

# DRAFT ANNUAL BUDGET 2024/2025 FINANCIAL YEAR

(EC 2024 03 18, C 2024 03 27)

(5/1/1)

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## **REPORT OF THE DEPARTMENT OF THE CHIEF FINANCIAL OFFICER, Mr. C.M MAETA**

### **STRATEGIC OBJECTIVE**

The strategic objective of this matter is under sound financial management and viability.

#### **1. PURPOSE**

The purpose of this report is to request Council to consider and approve the 2024/2025 (MTREF) Medium-term Revenue and Expenditure Framework in terms of Section 24 (1) of the Municipal Finance Management Act 2003, Act no. 56 of 2003.

#### **2. BACKGROUND**

In terms of Local Government Municipal Finance Management Act, the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.

The IDP/budget process plan was adopted on 25<sup>th</sup> August 2023 in terms of the provision of the Municipal Finance Management Act. The process plan outlines the key deadlines for the preparation, tabling and approval of the annual budget.

The budget process is guided by Municipal Finance Management Act, Municipal Budget Reporting Regulations, Municipal Budget related policies, National Treasury MFMA Circular No.126,128 and related circulars.

#### **3. DISCUSSIONS**

### **CONSOLIDATED BUDGET: GREATER TZANEEN MUNICIPALITY AND GTEDA, INCLUDING WATER AND SEWER SERVICES**

The total projected revenue for the 2024/2025 financial year amounts to R2,067 billion. This increase is mainly due to the increase in property rates, service charges and external grants from Government.

The total revenue budget includes an amount of R551 million which represents the equitable share allocation to the Greater Tzaneen Municipality.

An amount of R190 million will be levied by way of property rates and R1,032 billion will be sourced from user service charges. National allocations to fund operational activities amount to R34,3 million which includes the Finance Management Grant of

R2,0 million, the EPWP grant of R5,0 million; the energy efficiency grant of R5,0 million, MIG operation of R 5,9 million and the INEP allocation of R16.4 million.

An amount of R1, 808 billion has been made available on the operational budget for expenditure. This substantial increase is largely due to the increase in employee related costs, inventory consumed, debt impairment and bulk purchases. The Expenditure amount includes R489 million for employee related costs, R133 million for inventory consumed excluding labour costs and R 560 million for the purchase of bulk electricity.

An amount of R213 million has been allocated for capital expenditure for the 2024/2025 financial year. This amount includes the MIG allocation of R105 million which will be spent on roads, community hall and installation of high mast.

The summary of the operating and capital budgets are as follows:

| <b>OPERATING AND CAPITAL BUDGET</b> | <b>2024/2025 DRAFT BUDGET</b> | <b>2025/2026 DRAFT BUDGET</b> | <b>2026/2027 DRAFT BUDGET</b> |
|-------------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>TOTAL REVENUE</b>                | R 2,067,805,408               | R 2,198,925,246               | R 2,405,594,901               |
| <b>TOTAL OPERATING EXPENDITURE</b>  | R1,808,037,434                | R 1,907,272,536               | R 1,979,335,001               |
| <b>TOTAL CAPITAL EXPENDITURE</b>    | R 212,952,800                 | R 200,429,500                 | R 210,587,300                 |
| <b>TOTAL OPEX AND CAPEX BUDGET</b>  | <b>R 2,020,990,234</b>        | <b>R 2,107,702,036</b>        | <b>R 2,189,922,301</b>        |

## GRANT ALLOCATIONS

The total grant allocations for Greater Tzaneen Municipality in the 2024/2025 financial year which are in line with Division of revenue act are reflected below:

| <b>MUNICIPAL GRANTS FOR 2024/2025- 2026/2027</b> |                      |                      |                      |
|--|----------------------|----------------------|----------------------|
| <b>Description</b>                               | <b>2024/2025</b>     | <b>2025/2026</b>     | <b>2026/2027</b>     |
| <b>EQUITABLE SHARE</b>                           | R 551,492,000        | R 554,078,000        | R 544,491,000        |
| <b>MIG</b>                                       | R 111,062,000        | R 116,610,000        | R 126,934,000        |
| <b>FMG</b>                                       | R 2,000,000          | R 2,000,000          | R 2,100,000          |
| <b>EPWP</b>                                      | R 5,011,000          | R 0                  | R 0                  |
| <b>INEP</b>                                      | R 23,930,000         | R 9,256,000          | R 9,000,000          |
| <b>EEDSM</b>                                     | R 5,000,000          | R 0                  | R 5,000,000          |
| <b>MDRG</b>                                      | R 10,261,000         | R 0                  | R 0                  |
| <b>TOTAL</b>                                     | <b>R 708,756,000</b> | <b>R 681,944,000</b> | <b>R 687,525,000</b> |

## **PROPOSED TARIFF INCREASES**

Proposed tariff increase on service charges and property rates are as follows:

| <b>CATEGORY</b>      | <b>2024/2025</b> | <b>2025/2026</b> | <b>2026/2027</b> |
|----------------------|------------------|------------------|------------------|
| Property Rates       | 0%               | 4.6%             | 4.6%             |
| Electricity          | 12.70%           | 15.70%           | 17.70%           |
| Refuse               | 4.9%             | 4.6%             | 4.6%             |
| Water (Haenertsburg) | 4.9%             | 4.6%             | 4.6%             |
| Water (Other users)  | 4.9%             | 4.6%             | 4.6%             |
| Sewerage             | 4.9%             | 4.6%             | 4.6%             |

NB: The cent in the Rand rates will be kept constant on Property Rates (0% tariff increase) due to the implementation of the new General Valuation Roll from 1 July 2024, which will constitute an increase in Property Values.

### **4. LEGAL IMPLICATIONS**

Compliance to Section 22 of the Municipal Finance management Act

### **5. FINANCIAL IMPLICATIONS**

The revenue and expenditure estimates will be included in the budget.

### **6. RISK IMPLICATIONS**

Non adherence to MFMA if council does not approve the budget timeously.

### **7. CHANGE MANAGEMENT IMPLICATIONS**

Ensure compliance to MFMA and timely submission of draft budget on schedule A, version 6.8 in line with Municipal Budget and Reporting Regulations

## **RECOMMENDATIONS**

1. That the Capital and Operational Estimates for the 2024/2025 financial year as fully recorded in the report in this regard be approved and that the Accounting Officer proceeds with the publication of the Annual Budget as outlined in section 22 of the Municipal Finance Management Act 56 of 2003.
2. That the 2024/2025 financial year budget related policies be approved as more fully set out in **Part 2 of supporting documents in the budget**
3. That the draft 2024/2025 tariff listing for municipal services as more fully set out in part 1 of supporting budget documents be approved and that the municipality will adopt 0% increase in Property Rates tariff due to the implementation of the new General Valuation Roll from 1 July 2024.
4. That it be noted that the draft 2024/2025 capital and operational Estimates will after approval by the Council in terms of section 22 of the Municipal Finance Management Act, be submitted to National Treasury and the Provincial Treasury, together with the quality certificate approved by the accounting officer.
5. That an amount of R 13,592,048 be allocated to GTEDA Municipal entity
6. That the detailed budget resolutions attached as per "*Annexure S*" be approved
7. That the cost containment circular no 82 and 97 as issued by national treasury on the 30<sup>th</sup> of March 2016 and 31 July 2019 continuously be enforced to reduce spending on non-priority items

## **COMMENTS FROM CORPORATE SERVICES**

## **COMMENTS FROM ENGINEERING SERVICES**

## **COMMENTS FROM ELECTRICAL ENGINEERING**

## **COMMENTS FROM PED**

## COMMENTS FROM COMMUNITY SERVICES

## COMMENTS FROM THE CFO

## COMMENTS FROM THE MUNICIPAL MANAGER

### RESOLVED TO RECOMMEND

1. That the Capital and Operational Estimates for the 2024/2025 financial year as fully recorded in the report in this regard be approved and that the Accounting Officer proceeds with the publication of the Annual Budget as outlined in section 22 of the Municipal Finance Management Act 56 of 2003.
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## **FOR CONSIDERATION**