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


2025/2026 TABLED MEDIUM TERM REVENUE EXPENDITURE FRAMEWORK (MTREF)

This report is submitted simultaneously to the Financial Services Portfolio Committee, Executive Committee and Council.

PURPOSE

To submit to Council for approval the Tabled 2025/2026 Budget and Medium Term Revenue and Expenditure Framework (MTREF).

IDP STRATEGY AND OBJECTIVES

NATIONAL KPA 5 : MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT		
SUSTAINABLE DEVELOPMENT GOALS:           		
STRATEGIES	OBJECTIVES	STRATEGIES
5.1 Sound Financial And Supply Chain Management	5.1.1 Compliance with financial legislation and policies	5.1.1.1 GRAP compliant
		5.1.1.2 mSCOA compliant
		5.1.1.3 Review of all financial related policies
		5.1.1.4 Compliance with all MFMA and relevant local government financial legislation
	5.2.1 Sustainable Financial management (Expenditure and Revenue)	5.2.1.1 Provide continuous Internal Communication and support on Budget and Financial Management matters
		5.2.1.2 Asset Accounting Management
		5.2.1.3 Accurate and timeous billing and receipting of revenue
		5.2.1.4 Apply Adequate Internal controls
		5.2.1.5 Accurate and timeous payments of creditors
		5.2.1.6 Apply adequate financial management methodologies
	5.3.1 Supply Chain Management	5.3.1.1 Demand and acquisition management
		5.3.1.2 Accurate contracts and logistics management
		5.3.1.3 Apply adequate financial management methodologies

BACKGROUND

The Municipal Finance Management Act (MFMA), 2003 (No 56 of 2003) issues clear guidelines on the contents of the Budget Framework Plan. The Budget Framework Plan for the City of uMhlathuze has been adapted to incorporate these guidelines.

Section 17 of the Act highlights the following issues relating to the contents of the annual budget.

- “1) The annual budget must be a schedule in the **prescribed format** which should include the following:
- realistically anticipated revenue for the budget year from each revenue source;
 - appropriating expenditure for the budget year under the different votes of the municipality;
 - setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;
 - setting out-

- (i) *both estimated revenue and expenditure by vote for the current year; and*
 - (ii) *actual revenue and expenditure by vote for the financial year preceding the current year.*
- e) *A statement containing any other information required by Section 215(3) of the Constitution or as may be prescribed.*
- 2) *The annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed;*
- 3) *When an annual budget is tabled in terms of Section 16(2), it must be accompanied by the following documents:*
 - a) *Draft resolutions-*
 - (i) *Approving the budget of the municipality;*
 - (ii) *Imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and*
 - (iii) *Approving any other matter that may be prescribed;*
 - b) *measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan;*
 - c) *a projection of cash flow for the budget year by revenue source, broken down per month;*
 - d) *any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of Section 34 of the Municipal Systems Act;*
 - e) *any proposed amendments to the budget-related policies of the municipality;*
 - f) *particulars of the municipality's investments;*
 - g) *any prescribed budget information on municipal entities under the sole or shared control of the municipality;*
 - h) *particulars of all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate;*
 - i) *particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;*
 - j) *particulars of any proposed allocations or grants by the municipality to-*
 - (i) *other municipalities;*
 - (ii) *any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers;*
 - (iii) *any other organs of state; and*
 - (iv) *any organisations or bodies referred to in section 67(1);*

- k) *the proposed cost to the municipality for the budget year of the salary, allowances and benefits of-*
 - (i) *Each political office-bearer of the municipality;*
 - (ii) *councillors of the municipality; and*
 - (iii) *the municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager;*
- l) *the proposed cost for the budget year to a municipal entity under the sole or shared control of the municipality of the salary, allowances and benefits of-*
 - (i) *each member of the entity's board of directors;*
 - (ii) *the chief executive officer and each senior manager of the entity; and*
- m) *any other supporting documentation as may be prescribed.”*

National Treasury has issued Municipal Budget and Reporting Regulations in terms of Government Gazette Number 32141 dated 17 April 2009.

The objectives of the budget formats reforms in terms of these regulations are:

- ❖ To ensure that the municipal budget and financial reporting formats support the other financial management reforms introduced by the Municipal Finance Management Act (MFMA).
- ❖ To formalise the norms and standards governing municipal budget and financial reporting formats, so as to improve the credibility, sustainability, transparency, accuracy and reliability of budgets and in-year reports of municipalities.
- ❖ To improve Council's ability to deliver basic services to all by addressing issues of financial sustainability.
- ❖ To facilitate informed policy choices by Council and medium term planning of service delivery by aligning targets to achieve backlog elimination.

For the Tabled 2025/26 MTREF, the Municipal Budget Policy Guide (**DMS 1687735 – Detail and DMS 1698351 – Summary**) read together with the Budget Process Plan (**DMS 1687733**) to guide the Administration throughout the compilation of the whole budget.

MFMA Circular No 129 (DMS 1714751) Annexure L1 issued on 10 December 2024 and 130 (DMS 1732875) issued on 20 March 2025 Annexure L2 is included as part of this report. These circulars need to be read thoroughly by both the Council and the Administration. **These were also used in compiling the Tabled 2025/2026 MTREF.**

DISCUSSION

A critical review was undertaken of expenditure on non-core and non-priority spending items in line with NT's Cost containment measures outlined in NT's MFMA circular number 82 and as endorsed in the Cost Containment Regulations (**DMS 1348572**). The latter read together with the requirements of MFMA Budget circulars 129 (**DMS 1714751) Annexure L1** and MFMA Budget Circular 130 (**DMS 1732875) Annexure L2** issued in December 2024 and March 2025 respectively was used to compile the Budget.

The National Treasury endeavours to ensure that municipalities prepare a budget document that provides concise and understandable financial and non-financial information, which will ensure that informed decisions are made to promote effective financial management and service delivery. By ensuring, that the allocation of financial resources is aligned to service delivery targets it will be clear what services are being promised when budgets are approved.

The National Treasury created a template called “Batho Pele City” as a guide for municipal officials responsible to produce their real municipal budget documents.

The aim of the “Batho Pele” Budget Guide is to provide more detailed guidance on the format and content of a municipal budget so as to ensure full compliance with both the letter and the spirit of Schedule A of the Municipal Budget and Reporting Regulations. The “Batho Pele” Budget is intended to be a template that municipal officials can use as a basis and guide for producing their own municipality’s budget documents. The Chief Financial Officer has found this template to be very comprehensive and useful for many aspects of assessing financial performance and service delivery monitoring, hence subscribes to the guide fully.

The following main challenges in compiling this 2025/2026 MTREF. They can be summarised as follows:

- The primary challenge with this budget is that despite reducing the initial deficit from R1,2 billion to R146 million together with an anticipated 2% growth in revenue, the overall Rates and Tariffs increases are above the inflation sitting at 11%.
- The Municipality’s historic impediment of having a Property Tax (Rates) base that is too small for the budget still remains. Between all the services, by far the greatest concern lies with the services financed by Property Tax (Rates). This Tabled budget has the Rates Services sitting with a R165 million deficit for 2025/26 and R105 million and R55 million deficit for the outer years.
- The majority of residential households in uMhlathuze are not levied Property Rates. This is because the individual properties within the Ingonyama Trust land are not separately valued and not subject to the Municipal Property Rates Act. This is despite the same communities enjoying most of the municipal services that are funded by Property Rates Revenue. This flaw in the current legislation is also applicable to those commercial and business activities taking place within the Ingonyama Trust area. There is a rapid increase in demand for services in these areas – roads, water, refuse, electricity, sanitation but no commensurate revenue.
- The Constitutional mandate for uMhlathuze is to provide basic municipal services in the Ingonyama Trust area. However, the deployment of those services without formal town planning and engineering protocol is not only ineffective and inefficient, but the extent thereof and demand for services on such a large scale without order is simply unsustainable from a service delivery perspective.
- There is no Equitable Share allocation for properties that do not pay Property Rates. The significance here is that the delivery of basic services is very dependent on Property Rates, yet there is zero allocation from the National Equitable Share allocation for Property Rates itself. This weakness in the financial structure of the Municipal MTREF needs to be addressed at a National level as it cannot be resolved at a local level. This is a National Policy matter. As an interim measure, National Treasury has been requested over the years to increase Equitable Share to the equal extent that the Municipal Property Rates Act cannot be applied to the residents of the Ingonyama Trust land as these residents hold no legal title to the land. Indirectly, the National Treasury has assisted by increasing the ES marginally above inflation over the last few years which has certainly helped.

- Due to a community's perceived poor quality of water quality and supply from the municipality, many residents who can afford alternative sources such as boreholes, are doing so without permission. This is putting residents' health at risk and reducing the municipality's revenue streams which are required to cater for the water infrastructure.
- It appears that the Water Losses in uMhlathuze are deteriorating. From 2021/2022 the gross loss was 38%, 2022/2023 gross loss was 57%, 2023/2024 gross loss was 55% and as at the end of January 2025 the Gross water loss is sitting at 62,2%. The projected water loss in financial terms for the 2025/26 MTREF is R473 million.
- Although Council has received Level II Accreditation, the subsidisation of Housing services which is not a Constitutional mandate can be construed as an "unfunded" mandate due to the fact the Property Rates must now fund the deficit of R50 million – refer to **Table 26** for details.
- Waste Water Management Service shows a deficit of R88,9 million (R95 million deficit for Adjusted 2024/2025), this is a concern and efforts will need to be made to reduce this deficit in the coming MTREF by reducing costs, therefore the introduction of more efficient and effective operations.
- Although Employee related costs as a percentage of total Expenditure amounts to 22.1% and appears to be below the 30% industry standard, it is not realistic for specifically uMhlathuze Municipality to be comfortable with this figure because of the high electricity purchase cost which distorts Council's budget figures when compared to other secondary cities. Without a properly researched formula in place, it is difficult to guide Council to a specific benchmark, but in COU situation that figure should be no more than the current 22.1% given the distortion in COU budget caused by the high Electricity Turnover. More significantly with a number of services outsourced, a more conservative approach would be to add the Contracted Services costs (8.2%) together with Employee related Costs. This figure amounts to 30.3% (22.1% + 8.2%). As can be seen this cost is over the 30% norm.
- A broad management view (Particularly from Finance Department) is held that with the uMhlathuze Municipality not having a correct municipal grading, the strategic long term negative effect thereof is now taking its toll on efficient and effective service delivery. The long term reality of not attracting appropriate capacity from the market is the output resulting in the latter outcome. Evidence of this fact is apparent in the extent to which services are outsourced and professional advisory services that are contracted to perform both mundane and many professional municipal skills required by the Municipality on a daily basis. This point further substantiated by the fact that the combination of Municipal Remuneration Plus Contracted Services, now amount to 50 per cent of Gross Income (Total Income Less Electricity and Water Purchases) or 30.3% of Expenditure Budget. Both these figures over the norm of 30%.
- Although extensive effort was made during the budgeting process to retain Repairs and Maintenance of Infrastructure at 8% of Property Plant and Equipment, this internationally accepted norm was not achieved in this budget and now sits at 7.9% of PPE. This has increased from 2024/2025 at 7.7%. The outer years 2026/27 and 2027/28 increase to 8% and 8.2% respectively. Over the MTREF the norm is achieved.
- The great dependency of the Refuse Service (Solid Waste Management) to Equitable Share is a risk for the Municipality. However, it does appear promising that the Senior Management are working on a Revenue Enhancement Strategy, which will be applied in the coming financial year.

- In order to try and ensure that all the trading services are managed efficiently and effectively, the City Manager has tasked the Chief Operations Officer together with the Chief Financial Officer to form Trading Services Committees. The TSC will meet on a regular basis to address under-performing revenue trends and to reduce (maximise) expenditure items.

The main positives that come out of compilation of the 2025/2026 MTREF can be summarised as follows:

- The 2025/2026 MTREF has a deficit of R146,2 million, an improvement from an Adjusted 2024/2025 deficit of R285,8 million.
- The Financial Services has continued with the strategy of ensuring that tariffs are **unit cost reflective** and that the **corresponding Revenue Tariffs** are **more equitable and affordable** across the various consumer and ratepayer categories.
- It is noted with appreciation that for the 2025/2026 MTREF Equitable Share was increased by 5% over the 2024/25 MTREF – R556 million to R585 million.
- Although all services funded by Rates are running at a deficit, Rates revenue is greater than the gross contribution made by electricity to the municipality's income base, which this trend points in the right direction of lowering dependency on electricity services which is a significant risk to the financial stability of this municipality.

The following budget principles, guidelines and assumptions directly informed the compilation of the 2025/26 MTREF:

- Revenue does include a projected 2% local economic growth with effect from each of the 2025/26 and outer years;
- Revenue cash flow assumes a 95% recovery;
- All Revenue Tariffs are based on a cost reflective unit cost per all trading services;
- Capital from own funding (Capital Replacement Reserve and Borrowing) allocated on a prioritised model between Functions using asset values and Income generating ability;
- The internal capital funding mix for the 2025/26 MTREF is based on a 95% to 5% weighting towards borrowing and capital replacement reserve respectively;
- The above weighting is going to require Council to consider approving a Section 46 loan of R162 million in the 2025/26 year;
- The basket of municipal services tariffs collectively has been kept below 11.00% despite the 12.72% increase in electricity purchases; and
- There will be no budget allocated to National and Provincial funded projects unless the necessary grants to the municipality are reflected in the National and Provincial budget and have been gazetted as required by the annual Division of Revenue Act.

Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the following Councillors and officials:

- Mayor
- Deputy Mayor
- Speaker
- Municipal Whip
- City Manager
- Chief Financial Officer – Chairperson
- Deputy City Managers
- Any other Officials on invitation

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

The Budget Steering Committee met on 26 March 2025 for the Mayor to provide guidance on the Budget Process. Consultation will continue until the Adopted Budget is approved on 22 May 2025.

Following the tabling of the MTREF, National Treasury will review and make comments on the Adopted budget. This assists the Municipality in ensuring quality when preparing the budget in terms of MFMA.

National Treasury will normally, from a quality perspective, assess the budget against the following three criteria:

- Credibility;
- Relevance; and
- Sustainability.

This report and the supporting schedules will be forwarded to National and Provincial Treasury as required in terms of Section 22 (b)(i) of the MFMA in electronic formats.

CONSOLIDATED OVERVIEW:

Table 1: Consolidated Overview of the 2025/2026 MTREF:

Description R thousands	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Tabled Budget 2025/26	Tabled Budget 2026/27	Tabled Budget 2027/28
Total Operating Revenue	5 338 040	5 862 917	6 198 918	6 603 376
Total Operating Expenditure	5 623 917	6 008 928	6 288 641	6 623 362
Surplus/ (Deficit) for the year	(285 877)	(146 012)	(89 723)	(19 985)
Total Capital Expenditure	627 805	408 987	429 292	439 827
TOTAL OPERATING & CAPITAL BUDGET	6 251 722	6 417 915	6 717 933	7 063 188

Table 2: 2025/2026 Proposed Tariff increases

Categories	Current	Proposed	Proposed	Proposed
	increase (%)	increase (%)	increase (%)	increase (%)
	(Average)	(Average)	(Average)	(Average)
	2024/25	2025/26	2026/27	2027/28
Property rates	9,00%	8,00%	9,00%	7,00%
Electricity	10,09%	11,64%	6,00%	6,19%
Water	10,00%	11,75%	7,00%	9,00%
Refuse	6,00%	6,00%	6,00%	5,00%
Sewer	9,00%	7,00%	6,00%	5,00%

The following tables summarise the expenditure and revenue budgets by category and source respectively:

Table 3: Percentage proportion in revenue by main revenue source

Description R thousand	Current Year 2024/25		2025/26 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2025/26	%	Budget Year +1 2026/27	%	Budget Year +2 2027/28	%
Revenue								
Exchange Revenue								
Service charges - Electricity	2 348 457	44,0%	2 647 650	45,2%	2 789 564	45,0%	2 962 238	44,9%
Service charges - Water	572 907	10,7%	638 791	10,9%	683 507	11,0%	745 022	11,3%
Service charges - Waste Water Management	132 282	2,5%	141 541	2,4%	150 034	2,4%	157 535	2,4%
Service charges - Waste Management	120 402	2,3%	127 626	2,2%	135 284	2,2%	142 048	2,2%
Sale of Goods and Rendering of Services	76 627	1,4%	72 919	1,2%	83 026	1,3%	104 458	1,6%
Agency services	8 365	0,2%	8 365	0,1%	8 365	0,1%	9 047	0,1%
Interest earned from Receivables	29	0,0%	29	0,0%	29	0,0%	30	0,0%
Interest earned from Current and Non Current Assets	45 000	0,8%	45 000	0,8%	45 000	0,7%	45 000	0,7%
Rent on Land	2 812	0,1%	2 924	0,0%	3 070	0,0%	3 163	0,0%
Rental from Fixed Assets	16 265	0,3%	19 839	0,3%	20 832	0,3%	20 450	0,3%
Operational Revenue	15 736	0,3%	15 824	0,3%	16 615	0,3%	17 114	0,3%
Non Exchange Revenue				0,0%		0,0%		0,0%
Property rates	778 224	14,6%	840 481	14,3%	916 125	14,8%	980 254	14,8%
Surcharges and Taxes	7 833	0,1%	7 886	0,1%	8 281	0,1%	8 529	0,1%
Fines, penalties and forfeits	5 314	0,1%	5 526	0,1%	5 802	0,1%	5 976	0,1%
Licences or permits	3 632	0,1%	3 632	0,1%	3 813	0,1%	4 004	0,1%
Transfer and subsidies - Operational	592 697	11,1%	621 195	10,6%	644 531	10,4%	673 523	10,2%
Interest	1 870	0,0%	1 870	0,0%	1 870	0,0%	1 926	0,0%
Other Gains	609 590	11,4%	661 816	11,3%	683 172	11,0%	723 061	10,9%
Total Revenue (excluding capital transfers and contributions)	5 338 040	100%	5 862 917	100%	6 198 918	100%	6 603 376	100%
Total revenue from rates and service charges	3 952 271	74,0%	4 396 090	75,0%	4 674 513	75,4%	4 987 097	75,5%

Table 4: Percentage proportion in revenue by main expenditure type:

Description R thousand	Current Year 2024/25		2025/26 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2025/26	%	Budget Year +1 2026/27	%	Budget Year +2 2027/28	%
<u>Expenditure By Type</u>								
Employee related costs	1 197 349	21,3%	1 328 011	22,1%	1 376 160	21,9%	1 445 070	21,8%
Remuneration of councillors	38 433	0,7%	41 753	0,7%	43 842	0,7%	46 035	0,7%
Bulk purchases - electricity	1 802 031	32,0%	2 034 474	33,9%	2 185 666	34,8%	2 320 958	35,0%
Inventory Consumed	485 981	8,6%	445 020	7,4%	467 794	7,4%	488 991	7,4%
Debt impairment	202 712	3,6%	225 087	3,7%	238 753	3,8%	254 533	3,8%
Depreciation and amortisation	352 759	6,3%	342 632	5,7%	280 976	4,5%	263 200	4,0%
Interest	184 846	3,3%	191 420	3,2%	214 616	3,4%	230 061	3,5%
Contracted services	584 436	10,4%	492 316	8,2%	524 529	8,3%	561 471	8,5%
Transfers and subsidies	6 432	0,1%	7 572	0,1%	7 572	0,1%	7 799	0,1%
Irrecoverable debts written off	–	0,0%	–	0,0%	–	0,0%	–	0,0%
Operational costs	398 934	7,1%	427 266	7,1%	452 659	7,2%	482 120	7,3%
Losses on disposal of Assets	–	0,0%	–	0,0%	–	0,0%	–	0,0%
Other Losses	370 004	6,6%	473 380	7,9%	496 075	7,9%	523 123	7,9%
Total Expenditure	5 623 917	100%	6 008 928	100%	6 288 641	100%	6 623 362	100%

The following tables represent the 2025/2026 Tabled Capital Budget:

Table 5: Proposed Capital Funding:

Description R thousand	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
<u>Funded by:</u>				
National Government	226 376	227 359	225 544	230 842
Provincial Government	633	–	–	–
Transfers recognised - capital	227 008	227 359	225 544	230 842
Borrowing	380 157	161 628	179 117	178 373
Internally generated funds	20 640	20 000	24 632	30 612
Total Capital Funding	627 805	408 987	429 293	439 827

Table 6 - 2025/2026 Medium-term capital budget per Vote:

Description R thousand	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
<u>Capital Expenditure - Functional</u>				
<i>Governance and administration</i>	65 895	22 265	29 702	30 182
Executive and council	52	22	27	28
Finance and administration	65 843	22 243	29 675	30 154
Internal audit	–	–	–	–
<i>Community and public safety</i>	46 126	41 582	34 071	34 936
Community and social services	11 136	9 045	11 988	12 246
Sport and recreation	31 118	28 923	17 713	18 244
Public safety	675	813	869	881
Housing	3 198	2 801	3 501	3 565
Health	–	–	–	–
<i>Economic and environmental services</i>	146 182	48 762	39 946	42 287
Planning and development	49 075	5	6	6
Road transport	97 029	48 424	31 772	34 111
Environmental protection	78	333	8 168	8 170
<i>Trading services</i>	357 204	294 891	323 661	330 478
Energy sources	76 690	49 111	52 846	47 267
Water management	202 882	136 959	160 143	157 039
Waste water management	65 815	101 336	100 700	115 753
Waste management	11 816	7 484	9 972	10 419
<i>Other</i>	12 399	1 488	1 912	1 945
Total Capital Expenditure - Functional	627 805	408 987	429 293	439 827

The following Annexures are included under separate cover and form part of this report:

- **Annexure A (DMS 1726265)** - Budget report that has been prepared using the “Batho Pele City” template;
- **Annexure B1 - B56 (DMS 1726607)** - Municipal Annual Budget and MTREF Supporting Tables;
- **Annexure C (DMS 1705155)** - Tariffs of Charges;
- **Annexure D1 (DMS 1723039)** - Rates Policy;
- **Annexure D2 (DMS 1723980)** - Tariff Policy;
- **Annexure E (DMS 1726591)** – 2025/26 Tabled Capital Budget;
- **Annexure F (DMS 1726591)** Component 1: Monthly projections of revenue to be collected for each source;
- **Annexure G (DMS 1726591)** Component 2: Monthly projections of expenditure (operating and capital) and revenue for each Vote;

- **Annexure H1 – H9 (DMS 1726591)** Component 3: Draft annual projections of service delivery targets and performance indicators for each Vote;
- **Annexure I (DMS 1726591)** Component 4: Ward information for Capital expenditure;
- **Annexure J (DMS 1726591)** Component 4: Ward information for operating expenditure.
- **Annexure K (DMS 1726591)** Component 5: Detailed capital works plan broken down by Ward over three years;
- **Annexure L1 (DMS 1714751)** - MFMA Budget Circular number 129 dated 10 December 2024;
- **Annexure L2 (DMS 1732875)** - MFMA Budget Circular No. 130 dated 20 March 2025;
- **Annexure M (DMS 1726332)** – Debt Impairment Policy;
- **Annexure N (DMS 1726343)** – Metered Services Policy;
- **Annexure O (DMS 1600420)** – Fixed Asset Management Policy;
- **Annexure P (DMS 1670730)** – Funding and Reserves Policy;
- **Annexure Q (DMS 1670731)** – Insurance Policy;
- **Annexure R (DMS 1670732)** – Borrowing Policy; and
- **Annexure S (DMS 1670734)** – Cash and Investments Policy.

ENVIRONMENTAL IMPLICATIONS

No environmental implications.

FINANCIAL IMPLICATIONS

This is dealt with in detail throughout the Budget Report.

LEGAL IMPLICATIONS

This is dealt with throughout the report with references to various Acts and Regulations.

COMMENTS OF THE CHIEF FINANCIAL OFFICER

The recommendations are supported.

The Chief Financial Officer's comments have been provided under the Executive Summary contained in **Annexure “A” (DMS 1726265)**.

RECOMMENDED THAT:

1. the Tabled Multi-year Medium Term Revenue and Expenditure Framework (MTREF) of the City of uMhlathuze for the financial year 2025/2026 and indicative for the projected outer years 2026/2027 and 2027/2028 be approved as set out in the Budget Report **(DMS 1726265)** and in the Budget tables A1 - A10 **(Annexure B1 - B13) (DMS 1726607)**;

2. the Final Integrated Development Plan (IDP) Review for 2024/2025 (**DMS 1670422**) be incorporated into the Tabled 2025/2026 Multi-year Medium Term Revenue and Expenditure Framework (MTREF);
3. the Tabled 2025/2026 Medium Term Revenue and Expenditure Framework aligned with the IDP's Developmental Objectives and Goals and the Municipal Regulation on Standard Chart of Accounts (mSCOA) (Government Gazette 37577 dated 22 April 2014) for the City of uMhlathuze be approved as follows:

Description R thousands	Current Year 2024/25	2025/26 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Tabled Budget 2025/26	Tabled Budget 2026/27	Tabled Budget 2027/28
Total Operating Revenue	5 338 040	5 862 917	6 198 918	6 603 376
Total Operating Expenditure	5 623 917	6 008 928	6 288 641	6 623 362
Surplus/ (Deficit) for the year	(285 877)	(146 012)	(89 723)	(19 985)
Total Capital Expenditure	627 805	408 987	429 292	439 827
TOTAL OPERATING & CAPITAL BUDGET	6 251 722	6 417 915	6 717 933	7 063 188

It be further noted that this Budget in as far as the Municipal's administration ability and financial system capability allowed, is Project based;

4. subject to the Chief Financial Officer submitting a report to Council in terms of Section 46 of the MFMA, Council approves in principle a loan for R162 million for the 2025/2026 financial year of which if approved by Council, will only be drawn down during the 2025/2026 financial year. It be further recommended that the Chief Financial Officer proceeds with the commencement of the Section 46 process before the commencement of the 2025/2026 financial year;
5. the following table setting out the surplus/(deficit) across the services be approved:

Description R thousand	2025/26 Medium Term Revenue & Expenditure Framework		
	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Electricity and Energy Sources			
Surplus/(Deficit) for the year	136 452	103 052	110 509
Water Management			
Surplus/(Deficit) for the year	(63 393)	(53 580)	(32 501)
Waste water management			
Surplus/(Deficit) for the year	(88 820)	(78 681)	(82 164)
Waste management			
Surplus/(Deficit) for the year	34 413	44 652	38 990
Rates and other Services			
Surplus/(Deficit) for the year	(164 664)	(105 167)	(54 820)
Surplus/(Deficit) for the year	(146 012)	(89 723)	(19 985)

6. the Tabled Service Delivery and Budget Implementation Plan (SDBIP) 2025/2026 **(DMS 1726591)** as submitted be approved;
7. in terms of Section 2(3) of the Local Government: Municipal Property Rates Act, the following property rates for the 2025/2026 financial year be approved:

Category	Proposed tariff (from 1 July 2025)	Ratio to Residential Tariff
	C	
Residential Properties	0,0133	1 : 1
Business / Commercial	0,0279	1 : 2,10
Industrial	0,0293	1 : 2,20
Agricultural Properties	0,0033	1 : 0,25
Public Service Purposes (State Owned)	0,0152	1 : 1,15
Public Service Infrastructure	0,0033	1 : 0,25
Public Benefit Organisation Properties	0,0033	1 : 0,25
Mining Properties	0,0306	1 : 2,30
Vacant Land	0,0279	1 : 2,10

8. on application by the relevant ratepayers, the following rebates be applied subject to the provisions contained in the Rates Policy:
 - Agricultural Properties - 5%
 - Non Profit Organisations - 20%
9. the Rates Policy as contained in **Annexure D1 (DMS 1723039)** be approved;
10. in addition to the statutory, R15 000 reduction in the valuation on residential properties, a further reduction of R145 000 of the valuation on all developed residential properties valued at R480 000 and below be made;
11. in addition to the reductions in recommendation (10) above and subject to the criteria set out in the Property Rates Policy, an additional R250 000 reduction in the value of the primary residential property belonging to a pensioner or a social grantee be made;
12. in accordance with the implementation of the universal approach of the indigent policy improved residential property valued at R160 000 or less will be exempted from refuse and sewer charges. The following sliding scale will be applied for charges on improved residential properties higher than R160 000 on the following basis:
 - a) Properties valued between R160 001 and R200 000 will receive a rebate of 25% in respect of the sewer and refuse charges.
 - b) Properties valued at R200 001 and higher will pay the normal tariff.
13. the amendment of the Tariff of Charges as per **Annexure C (DMS 1705155)** be approved;
14. the Tariff Policy as per **Annexure D2 (DMS 1723980)** be approved;
15. any work function or tariff not accommodated in the Tariff of Charges be dealt with as cost plus 20%;
16. in addition to the free 50 units, the indigent customers to be granted additional 300 units that can be bought per month but be capped at 350 units each month;
17. the property rates and tariff adjustments as set out above be dealt with in terms of Section 14 of the Local Government: Property Rates Act and Section 24 of the Municipal Finance Management Act 2003;
18. free water be capped at seven (7) kl per month;

19. strategic grouping of water service tariffs, dividing them into groups as follows:
- Tariff Structure 1 (T1) will be for indigent customers with consumption not exceeding seven (7) kl per month. These customers will not be liable for paying the basic charge and this applies to both the universal approach and the targeted approach;
 - Tariff Structure 2 (T2) will be for households managing their consumption to be greater than seven (7) kl per month but not exceeding 25 kl per month; and
 - Tariff Structure 3 (T3) will be for all the customers not in (a) and (b) above, customers consuming above 25 kl per month. These customers will be billed from the first scale to the highest scale based on the consumption consumed using the applicable tariffs;
20. railway siding maintenance be charged to all property owners whose properties are alongside the vicinity of the facility;
21. no person or entity may collect waste for removal from premises unless authorised by the Deputy City Manager: Community Services or the City Manager;
22. in terms of various policies, the following increases in allowances are submitted to Council for approval subject to the Cost Containment Policy:

	Approved Tariffs - 2024/25	Proposed Tariffs - 2025/26
	R	R
Standby - Travel allowance	127	133
Standby - Subsistence allowance	83	87
Subsistence allowances		
Daily allowance	180	188
Overnight allowance	242	253
Own accommodation	333	348
Interview candidates	86	90
Accommodation		
All employees	1 514	1 582
All councillors and Section 56 employees	2 539	2 653
Municipal Manager, Mayor/ Deputy Mayor, Speaker and Municipal Chief Whip	4 235	4 426
Ward committee members	1 822	1 905
Indigent Burial Assistance		
Adult	3 340	3 490
Child (1 day to 15 years)	2 539	2 653
Stillborn / foetus	1 737	1 815

23. the funding for Indigent Burial Assistance be capped for the 2025/2026 Financial Year at R655 200;
24. the profit on sale of all erven be allocated 100% to the Rates and General Capital Replacement Reserve Account;
25. should there be any unspent conditional grants received from the National Fiscus at year end, Council hereby requests that the City Manager via letters to the respective transferring Officers apply for a roll-over of funds received in **2024/2025** financial year to the next financial year, namely the 2025/2026 financial year;
26. although Council has an approved Virement Policy, in terms of this 2024/2025 MTREF Budget appropriation, a MFMA mSCOA Circular No. 8 (**DMS 1402904**) be Adopted with the following:
- No virements (transfers) will be allowed out of:
 - All Repairs and Maintenance Projects unless approval has been sort jointly between the City Manager and the Chief Financial Officer;
 - Purchase of Bulk Electricity and Bulk Water Projects;
 - A Project extending over / incorporating more than one mSCOA function or sub function, then savings in the budgetary allocation in a function or sub-function may be applied across the functions and/ or sub-functions directly linked to the same Project and Funding Source;
 - Where the Finance and Administrative function or sub-function is directly linked to another Function or sub function, then savings in the linked function/ sub-function may be applied in the Finance and Administrative function or *vice versa*². This means that virements between Rates Services and Trading Services and across Trading Service are not allowed;
 - Virements cannot be permitted in relation to the revenue side of the budget;
 - Virements between functions should be permitted where the proposed shifts in funding facilitate sound risk and financial management (e.g. the management of central insurance funds and insurance claims from separate votes);
 - Virements from the capital budget to the operating budget should not be permitted, Operational funds to the Capital Budget may be done, but only via an Adjustments budget;
 - Virements towards employee related costs should not be permitted, except where:
 - temporary / contracted (budget for as contracted services in terms to the mSCOA Classification) staff status has changed to permanent staff; or
 - the budget savings resulted from Outsourced Services within the same function in terms of a Council delegated authority).

27. to ensure that monies are spent efficiently and effectively in the repairs and maintenance environment for both operating and capital budgets, no Repairs and Maintenance budget can be utilised unless each project for repairs and maintenance is utilised strictly in terms of the 2025/2026 Asset Maintenance Plan and captured accordingly on the Work Break-down Structure (WBS) of the uM-SAP system;
28. to ensure that all capital budgets are spent efficiently and effectively, no approved tenders can proceed unless clearly defined work deliverables are documented in the Contracts module and Project systems module and captured accordingly in the Work Break-down Structure (WBS);
29. Council adopts National Treasury's MFMA Circular No. 129 dated 10 December 2024 (**DMS 1714751**) and Circular No. 130 dated 20 March 2025 (**DMS 1732875**) that is in line with Section 168(3)(a) of the Municipal Finance Management Act 56 of 2003;
30. the Debt Impairment Policy as per **Annexure M (DMS 1726332)** be approved;
31. refuse basic charge be applied for companies utilising private companies for waste removal;
32. all Sectional Title Properties be billed water basic charges as a charge related to the ownership of the property rather than on the Body Corporate individually;
33. cease charging normal water basic charge based on the quantity of the meters and volumes for the sectional titles;
34. the Metered Services Policy as per **Annexure N (DMS 1726343)** be approved;
35. the electricity availability charge be applied to all the prepaid electricity customers as an owner charge;
36. the rates pensioners rebate applications be accepted throughout the financial year;
37. the amended Fixed Asset Management Policy included as **Annexure O (DMS 1660420)**, be approved;
38. the following policies as contained in the respective documents be approved:
 - a. Funding and Reserves Policy **Annexure P (DMS 1670730)**;
 - b. Insurance Policy **Annexure Q (DMS 1670731)**;
 - c. Borrowing Policy **Annexure R (DMS 1670732)**; and
 - d. Cash and Investments Policy **Annexure S (DMS 1670734)**;
39. the presentation (**DMS 1726649**) on the Multi-year Medium Term Revenue and Expenditure Framework of the City of uMhlathuze for the 2025/2026 financial year, be noted.