

ADJUSTMENTS BUDGET SPEECH 2025/26



**FRANCOIS RODGERS, MPL
MEC FOR FINANCE**

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To obtain further copies of this document, please contact:

Provincial Treasury
5th Floor
Treasury House
145 Chief Albert Luthuli Road
Pietermaritzburg
3201

P.O. Box 3613
Pietermaritzburg
3200

Tel: +27 (0) 33 – 897 4310
Fax: +27 (0) 33 – 897 4617

PROVINCE OF KWAZULU-NATAL

Budget Address by Mr Francois Rodgers (MPL) MEC for Finance

On tabling the 2025/26 Adjustments Estimate in the KwaZulu-Natal Provincial Legislature

11 December 2025

Honourable Speaker, Ms Nontembeko Boyce

Honourable Deputy Speaker, Ms Mmabatho Tembe

Honourable Premier, Mr Thamsanqa Ntuli

Members of the KwaZulu-Natal Provincial Executive Council

Honourable Members of the Provincial Legislature

Members of the diplomatic corps

Chairperson of the KZN Provincial House of Traditional and Khoi-San Leaders,

Inkosi Shinga

All traditional leaders

Acting Director General, Mr. Sbu Ngubane

Head of Department, Ms Carol Coetzee

All Heads of Departments and Senior Management

CEOs of Public Entities

People of KwaZulu-Natal

Members of the media

Business leaders

Distinguished guests

1. INTRODUCTION

Madam Speaker, it is my honour to stand before this august House to present the 2025/26 Adjustments Budget.

2. ECONOMIC OUTLOOK

KwaZulu-Natal's broader economic landscape is influenced by both global and national trends. As a vital hub for trade and logistics in South Africa, the province effectively leverages its strategically located ports of Durban and Richards Bay and its well-developed infrastructure, which significantly boosts its capacity to support both local and international economic activities. Notable improvements in port operations' efficiency are a welcome relief for the entire country.

Despite geopolitical tensions and trade disputes that began in early 2025, following the United States of America's imposition of additional tariffs on its trading partners, the provincial economic outlook remains cautiously optimistic. The province is projected to grow modestly by 1.4% in 2025, slightly above the national rate of 1.2%. This growth is expected to accelerate further, reaching 2.1% in 2026 and 2.3% in 2027, driven by improvements in infrastructure and key sectors such as manufacturing, agriculture, and tourism. The manufacturing sector, including automotive and food production, remains a crucial driver of innovation and employment. Sadly, challenges like high unemployment, poverty, and inequality continue to hinder long-term economic progress.

Over the years, there have been remarkable advances in the agricultural sector, especially in sustainable practices and the adoption of technology. KwaZulu-Natal is gifted with arable land and has yet to fully utilise its agricultural potential, both in primary agriculture and agro-processing. The province is also witnessing improvements in investments in tourism infrastructure, such as hotels, resorts, and recreational facilities, all aimed at enhancing the visitor experience. The tourism sector remains one of the key drivers of our economy, both in terms of job creation and investor attraction.

The adjustments that the province is making today are undertaken within this context.

3. LEGAL BASIS OF THE 2025/26 ADJUSTMENTS BUDGET

The National Minister of Finance tabled the National Adjustments Estimate, as well as the Medium-term Budget Policy Statement, in Parliament on 12 November 2025. Treasury Regulation 6.6.3 stipulates that a province must table a Provincial Adjustments Estimate in the Provincial Legislature within 30 days of the national Adjustments Budget being tabled. Tabling the 2025/26 Adjustments Estimate of Provincial Revenue and Expenditure in this House today falls within this 30-day requirement.

The main budget for 2025/26 was originally tabled in the Provincial Legislature on 25 March 2025, and was re-tabled on 29 May 2025, after the Minister of Finance re-tabled the national budget in Parliament on 21 May 2025. The Appropriation Bill was debated and voted on by the Legislature on 31 July 2025.

In order for any changes to the main budget to be formalised, it is necessary for the province to table an Adjustments Budget, also referred to as the Adjustments Estimate of Provincial Revenue and Expenditure, in this House.

Section 31 of the Public Finance Management Act (PFMA) provides the legal basis for tabling a provincial Adjustments Budget. Section 43 and Treasury Regulation 6.3 to 6.6 provide further guidance on the types of amendments that can be made and whether these amendments can be approved by the Accounting Officer, by Provincial Treasury or by the Provincial Legislature. In cases where Legislature approval is required for specific virements, we have highlighted these in grey shading in the Adjustments Estimate book which I am tabling today. These virements are also explained in an explanatory memorandum which is also distributed today. I encourage all Honourable Members to study these to enhance your oversight of sector departments.

The Adjustments Estimate I am tabling today takes into account the changes National Treasury is making to the provincial budget, as well as allocations that are being made from provincial cash resources. The Adjustments Estimate also deals with the virement and shifting of funds within Votes and therefore allows departments to make changes to their budgets where necessary.

Today, I am tabling the 2025/26 Adjustments Estimate of Provincial Revenue and Expenditure, an explanatory memorandum which highlights all budget movements that require Legislature approval, as well as the Adjusted Appropriation Bill, 2025 in English, isiZulu and Afrikaans.

I am also tabling the KZN Socio-Economic Review and Outlook (SERO), which provides a comprehensive analysis of the social and economic conditions in KZN. It includes socio-economic indicators that are essential for tracking progress in improving the living standards of the people of KZN while also identifying future priority areas for resource allocation. This publication is critical in highlighting the services that may need prioritisation taking into account our fiscal constraints and will refer to this publication when we prepare the 2026/27 Medium Term Expenditure Framework (MTEF) budget.

4. ADJUSTMENTS TO THE 2025/26 BUDGET

I am tabling the Adjustments Budget at a time when the demands on the fiscus far outweigh the funding available to allocate towards our budget pressures. The provincial executive has approved the Provincial Financial Recovery Plan, marking a key step in ensuring that we cut our coat according to the cloth we have. I had made reference to this plan when I tabled the main budget earlier this year and the Treasury Team, together with all provincial departments, have been hard at work putting measurable steps in place to ensure that we spend in line with our budget. This is a substantial task in order to redress the financial crisis we found ourselves in, as the seventh administration. I do believe however, that insofar as we have begun to make progress, tough road lies ahead given the constant changes to the national and provincial fiscus. I have indicated before that this process will take 5 to 7 years before we emerge out of the financial woes but we are beginning to see green shoots of positive change in some departments contributing towards achieving our goal.

The Ministers' Committee on the Budget (MinComBud) and the Provincial Executive Council had to deliberate at great length in determining the allocation of the very limited provincial cash resources in this Adjustments Estimate.

National Treasury was also engaged throughout this process, especially with regard to the funding that Minister Godongwana had indicated in his main budget speech would be allocated to Education and Health, and I will provide further detail in this regard shortly.

The historic fiscal consolidation budget cuts, which remain in our baseline, have continued to exert pressure on the provincial budget, and these budget pressures have been evident in the monthly In-year Monitoring (IYM) reports submitted to Provincial Treasury by departments. We have held discussions at both a political and technical level in this regard, and some of the allocations made today will help to reduce the budget pressures evident in these IYMs. Where the allocations do not offset the budget pressures, departments have been reminded of their responsibilities in terms of Section 39(2) of the PFMA which places the onus of remaining within budget on each Accounting Officer. Departments have been requested to produce detailed turnaround plans to reduce the fiscal risk, while Provincial Treasury's cash management unit is keeping a close eye to ensure that the province does not go into overdraft.

I am pleased to say that the province remains cash positive as has been the case since May 2010, despite these budget pressures. The provincial cash balances are being managed very tightly by the Provincial Banker who reviews the bank balances daily and engages with departments on the payment runs to

be processed. My responsibility is not only about managing cash in isolation, I manage cash to ensure that we deliver government services to the people of our province.

4.1 Amendments by National Treasury to the Budget

There are a number of amendments being made to our provincial budget by National Treasury. Minister Godongwana indicated in his main budget speech earlier this year that there would be allocations made to the Education and Health departments in all provinces in view of the budget pressures facing these sectors. These allocations come as a result of provinces raising the budget pressures caused by the fiscal consolidation cuts at as many inter-governmental forums as possible. I am glad to say that our voices were finally heard.

National Treasury also provided feedback with regard to our conditional grant roll-over requests, and I will provide feedback in this regard too.

In addition, allocations have been approved in relation to the disaster applications made by the province to the National Disaster Management Centre.

In aggregate, National Treasury has allocated R3.6 billion to KwaZulu-Natal in this Adjustments Estimate.

4.1.1 Additions to the Provincial Equitable Share – Education and Health

As I indicated, National Treasury made amendments to our budget with respect to Education and Health. In this regard, National Treasury issued Government Gazette No. 53 574 on 24 October 2025, and I will detail these allocations now.

Health

The department receives R1.4 billion towards addressing urgent budget pressures. This funding allows for the continued employment of community service doctors and interns, to offset budget pressures in the personnel budget and to fund essential goods and services and thereby reducing accruals at year end.

Education

The department receives R640.9 million towards offsetting budget pressures under *Compensation of employees* and goods and services.

4.1.2 Additions to the Conditional Grant Allocation – Education and Health

National Treasury also makes additions to the province's conditional grant budget, specifically for Education and Health.

Health

The department receives R95.2 million under the **District Health Programmes grant**. National Treasury provided this allocation in line with Section 16 of the PFMA which regulates the allocation of funds in emergency situations. The funds are allocated to the province in response to the withdrawal of the President's Emergency Plan for AIDS Relief (PEPFAR) funding administered by the United States Agency for International Development (USAID). As this is an emergency allocation, these funds have already begun flowing to the province.

Education

The department receives R347.2 million added to the **Early Childhood Development (ECD) grant**. This provides the funding required to increase the subsidy from R17 to R24 per child per day for centre-based programmes and from R6 to R9 for non-centre-based programmes. The allocation is also intended to increase access to early learning for an additional 700 000 children across the country up to the age of five years. National Treasury issued Government Gazette No. 53 602 on 30 October 2025 to give effect to this allocation. The allocation was calculated by National Treasury in proportion to the number of children subsidised in each province.

4.1.3 Disaster allocations

National Treasury advised the province of disaster relief allocations being made for the reconstruction and rehabilitation of provincial infrastructure damaged by rainfall, flooding, thunderstorms and strong winds that occurred in the province between April 2024 and June 2025.

We are pleased with the allocation of R984.8 million received in this regard. These funds are allocated to various departments, as follows:

- R31.9 million is allocated to **Vote 3: Agriculture and Rural Development** against the Comprehensive Agriculture Support Programme grant.
- R432.7 million is allocated to **Vote 5: Education** against the Education Infrastructure grant.

- R199 million is allocated against **Vote 7: Health** against the Health Facility Revitalisation grant.
- R300.5 million is allocated to **Vote 12: Transport** against the Provincial Roads Maintenance grant.
- R20.8 million is allocated against **Vote 14: Public Works and Infrastructure** against the department's equitable share allocation.

4.1.4 Conditional Grant Roll-overs

Section 22 of the Division of Revenue Act indicates that any unspent conditional grant funding relating to the previous financial year must be returned to the national fiscus, unless approved for roll-over. The province recorded an audited under-spending of R190.1 million at the end of 2024/25 against a budget of R25.9 billion, having spent 99.2% of the conditional grant budget by year-end.

Departments have to request approval for the roll-over of these funds from National Treasury and must prove that the funds were committed at year-end. In these engagements, the province was able to prove that nearly the full amount of the unspent funds was committed and approval was thus given by National Treasury for these funds to be rolled over. Only R385 000 has to be returned to the National Revenue Fund (in respect of Community Safety and Liaison), while the balance of R189.7 million remains in the provincial coffers. The conditional grants that received approval for their unspent funds to be rolled over to be spent in 2025/26 are as follows:

- R86.4 million for the **Comprehensive Agricultural Support Programme grant** under Vote 3: Agriculture and Rural Development.
- R3.3 million for the **Learners with Profound Intellectual Disabilities grant** under Vote 5: Education.
- R100 million for the **Human Settlements Development grant** under Vote 8: Human Settlements.

4.2 Amendments to the Budget from Provincial Cash Resources

Allocations are made from provincial cash resources in this Adjustments Estimate which have become available for allocation in this Adjustments Budget from four sources.

The first source is from the under-spending from the prior year, offset by the revenue under-collection from that year. As a result, the province has R311.8 million in the provincial bank account available for allocation.

The second source is the Contingency Reserve budgeted at R278.1 million when the main budget was set.

Thirdly, some departments have collected unbudgeted revenue in the current year which they have requested to have allocated back to them in-year. The total available in this regard is R8 million.

Finally, an amount of R300 million was held in the provincial bank account to back a guarantee for Ithala SOC has since expired. These funds were thus available for allocation. An amount of R24.3 million was returned to the provincial bank account by the KZN Growth Fund Agency with respect to unspent KZN Youth Empowerment funds and more detail will be provided below.

These four sources resulted in R922.3 million in provincial cash resources being available for allocation in this Adjustments Budget.

Of this amount, R190.1 million was used to fund the conditional grant roll-overs and surrender, as I have explained above. This means that there was a balance of R732.2 million which we could use towards funding some of the provincial budget pressures and commitments.

The following departments receive additional funds in this Adjustments Budget:

- **Vote1: Office of the Premier** receives R105.7 million, as follows:
 - R6.4 million for transfer to the Zulu Royal House Trust with respect to legal fees for His Majesty, the King, as well as to provide for the new beneficiaries, in line with the current royal household's needs.
 - R99.3 million for the continued implementation of the KZN Youth Empowerment Fund. These funds were rolled over from the prior year, both from unspent funds under the Office of the Premier, as well as from the KZN Growth Fund Agency.

- **Vote 2: Provincial Legislature** receives R60.8 million for the following:
 - R2 million relates to the revenue over-collection from the prior year which is allocated back to the Legislature in line with the Financial

Management for Parliament and Provincial Legislatures Act (FMPPLA) and the PFMA.

- R20.3 million relates to the operational under-spending from the previous year which the Legislature may retain in line with FMPPLA. It is noted that the Legislature under-spent against the Members' remuneration by R7.5 million and these unspent funds have to be returned to the Provincial Revenue Fund.
- R20.7 million of the cash available is ear-marked to finance the Legislature's operational over-spending from 2023/24 after the Standing Committee on Oversight (STACOV) authorised this unauthorised expenditure.
- R17.8 million is allocated to the Legislature for the costs relating to the 2025 wage agreement. The Legislature sector bargaining council agreed on an annual wage increase of 4.8% for the Legislature staff and this allocation covers the costs of implementing these increases.
- **Vote 4: Economic Development, Tourism and Environmental Affairs (EDTEA)** receives R300 million for transfer to the Ithala Development Finance Corporation (IDFC) towards the operating costs of Ithala Soc Limited. Ithala has shown serious distress since all its operations were frozen following a provisional liquidation order by the Prudential Authority. This has meant that Ithala Soc Limited was completely reliant on the provincial fiscus to pay its operating costs such as salaries, rentals and municipal costs for its 38 branches and head office. The funds are also allocated towards critical IT costs, legal fees, security costs, among others.
- **Vote 8: Human Settlements** receives the following:
 - R3 million relating to revenue received in the current year which the department requested to retain towards offsetting budget pressures in their operational expenditure. These funds were collected from various municipalities where projects were completed and unspent balances remained, from the sale of units at Ridgeview Gardens, among others.
 - R2 million towards implementing the 2025 wage agreement where the percentage departments were meant to budget for was 4.6% whereas the agreement was reached at 5.5%. Due to limited equitable share operational funds, this department required an allocation in this regard.

- **Vote 10: Sport, Arts and Culture** receives R2.4 million for the operational costs of the Enyokeni Precinct. The National Department of Sport, Arts and Culture constructed this precinct which has been used for the Umkhosi Womhlanga and Umkhosi Woselwa. This centre requires operational funding now that it is completed specifically for staffing, cleaning, security and utilities, as well as for some furniture, equipment and vehicle requirements. The department will fund this cost from within their baseline going forward.
- **Vote 11: Co-operative Governance and Traditional Affairs (COGTA)** receives a total of R26.4 million, as follows:
 - R8.3 million relates to funds that the department over-collected against their revenue budget mainly as a result of recalling unspent balances from various municipalities from completed projects or where projects have shown no progress. The department will use these recalled funds to offset some of their budget pressures brought about by historic budget cuts, among others.
 - R16.3 million is allocated to repair 17 Traditional Administrative Centres that were damaged by storms between December 2024 and June 2025 where the applications for additional funding to the National Disaster Management Centre were unsuccessful.
- **Vote 13: Social Development** receives R40 million to refurbish seven state facilities that provide care to children. The funds are allocated to safeguard the rights and dignity of the children cared for by these centres. The funds will be allocated to the department in 2026/27 to allow sufficient time for the procurement processes to be completed this year and for the renovations to commence early next year.
- **Vote 14: Public Works and Infrastructure** receives R193.6 million towards budget pressures in the payment of property rates. This allocation takes into account that the baseline for these payments requires correcting, as well as the fact that there was an escalation in municipal property rates as a result of the implementation of the new General Valuation Rolls by some municipalities. Failure to meet these obligations would result in undue hardship to various state facilities such as schools and hospitals. There is some work being done as part of the Provincial Financial Recovery Plan to reduce the property rates bill, in part by selling state properties that are no longer being used, but also negotiating better rates with various municipalities and this should have an impact on the future provincial property rates bill. We must indicate that the department

is still underfunded with respect to property rates and baseline reviews are underway across all departments.

4.3 Suspension of Funds

There are two types of suspensions of funds that can be included in an Adjustments Budget and these are usually initiated by requests submitted to Provincial Treasury by the affected departments. Both types of suspensions of funds are included in the Adjustments Estimate I am tabling today.

The first type of suspension of funds is where a department has identified slow spending programmes in-year and realises that these funds will not be spent before year-end but in the ensuing year. In this case, a department requests that the funds be suspended from their budget in the current year for reallocation to the department in the following year.

The second type of suspension is where Provincial Treasury receives a request for funds to be suspended from one Vote's budget to another Vote's budget.

There are three suspensions of funds that are included in this Adjustments Estimate:

- **Vote 6: Provincial Treasury** requested that R14 million be suspended from their 2025/26 budget for allocation back to the Vote in 2026/27. The projects and programmes where the department has identified slower than anticipated spending are the Provincial Financial Recovery Plan (specifically the computer systems related to this) in the amount of R5 million, the implementation of an improved security system for the departments' offices where R6 million is requested to be suspended, as well as Audit Management and Risk Management computer systems where R3 million is requested to be suspended. These projects rely on SITA procurement processes which have been significantly delayed. These funds will be deducted from the department's budget this year and will be allocated back to them in 2026/27.
- **Vote 11: COGTA** requested that R20 million be suspended from their Vote for allocation to **Vote 14: Public Works and Infrastructure**. This relates to the refurbishment and rehabilitation of the Ulundi Old Legislature Building (also known as the Legislature Assembly Building). The request to suspend the funds was received jointly from both departments as they have agreed to collaborate in the restoration of this building following damage sustained during the December 2024 and January 2025 disaster. The building serves as critical office space for various government

departments and requires urgent refurbishment and rehabilitation to restore its functionality.

- The **Department of Health** was showing significant in-year spending pressures against *Compensation of employees* and *Goods and services* with some of the department's filled posts not funded as a result of historic budget cuts. Also, some of the budget pressure resulted from significant accruals carried into the current year from the prior year. The Department of Health presented their spending pressures to the Provincial Executive Council wherein it was resolved that departments and public entities must identify funds from within their baselines that can be re-directed towards funding the budget pressures in Health. In aggregate, R154.8 million is suspended from various Vote and public entities to **Vote 7: Health**. The following are the departments and public entities who surrendered funds:
 - **Vote 1: Office of the Premier** surrendered R10 million.
 - **Vote 4: Economic Development, Tourism and Environmental Affairs** surrendered R17.5 million.
 - **Vote 6: Provincial Treasury** surrendered R5.4 million.
 - **Vote 8: Human Settlements** surrendered R3.3 million.
 - **Vote 10: Sport, Arts and Culture** surrendered R4.6 million.
 - **Vote 11: COGTA** surrendered R3.5 million.
 - **Vote 13: Social Development** surrendered R2.1 million.
 - **Vote 14: Public Works and Infrastructure** surrendered R6.1 million.
 - **KZN Growth Fund Agency** surrendered R90 million.
 - **Trade and Investment KZN** surrendered R1 million.
 - **Dube TradePort Corporation** surrendered R7.7 million.
 - **Richards Bay Industrial Development Zone** surrendered R2.1 million.
 - **KZN Tourism and Film Agency** surrendered R1.5 million.

5. CONCLUSION

Madam Speaker, in this address – we have sought to detail KZN’s cautious optimism for growth and resilience despite domestic and global economic adversities. We believe that our focus on growth-driving sectors will play a significant role in addressing our socio-economic challenges.

We have reiterated our commitment to fiscal discipline in line with legislative financial management prescripts to ensure the sustainable delivery of services.

We have sought demonstrate a clear link between our budget allocation and social security net. Our strong focus in education and health is expected to contribute to KZN’s sustainable growth in the long-term.

The Government of Provincial Unity has worked very hard over the past year to improve governance in the province and direct us to a path of renewed hope.

Clearly, we must continue to improve technological adoption in our agricultural practices to maximise yields sustainably whilst also protecting the environment.

We must maximise marketing efforts to boost our tourism sector. This should be coupled with continued infrastructure rehabilitation and the development of localized tourism experiences that will generate revenue.

Our financial management work will involve improved cash flow tracking methods to reduce over-expenditure and highlight potential areas needing refining for better oversight.

I would like to thank the Honourable Premier, Thamsanqa Ntuli and the Honourable Members of the Provincial Executive Council, and in particular the Members of the Ministers’ Committee on the Budget, for their support in putting together this difficult Adjustments Budget.

I wish to thank the Treasury officials under the leadership of the HOD, Ms Carol Coetzee, for ensuring that the budget documentation is of its usual high quality.

To the Chairperson, Mr Mthandeni Dlungwane, and members of the Finance Portfolio Committee, as well as STACOV, we look forward to engaging on the Adjustments Budget and commit to assist you in your oversight role.

It is my honour to formally table the Adjustments Appropriation Bill, 2025 for the Province of KwaZulu-Natal for consideration in this House to be read with the Adjustments Estimate of Provincial Revenue and Expenditure and its associated explanatory memorandum. I trust that the debate and vote on this Bill will be constructive and fruitful.

I thank you.