



**REPORT OF FINANCE DEPARTMENT
FOR
FINANCE PORTFOLIO COMMITTEE
20 MAY 2025**

**REPORT BASED ON 2025/26 DRAFT BUDGET, SECHEDULE OF
SERVICE DELIVERY STANDARD S TABLE AND POLICIES**

1. PURPOSE

The purpose of this report is to table the 2025/26 Budget to Committee as per Section 24 of the MFMA

2. BACKGROUND

Section 24 of the MFMA, Approval of annual budgets

- (1) The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.
- (2) An annual budget–
 - (a) must be approved before the start of the budget year;
 - (b) is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and
 - (c) must be approved together with the adoption of resolutions as may be necessary–

- (i) imposing any municipal tax for the budget year;
 - (ii) setting any municipal tariffs for the budget year;
 - (iii) approving measurable performance objectives for revenue from each source and for each vote in the budget;
 - (iv) approving any changes to the municipality's integrated development plan; and
 - (v) approving any changes to the municipality's budget-related policies.
- (3) The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.

The municipality receive the following grants as per the DORA allocation and the municipality has allocated all grants municipality votes and département for service delivery.

Operating Transfers and Grant Receipts

Description	Current Year 2024/25		2025/26 MTREF		
R thousand	Original Budget	Adjusted Budget	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
RECEIPTS:					
Operating Transfers and Grants					
National Government:	103 896 000.00	103 896 000.00	108 781 000.00	102 466 000.00	102 880 000.00
EPWP Incentive	1 541 000.00	1 541 000.00	2 204 000.00	—	—
Finance Management	3 000 000.00	3 000 000.00	3 000 000.00	3 000 000.00	3 100 000.00
Integrated National Electrification Progra	11 643 000.00	11 643 000.00	12 624 000.00	7 509 000.00	7 848 000.00
Local Government Equitable Share	87 712 000.00	87 712 000.00	87 953 000.00	87 957 000.00	91 932 000.00
Energy Efficiency			3 000 000.00	4 000 000.00	
Other transfers/grants [insert description]					
Provincial Government:	2 103 000.00	2 518 000.00	2 198 000.00	2 308 000.00	2 416 000.00
Library Grant	2 103 000.00	2 103 000.00	2 198 000.00	2 308 000.00	2 416 000.00
Maintenance- Sport & facilities		415 000.00			
Total Operating Transfers and Grants	105 999 000.00	106 414 000.00	110 979 000.00	104 774 000.00	105 296 000.00
Capital Transfers and Grants					
National Government:	18 159 000.00	18 159 000.00	18 934 000.00	20 223 000.00	20 970 000.00
Municipal Infrastructure Grant (MIG)	18 159 000.00	18 159 000.00	18 934 000.00	20 223 000.00	20 970 000.00
Integrated City Development Grant	—	—	—	—	—
TOTAL RECEIPTS OF TRANSFERS & GRANTS	124 158 000.00	124 573 000.00	129 913 000.00	124 997 000.00	126 266 000.00

Summary of revenue classified by main revenue source

Description	Current Year 2024/25				2025/26 MTREF		
R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Revenue							
Exchange Revenue							
Service charges - Waste Management	685 460.00	685 460.00	685 460.00	448 235.00	685 460.00	716 305.00	734 213.00
Sale of Goods and Rendering of Services	560 887.00	692 769.00	692 769.00	603 216.00	731 945.00	764 881.00	784 003.00
Interest earned from Current and Non Cu	3 224 000.00	4 290 000.00	4 290 000.00	1 128 519.00	4 290 000.00	4 483 050.00	4 595 126.00
Rental from Fixed Assets	316 249.00	178 662.00	178 662.00	108 638.00	185 423.00	193 767.00	198 611.00
Licence and permits	8 350 855.00	8 303 522.00	8 303 522.00	5 416 543.00	9 712 876.00	10 149 956.00	10 403 706.00
Operational Revenue	384 202.00	1 284 202.00	1 284 202.00	664 471.00	887 906.00	391 862.00	401 659.00
Non-Exchange Revenue							
Property rates	31 877 217.00	31 877 217.00	31 877 217.00	21 036 233.00	31 877 217.00	33 311 691.00	34 144 485.00
Fines, penalties and forfeits	2 209.00	2 209.00	2 209.00	969.00	2 306.00	2 410.00	2 470.00
Transfer and subsidies - Operational	105 999 000.00	106 414 000.00	106 414 000.00	83 335 619.00	110 979 000.00	104 774 000.00	105 296 000.00
Gains on disposal of Assets	-	-	-	600.00	-	-	-
Total Revenue (excluding capital transfe	151 400 079.00	153 728 041.00	153 728 041.00	112 743 043.00	159 352 133.00	154 787 922.00	156 560 273.00

Capital Budget Funding for 2025/2026 MTREF

Details	Adjusted 2024/2025	Budget 2025/2026	Budget 2026/2027	Budget 2027/2028
GRANTS & SUBSIDIES	.			
National Government				
Municipal Infrastructure Grant	18 159 000.00	18 934 000.00	20 223 000.00	20 970 000.00
Own funding	8 025 000.00	5 100 000.00	1 000 000.00	1 000 000.00
	26 184 000.00	24 034 000.00	21 223 000.00	21 970 000.00

Consolidated Overview of the 2025/26 DRAFT BUDGET MTREF

Revenue				
Budget	Adjusted Budget 2024/25	Budget 2025/26	Budget 2026/27 Yr 1	Budget 2027/28 Yr 2
Equitable Share	87 712 000.00	87 953 000.00	87 957 000.00	91 932 000.00
Finance Management Grant	3 000 000.00	3 000 000.00	3 000 000.00	3 100 000.00
Arts and Culture	2 103 000.00	2 198 000.00	2 308 000.00	2 416 000.00
EPWP Grant	1 541 000.00	2 204 000.00		-
INEP	11 643 000.00	12 624 000.00	7 509 000.00	7 848 000.00
Energy Efficient		3 000 000.00	4 000 000.00	
Maintenance Grant- Sport Facilities	415 000.00			
Rates	31 877 217.00	31 877 217.00	33 311 691.76	34 144 484.04
Refuse Removal	685 459.61	685 459.61	716 305.29	734 212.92
Operational Income	14 751 363.06	15 810 457.03	15 985 928.00	16 385 575.00
TOTAL	153 728 039.67	159 352 133.64	154 787 925.05	156 560 271.96
MIG	18 159 000.00	18 934 000.00	20 223 000.00	20 970 000.00
TOTAL REVENUE	171 887 039.67	178 286 133.64	175 010 925.05	177 530 271.96
Expenditure				
Budget	Adjusted Budget 2024/25	Budget 2025/26	Budget 2026/27 Yr 1	Budget 2027/28 Yr 2
Salaries & Wages	59 634 881.72	62 295 726.61	65 539 739.00	68 141 129.00
Councillors Allowances	7 622 384.64	7 957 769.56	8 315 869.19	8 523 765.92
General Expenses	86 602 442.49	79 528 788.38	96 244 441.00	94 471 004.00
Repairs & Maintenance	23 909 552.00	11 059 552.00	11 557 231.84	11 846 162.64
TOTAL	177 769 260.85	160 841 836.55	181 657 281.03	182 982 061.56
CAPITAL EXPENDITURE	26 184 000.00	24 034 000.00	21 223 000.00	21 970 000.00
TOTAL	203 953 260.85	184 875 836.55	202 880 281.03	204 952 061.56
Supl/Dif	- 32 066 221.18	(6 589 702.91)	(27 869 355.98)	(27 421 789.60)
Non cash item	20 525 236.00	21 221 546.38	28 656 242.00	29 255 148.00
Dif	- 11 540 985.18	14 631 843.48	786 886.02	1 833 358.40

Table 2 The total Capital Expenditure Budget for 2025/2026 MTREF

Details	Adjusted 2024/2025	Budget 2025/2026	Budget 2026/2027	Budget 2027/2028
GRANTS & SUBSIDIES				
National Government				
Municipal Infrastructure Grant	18 159 000.00	18 934 000.00	20 223 000.00	20 970 000.00
Own funding	8 025 000.00	5 100 000.00	1 000 000.00	1 000 000.00
	26 184 000.00	24 034 000.00	21 223 000.00	21 970 000.00
Internal funding				
New Computers and Printers	370 000.00	400 000.00	200 000.00	200 000.00
Municipal Vehicles	400 000.00	1 400 000.00	500 000.00	500 000.00
Server: Finance	500 000.00			
New Yellow Plant - TLB		3 000 000.00		
Furniture	250 000.00	300 000.00	300 000.00	300 000.00
Municipal Fencing	470 000.00			
Makhokhoba Access Road	4 885 000.00			
Fire arm	150 000.00			
Maqongqo Taxi Rank- Standing	1 000 000.00			
Total	8 025 000.00	5 100 000.00	1 000 000.00	1 000 000.00
MIG FUNDING				
Mboyi Community Hall 3		5 899 950.00		
Nonzila Creche W2		2 456 319.48		
Gobhazini Access Road		520 000.00	7 335 743.96	
Eqeleni Access Road W		9 297 252.00	3 404 382.00	
Tala Valley Sportfield		159 836.52	9 482 874.04	9 228 037.21
Mphayeni Access Road		211 304.00		9 618 453.96
Lights - High Masts All wards		389 338.00		2 123 508.83
Total	18 159 000.00	18 934 000.00	20 223 000.00	20 970 000.00
	26 184 000.00	24 034 000.00	21 223 000.00	21 970 000.00

3. LEGAL/ STATUTORY IMPLICATIONS

This is in terms of the Local Government: Municipal Finance Management Act No. 56 of 2003 and Treasury Regulations.

4. FINANCIAL IMPLICATION

Annual budget.

ANNEXURES

1. 2025/26 Budget Document
2. 2025/26 A schedule Budget
3. 2025/26 Budget related policies
4. Schedule of Service Delivery Standards Table
5. MSCOA Roadmaps
6. SDBIP and Procurement Plan

5. RECOMMENDATIONS

It is recommended that the Committee to notes 2025/26 Draft Budget, Schedule of Service Delivery Standards Table and the following budget related policies for 2025/26 Financial Year and recommend that they be tabled before the Council for adoption:

1. In terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the annual budget of Mkhambathini Municipality for the financial year 2025/26 and indicative allocations for the two projected outer years 2026/27 and 2027/28, and the multi-year and single year capital appropriations are approved as set out in the following tables:
 - 1.1 Budgeted Financial Performance (revenue & expenditure by standard classification)
 - 1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote)
 - 1.3 Budgeted Financial Performance (revenue by source and expenditure by type)
 - 1.4 Single year capital appropriations by municipal vote and standard classification and associated funding by source
1. That the draft annual budget and Medium-Term Revenue and Expenditure Framework (MTEF) for the three-year period commencing in 2025/26 financial year be adopted.
2. To take note of the operational and Capital budget for the outer years 2026/27 and 2027/28.
3. 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
 - 3.1. Budgeted Financial Position
 - 3.2. Budgeted Cash Flows
 - 3.3. Cash backed reserves and accumulated surplus reconciliation
 - 3.4. Asset Management
 - 3.5. Basic service delivery measurement
4. That in terms of section 24(2)(c)(ii) of the Municipal Finance Management Act, 56 of 2003, the measurable performance objectives

for capital and operating expenditure by vote for each year of the medium-term revenue and expenditure framework be adopted

5. To take note that provision was made for a general increase of 4% on Employee Related Costs and 3 % provision for the Upper limits for Remuneration and allowances for Councillors, implementation being subject to the confirmation by the SALGBC for employees and approval by MEC for Co-operative Governance and Traditional Affairs for Councillors.
6. To take note that the Municipal Budget related policies, mSCOA Regulations, Integrated Development Plan, MFMA Budget Circular 128 was observed and taken into account in the compilation of the budget.
7. Those copies of the budget are submitted to National Treasury, COGTA, and Provincial Treasury as per the requirements of the MFMA.
8. That in terms of section 5 of the Municipal Property Rates Act, 6 of 2004, the rates policy as amended be adopted
9. That in terms of section 24(2) (c) (v) of the Municipal Finance Management Act, 56 of 2003 the various budget-related policies as amended be adopted, List of policies :
 - a) Budget policy
 - b) Bank and Investment Policy
 - c) Borrowing Policy
 - d) Cost Containment Policy
 - e) Funding Policy
 - f) Hall hire Policy
 - g) Indigent Policy
 - h) Inventory Policy
 - i) Assets Management Policy
 - j) Supply Chain Management Policy
 - k) Rates Policy
 - l) Recruitment and selection Policy
 - m) Tariff Policy and Buy -laws
 - n) Virement Policy

10. That in terms of section 14 of the Municipal Property Rates Act, 6 of 2004 the rate randage and conditions as set out in other Supporting Documents be adopted.

11. That the tabled budget for the year 2025/2026 & indicative figures for the 2 projected outer years be adopted by the Council as set out in the following schedules:

- Table A1 Budget Summary
- Table A2 Budgeted Financial Performance (By Standard Classification)
- Table A3 Budgeted Financial Performance (By Municipal Vote)
- Table A4 Budgeted Financial Performance (Revenue & Expenditure)
- Table A5 Budgeted Capital Expenditure
- Table A6 Budgeted Financial Position
- Table A7 Budgeted Cash Flows
- Table A8 Cash Backed Reserves
- Table A9 Asset Management
- Table A10 Basic Service Delivery Measurement
- Supporting documents from SA1 - SA37

Once this budget is tabled the information be uploaded to the LG Portal with the necessary MSCOA information

SIGNATURE:

MR S Mngwengwe
Municipal Manger