Draft IDP 2024/25 financial year. 3. Submit 2024/25 Draft Multi-year budget, IDP and Service Delivery and Budget implementation plan in both printed and electronic format forwarded to Provincial COGTA, within 10 working days after being approved by Council. 	<ol style="list-style-type: none"> 1. Council to consider and adopt an oversight report [Due by 29 March 2024 MFMA Sec 129 (1)] 2. Set performance objectives for revenue for each budget vote (MFMA Sect 17) 3. Annual Customer Satisfaction survey (to be considered to annual report) MSA Sect 40. 4. Submit 2024/2025 Service Delivery and Budget Implementation Plans submitted to Executive Committee and Council for approval 5. Submit 2024/2025 Draft Multi-year and Service Delivery and Budget implementation plan in both printed and electronic format forwarded to National and Provincial Governments, including National Treasury within 10 working days after being approved by Council. 6. Final approval and adoption of the 2022/23 APR by Council by end of March. 	<ol style="list-style-type: none"> 1. Submit 2024/2025 Draft Multi-year budget and IDP submitted to BSC and Council for consideration. 2. Submit 2024/2025 Draft Multi-year budget in both printed and electronic format forwarded to National and Provincial Governments, including National Treasury within 10 working days after being approved by Council. 3. All Income inputs by no later than 25th February. All Expenditure and Capital inputs by no later than 3rd March inputs to the Budget Office. 4. Make public the tabled draft budget and supporting documentation within 10 working days after being approved by Council. 5. Compile Section 71 Reports and present to Mayor.
APRIL 2024	<ol style="list-style-type: none"> 1. Notice to publicize the draft IDP (21 days) 	<ol style="list-style-type: none"> 1. Strategies, objectives, KPA's, KPI's and targets 	<ol style="list-style-type: none"> 1. Revision of the budget and IDP from inputs

	<p>2. Incorporate comments – adjust the IDP & Budget where necessary</p> <p>3. IDP Budget Roadshows.</p> <p>4. Report back on the results of Assessment Feedback</p> <p>5. Ward committee meeting highlighting involvement of members in the IDP and Budget Public Participation process</p> <p>6. Possibly undertake a 2-week community consultation process of the budget.</p> <p>7. Adjustment of Draft IDP from 15th of April 2024.</p>	<p>and inclusion into IDP Review Report.</p> <p>2. Section 54&56 Managers' Quarterly Performance Assessments</p> <p>3. Publicise Annual Report [Due by 7 April MFMA Sec 129 (3)]</p> <p>4. Submit Annual Report to Provincial Legislature/MEC Local Government (Due by 7 April MFMA Sec 132 (2))</p>	<p>received from the community, Government departments and National Treasury, if required</p> <p>2. Compile Section 71 Reports and present to Mayor.</p> <p>3. All consultation processes to be completed during April 2024.</p> <p>4. All departmental feedback by no later than the end of April 2024.</p>
MAY 2024	<p>1. Adjustment of Draft IDP from the 1st – 15th May 2024</p> <p>2. On/By 31st of May 2024 Final 2024/25 IDP Adoption</p>	<p>1. Implementation Report (for third quarter)</p> <p>2. Quarterly Audit Committee meeting</p> <p>3. Annual review of organizational KPIs</p> <p>4. Review annual organizational performance targets (MPPR Reg)</p>	<p>1. Compile Section 71 Reports and present to Mayor.</p> <p>2. Final Alignment sessions between IDP, PMS and Budget.</p> <p>3. All final inputs and balancing of the budget and presentation to BSC by 6th May 2024.</p> <p>4. Between the 6th and 20th May 2024 loading of budget and generating of mSCOA report and other Council required documentation.</p> <p>5. Presentation of final Budget for adoption to Council.</p>

9. OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

An Integrated Development Plan (IDP) is a strategic plan for how the eMadlangeni municipality will allocate its resources for the next five years to address the priority needs of its communities. It is a plan to help us set our budget priorities, and to guide sector departments in compiling its Medium Term Expenditure Framework.

The IDP will therefore form an agreement with the Municipality and the community on what, how and when projects and programmes will be implemented and how it will be monitored.

It is a Plan for the entire municipal area and summarises the interventions of all spheres of government aligning our local plans with National and Provincial priorities. Whilst the needs identified by communities far exceeds the available resources, the attempts to inform the medium terms budget allocations and priorities to be funded from Nationally raised revenue.

The IDP therefore outlines key areas where we must intervene and focus our resources in order to achieve the developmental mandate of local government.

This strategic plan must also inform municipal decision making as well as business processes of the Municipality.

The IDP adopted in 2023 remains the principle IDP document and it is of importance to note that the IDP, PMS and budget processes, (whilst these are distinct processes), are integrally linked processes which must be co-ordinated to ensure that the related policies and tabled budget are mutually consistent and credible.

Management

The strategic objectives in the Integrated Development Plan (IDP) should inform the budget and the Performance Management System. This in turn unpacks into an SDBIP which give effect to the IDP and the budget. The SDBIP sets information on performance indicators, quarterly service delivery targets and monthly budget targets. Managers are required to report monthly and quarterly basis against the targets and Council can then monitor performance of the municipality against the quarterly targets on service delivery.

This is in line with the approved PMS Framework. Furthermore, the MSA and related regulations for Top management (section 56's) must have in place a performance agreement that is aligned to the IDP and PMS. The SDBIP usually is the basis for the development of a Performance plan for a section 56 employees and the monitoring and reporting and evaluation is carried out in terms of relevant regulations. A performance bonus may be paid on formal evaluation through a Panel constituted for this purpose – EVALUATION PANEL and only on adoption of the Annual Report for the year in question.

A PMS calendar has been developed to assist managers in measuring progress. It is also imperative that both the Council play an oversight role in this regard. Furthermore, it is necessary for public participation processes to be streamlined to allow for community input into the performance management process to ensure that the goals as set in the IDP are achieved.

10. MEASURABLE PERFORMANCE OBJECTIVES

10.1 KEY FINANCIAL RATIOS

10.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, eMadlangeni Local Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The composition of the Municipality's debt is one annuity loan which was obtained to fund the Municipal Offices. The following financial performance indicators have formed part of the compilation of the 2023/2024 MTREF:

10.1.2 Borrowing to asset ratio

This ratio is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. While this ratio is decreasing over the years, as repayments are made and there are no intentions of increasing the borrowing levels in the short term.

10.1.3 Capital charges to operating expenditure

This is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has been rather flat at less than 1% since 2009/2010, this is attributed to prudence of the municipality by living within its means, therefore, and limiting borrowings as the revenue streams of the municipality are limited.

10.1.4 Borrowing funding of own capital expenditure

Measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. As alluded to above, due to size and geographical location of the municipality its revenue sources are limited hence the ability to fund capital expenditure out of own revenue is very minimal.

10.1.5 Safety of Capital

10.1.5.1 The **debt-to-equity ratio** is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. The municipality has one annuity loan and the level of borrowing is relatively negligible.

10.1.5.2 The **gearing ratio** is a measure of the total long term borrowings over funds and reserves. This ratio has been flat and immaterial as the municipality's debt level is very low.

10.1.6 Liquidity

10.1.6.1 **Current ratio** is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2022/2023 MTREF the current ratio is 4.6 respectively for the two outer years of the MTREF. Going forward it will be necessary to maintain these levels.

10.1.6.2 The **liquidity ratio** is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the previous financial years, the ratio was above the norm and as part of the financial planning strategy, in line with cash-flow pressure, the ratio has declined over the years. This need to be monitored at all times, as meeting current obligations is critical for the municipality and service delivery.

10.2 Revenue Management

As part of the financial sustainability efforts, an aggressive revenue management framework is being implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the efforts is to enhance the cash flow position of the Municipality.

10.3 Creditors Management

The Municipality is doing its level best to ensure that creditors are settled within the legislated 30 days of invoice. The benefits which will accrued are a favourable impact on suppliers' perception of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders.

10.4 Other Indicators

The electricity distribution losses continue to be a perennial problem for the Municipality. With the expected electricity tariff hikes we envisage the losses to increase as electricity tariffs increase by 4.9 in 2023/2024, which will hard hit the consumers' pockets. Nevertheless, efforts are being made to manage illegal connections and theft of electricity by exploring avenues of rolling out smart metering systems, including prepaid meters.

Employee costs as a percentage of operating revenue is within the threshold, it is currently 40% of the total operating budget. The ratio norm should be between 25% to 40%.

Repairs and maintenance as percentage of carrying amount of Property Plant and Equipment 2024/2025 is budgeted at 3 % and this indicates movement from the current year 2023/2024. This is below the recommended 8% as guided by MFMA circular 66.

The financial benchmarks reflected in the table below indicate that the municipality continue to strive in ensuring that the institution remain financial viable.

11. OVERVIEW OF BUDGET RELATED POLICIES

The Municipality's budget is guided and governed by relevant legislation and budget related policies. The main purpose of budget related policies is to guide the budget process and inform the projections of the medium-term budget.

The following budget related policies, which have been approved by Council or currently under review, are currently in force to ensure an informed smooth budgetary process and financial management of the Municipality in line with the Municipal Finance Management Act, other relevant legislation and Accounting Standards.

11.1 DRAFT POLICIES FOR 2024/2025

11.1.1 Cost Containment policy

This policy ensures the implementation of reduction on non-essential expenditure. There were no amendments to cost containment policy.

11.1.2 Bad Debt Write Off and Impairment of Debts policy

This policy sets out procedures and processes on debt write off and on debt impairment. There were no amendments to this Policy.

11.1.3 Fleet Management policy

Fleet Management policy ensures that there's no abuse in council vehicles. There were no amendments.

11.1.4 Leave policy

The leave policy gives guidance on leave implementation. There were no amendments to the Leave Policy.

11.1.5 Asset Management policy

The Asset Management Policy is considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance. In addition, the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets). There's amendments made on this policy.

11.1.6 Petty Cash policy

The primary objective is to regulate the use of Petty Cash Float within the municipality. Petty Cash Policy has been reviewed and amended; it is to be adopted with the current budget.

11.1.7 Virement policy

The primary objective of this policy is to ensure compliance with Section 28 of the MFMA, and the Municipal Budget and Reporting Regulations. It aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework.

11.1.8 Cash and Investment policy

The aim of the policy is to ensure that the Municipality's surplus cash and investments are prudently and adequately managed.

11.1.9 Debt Collection and Credit Control policy

The primary objective of this policy is to ensure that all monies due and payable to the municipality in respect of services are collected efficiently and promptly. As required in terms of section 97 of the Municipal Systems Act, the debt collection and credit control policy.

11.1.10 Budget policy

The budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilized to ensure that underperforming functions are identified and funds redirected to performing functions.

11.1.11 Indigent policy

This policy is intended to guide and provide framework to Free Basic Services. The policy has been reviewed and amended and is to be adopted with the current budget

11.1.12 SCM policy

The policy reflects and represents the context of a specific government policy that finds expressions within the provisions of the Municipal Finance Management Act 56 of 2003. The principal objectives of the policy are to provide, promote, and implement theoretical guidelines, governing processes and procedures within supply chain management. The policy has been reviewed and amended and is to be adopted with the current budget.

11.1.13 Rates policy

The policy is designed to ensure equitable treatment by Council in the levying of rates as well as other persons who may become liable for the payment of rates. The policy has been reviewed and amended and is to be adopted with the current budget.

12. OVERVIEW OF BUDGET ASSUMPTIONS

12.1 EXTERNAL FACTORS

The effects of a technical recession are evident. After a protracted standstill in interest rates, this has since increased. Upwards pressure is also evident in the inflation rate and the Rand continues to weaken against leading currencies. International oil prices are rising after a significant decrease over the previous months.

12.2 GENERAL INFLATION OUTLOOK AND ITS IMPACT ON THE MUNICIPAL ACTIVITIES

There are five key factors that have been taken into consideration in the compilation of the 2024/2025 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality’s residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and fuel; and
- The increase in the cost of remuneration. Employee related costs comprise 40 per cent of total operating expenditure in the 2024/2025 MTREF and Councilor’s Remuneration is on 4 % therefore increases above inflation places a disproportionate upward pressure on the expenditure budget

12.2.1 Guidelines

The following are some of the budget percentage increases and assumptions used in preparing 2024/2025 medium-term budget:

Item Description	2024/2025	2025/26	2026//2027
Assessment Rates	4.9%	4.6 %	4.6%
Electricity tariffs	4.9%	4.6 %	4.6%
Refuse tariffs	4.9 %	4.6 %	4.6%
Salaries and allowances	4.9 %	4.6 %	4.6%
Councillors Remuneration	4.9 %	4.6 %	4.6%
Electricity Bulk Purchases	4.9 %	4.6 %	4.6%
General Expenses	4.9 %	4.6 %	4.6%

12.3 DEBTORS AND CASHFLOW ASSUMPTIONS

Assumptions- Collection rates

- Property rates – Collection rate:80%
- Electricity Collection rate:85%
- Refuse collection rate:85%
- Other revenue collection: 85%

Debt impairment Assumptions

- 2024/25:35% of Gross Debtors Impaired.
- 2025/26:30% of Gross Debtors impaired
- 2026/27:25% of Debtors Impaired

Debt impairment is expected to decrease downwards as collection rates improve with time as By-laws have now been finalised to enforce robust debt and credit control policy. The Municipality have implemented the Revenue Enhancement strategy.

12.4 LONG TERM LIABILITY

It was settled in October 2022.

12.5 TRADE AND OTHER PAYABLES AND CASHFLOW ASSUMPTIONS

- Payment rate –Creditors 100%
- Payment rate-Employee costs-100% (Except for third party deductions expected to pay in the following month.
- Finance Charges Payment rate- 100%
- Capital Expenditure Payment rate- 100%
- Grant expenditure payment rate-100%
- Bulk Purchases Payment rate-100%

12.6 GRANTS

It is assumed that the National and Provincial grants as per the Division of Revenue Bill (DORA Bill) which has been included in the budget will be received during the 2024/2025 financial year.

12.7 DEPRECIATION

Assets are depreciated on a straight line basis. The useful life varies between **7-50years**. Depreciation commences when the asset is ready for use.

12.8 PROPERTY RATES

It is assumed that there will be elective exemption granted to consumers based on their property market values

12.9 INDIGENT

It is assumed that the indigent subsidy will increase during the financial year, entitled consumers can apply for indigent subsidy and applications will be evaluated in terms of the approved indigent council policy.

12.10 BULK PURCHASES

It is assumed that electricity tariffs of Eskom will increase based on NERSA guideline as from 1 April 2024.

12.11 ABILITY OF THE MUNICIPALITY TO SPEND AND DELIVER ON THE PROGRAMMES

It is estimated that a spending rate of 95 per cent could be achieved on operating expenditure and 100 per cent on the capital programs for the 2024/25 MTRF.

12.12 IMPACT OF NATIONAL, PROVINCIAL AND LOCAL POLICIES

Integration of service delivery between national, provincial and local government is critical to ensure focused service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

13. OVERVIEW BUDGET FUNDING

13.1 FISCAL OVERVIEW

The Municipality continues to display a sound financial profile which is mainly attributable to:

- Balanced budgets being funded from current financial year’s revenue.
- The municipality operates within its annual budget, as approved by council.
- The municipality maintains a positive cash and investments position.

In compliance with relevant statutory requirements, the Financial Plan (Medium Term Revenue and Expenditure Framework-MTREF) is reviewed and updated annually.

13.2 FUNDING OF CAPITAL BUDGET

The Capital budget is funded by the allocations made to the municipality by National and Provincial Government in the form of grants and internally generated funds.

	2024-25	2024-26	2026-27
MIG	10 160 000,00	10 430 000,00	10 932 000,00
INEP	15 518 000,00	8 000 000,00	5 000 000,00
DISASTER	6 180 000,00	6 181 000,00	-
	31 858 000,00	24 611 000,00	15 932 000,00

13.4 SOURCES OF FUNDING

The municipality’s revenue comprises Operating Revenue which includes property taxes, services charges and operating grants- and capital revenue which consists of capital grants and operating surplus. This high level of independent and relative stable income sources of revenue is one of the key factors that support the sound financial position of the municipality. In addition, to the obvious need to grow the city’s revenue by increasing its tax base.

13.5 VALUATION ROLL FLACTUATION

Property values have increase with R 1 021 370 000 to R 4 868 864 000. (Over 5 years)

13.6 REVIEW OF COUNCIL OWNED PROPERTIES

The review of all Council owned residential property is being undertaken to assess if the rental is cost effective and market related so that revenue would increase. Tariff changes based on actual property use.

13.7 ELECTRICITY

The disconnection policy is being applied for non-payment and the long outstanding debts are being targeted.

13.8 CHALLENGES IN THE APPROPRIATION OF FUNDS FOR 2024/2025 BUDGET

13.8.1 Sustainability of municipality

The increase in electricity tariffs, which the municipality has no control over, may on the long run impact negatively on the sustainability of the municipality. This is a huge concern for the municipality.

13.8.2 Impact on rates and tariffs

The way that the budget is funded will ensure that tariff increases by 4.9% on certain services while electricity charge to customers will increase base on NERSA guidelines, this will pose a financial strain on already struggling consumers and increase in ESKOM bulk electricity tariffs is a concern, which the municipality has no control over, might have a negative impact on our revenue.

13.8.3 Internal generated fund (Reserves)

The accumulated surplus will be used to finance the depreciation on assets as the impact of the full provision for depreciation will make the tariffs not affordable to residents. The financing of the depreciation will be phased in over a medium to long term period.

13.8.4 Planned savings and efficiencies

The following areas were identified for possible savings after the efficiency of the usage of the assets / services has been evaluated: overtime, fuel usage and non-priority spending not linked to service delivery.

- Salaries and Overtime:
Tight controls need to be implemented within the Infrastructure and Planning Development and Corporate Services to limit overtime worked to 40 hours as required by the Basic Conditions of Employment Act, unless in the case of emergencies or natural disasters, where the Unit Head will pre-authorized and approved overtime exceeding 40 hours per week. A post implementation review will be conducted on overtime in both these Units.
- Fuel usage
Tracking system need to be closely monitored by Manager and generation of report on the monthly basic be submitted to Budget and Treasury unit for reconciliation.

14. GRANT ALLOCATIONS

Municipalities play a critical role in furthering government's objective of providing services to all. In support of local government, the National Treasury has gazette grants through DORA, to assist the municipality in fulfilling the obligation. The grant allocations have been included in this medium term budget for 2024/2025.

GRANT	Government Sphere	2024/2025	2025/2026	2026/2027
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Financial Management Grant	National	03 000 000	03 000 000	03 000 000
Equitable Share	National	39 936 000	39 692 000	38 469 000
Municipal Infrastructure Grant	National	10 160 000	10 430 000	10 932 000
Electrification Grant (INEP)	National	15 518 000	08 000 000	05 000 000
Library Grant	Provincial	02 036 000	02 270 000	02 253 000
Expanded Public Works Programme(EPWP)	Provincial	01 331 000	0	0
Disaster	Provincial	06 180 000	6 181 000	0

GRANT ALLOCATIONS PROGRAMMES

In terms of the DORA 2024 the purpose of the grants which have been allocated to eMadlangeni municipality for the MTEF are:

14.1 Financial management Grant

The purpose of the FMG is to promote and support reforms in the Budget and Treasury Office building the capacity in the municipalities to implement the MFMA, with the following measurable outputs

- Improved and sustained skills development including an internship programme in the BTO
- Upgrading of the IT system to deliver reports which enhance and improve reporting and the quality of data
- Preparation and implementation of supply chain reforms, accounting reforms, producing quality and timely financial statements
- Preparation of financial recovery plans
- Progressive improvements in audit outcomes
- Improvements to internal and external reporting on budgets, finances, SDBIP and annual Reports
- Implementation of the MFMA

14.2 Municipal Infrastructure Grant

The purpose of the grant is intended for the provision of capital finance for basic municipal infrastructure for the poor households, micro enterprise and social institutions. It is also for provision for new rehabilitation and upgrading of municipal infrastructure, eradicate the bucket sanitation system

Measurable outputs

- Number of new households receiving basic services per annum
- Number of additional kilometres of roads constructed and developed
- Number of sporting facilities constructed and developed
- Number of jobs created using Expanded Public Works Programme (EPWP)
- Number of households where the bucket system has been replaced with an alternative System

14.3 Libraries

14.3.1 Provincial Libraries

The purpose of this grant is to address the constitutional mandate whereby public libraries are an exclusive provincial mandate. The funding will be for staffing costs in public libraries, currently administered by local authorities.

14.3.2 Community Libraries

The purpose of this grant is to provide access to modern day technology and information resources as well as to provide relevant collections of material in libraries which meet the needs of the communities.

14.4 EPWP Grant

The purpose of this grant is for creation of job opportunities to the youth and unemployed communities and also to give them work experience.

13.5 ELECTRIFICATION Grant

The DORA indicated that there will be a decrease in electrification grant will for financial year 2024/2025 as well as outer years.

15. LEGISLATION COMPLIANCE STATUS

15.1 DISCLOSURE ON IMPLEMENTATION OF MFMA AND OTHER LEGISLATION

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

15.2 BUDGET

This annual budget has been developed taking the MFMA, Municipal Budget and Reporting Regulations, and National Treasury requirements into account. Budgets are being tabled and approved within the required Legislative timeframes.

15.3 INTERGRATED DEVELOPMENT PLAN

The 2024/2025 process plan was adopted on the 12th of September 2023.

15.4 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

The detail SDBIP document is at a final stage and will be finalized after approval of the 2024/25 MTREF in June 2024 directly aligned and informed by the 2024/2025 MTREF.

15.5 ANNUAL REPORT

The 2023/2024 Annual Report has been developed taking into account the MFMA and National Treasury requirements.

15.6 IN-YEAR REPORTING

100 % compliance with regards to monthly, quarterly and annual reports to Council, Provincial and National Treasury.

15.7 BUDGET AND TREASURY OFFICES

A Budget and Treasury Office has been established in accordance with the MFMA and National Treasury Requirements.

15.8 AUDIT COMMITTEE

The Audit Committee, an independent external committee, and provides an oversight function over the financial and risk management and performance of the municipality.

15.9 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

This committee ensures that the administration is held accountable for their management of municipal funds and assets, and to ensure the efficient and effective utilization of council resources.

16. SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

The SDBIP is a key management, implementation and monitoring tool, which provides operational content to the end-of-year service delivery targets, set in the budget and IDP. The SDBIP provides a credible information management plan to ensure service delivery targets and other performance management indicators be achieved. The mechanism ensures that the IDP and Budget are aligned. The focus of the SDBIP is the creation of both financial and non-financial measurable performance objectives in the form of service delivery targets.

The SDBIP of eMadlangeni Municipality is developed according to the eight-point plan as set out in the Municipal IDP. It contains the Strategic Focus Areas, which is then drilled down into Programs and Projects. It reflects the quarterly and annual targets and the actual achievements/ non achievement of these targets are monitored on a quarterly basis. The ultimate aim of this monitoring is to ensure that the Municipality achieves its objectives. Where targets are not achieved, reasons for non-achievement and corrective action to be implemented are required. The municipality's strategic planning documents i.e. the IDP, Budget, and the SDBIP are all linked.

The SDBIP is not part of this budget. The document will be submitted to Mayor as per section 69 (3) (a) of the MFMA and it will be approved by Council as per section 53(1) (c) (ii) of the MFMA.

17. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS


In terms of the Municipality's Supply Management Policy, no contracts are awarded beyond the medium – term revenue and expenditure framework (three years). It is envisaged at this stage that no contract will have budgetary implications beyond a period of three years.

18. MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I, Mrs GN Mavudla, Acting Municipal Manager of eMadlangeni Municipality, hereby certify that the final annual budget and supporting documentation of the 2024/2025 Operating and Capital Budget have been prepared in accordance with the Municipal Finance Management Act, 56 of 2003, 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 : Mrs. GN Mavudla

Municipal Manager : EMADLANGENI MUNICIPALITY

Signature : 

Date : 27 MARCH 2024

19. OTHER SUPPORTING TABLE: BUDGET (ANNEXURE A)

PART OF THE AGENDA.

20. TARIFFS (ANNEXURE B)

PART OF THE AGENDA

21. BUDGET RELATED POLICIES (ANNEXURE C)

PART OF THE AGENDA

**22. TREASURY DRAFT BUDGET ASSESSMENT COMMENT (ANNEXURE D)
WILL BE ATTACHED ON THE COUNCIL AGENDA**
