



## KWAZULU-NATAL PROVINCE

TREASURY  
REPUBLIC OF SOUTH AFRICA

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**TO: MUNICIPAL MANAGERS  
CHIEF FINANCIAL OFFICERS  
KWAZULU-NATAL MUNICIPALITIES**

### PROVINCIAL TREASURY CIRCULAR PT/MF 05 OF 2024/25

#### FINDINGS ON THE 2024/25 MUNICIPAL BUDGET ASSESSMENT

Section 22(b)(i) of the Municipal Finance Management Act, Act No. 56 of 2003 (MFMA) requires *that immediately after an Annual Budget is tabled in a municipal Council, the Accounting Officer of the municipality must submit the Annual Budget in both printed and electronic formats to the National Treasury and the relevant Provincial Treasury whilst Section 23(1)(b) of the MFMA states that the municipal Council must consider any views of the National Treasury, the relevant Provincial Treasury and any provincial or national organs of state or municipalities which made submissions on the budget.*

Provincial Treasury assessed the 2024/25 Tabled Budgets of all 51 delegated municipalities in terms of Section 23(1)(b) of the MFMA and further conducted high level assessments on the 2024/25 Approved Budgets of all 51 delegated municipalities. Section 18 of the MFMA states that an Annual Budget may only be funded from realistically anticipated revenue to be collected, cash backed accumulated funds from previous years' surpluses not committed for other purposes and borrowed funds, but only for the capital budget thus the funding position of municipalities was a focal part of the budget assessments conducted by Provincial Treasury for both the 2024/25 Tabled Budgets as well as the 2024/25 Approved Budgets.

#### PURPOSE

The purpose of this circular is to:

- Share the key findings on the assessments of the 2024/25 Tabled and Approved Budgets for the delegated municipalities in the province; and



- Highlight some of the key non-compliance areas, weakness and common errors that municipalities should consider and address (where applicable) when preparing their 2024/25 Adjustments Budgets and the 2025/26 Medium Term Revenue and Expenditure Framework (MTREF) Budgets.

## 1. BACKGROUND AND DISCUSSION OF BUDGET PROCESSES

### Tabling of the 2024/25 Time schedules outlining key deadlines for the budget process

Section 21(1)(b) of the Municipal Finance Management Act, Act No.56 of 2003 (MFMA) requires the Mayor of a municipality to table in Council at least 10 months before the start of the budget year, a Time schedule of key deadlines for the budget process. The main objectives for the tabling of the Time schedule outlining key deadlines are to ensure that the budget preparation process commences timeously and complies with all legislative requirements.

Provincial Treasury issued Circular PT/MF 02 of 2023/24 on 17 August 2023 reminding municipalities to table the Time schedule of key deadlines for the 2024/25 financial year by 31 August 2023. The Circular also detailed that the approval of the Time schedule of key deadlines is an integral step in the planning phase of the overall budget process.

In this regard, 48 of the 51 delegated municipalities timeously tabled their Time schedule outlining key deadlines by 31 August 2023 as per the requirements of the MFMA. Table 1 shows the three (3) municipalities that did not table their Time schedule outlining key deadlines by the prescribed date of 31 August 2023. Non-compliance letters were issued to the uMzombe and eMadlangeni Local Municipalities and the uMkhanyakude District Municipality for not tabling their Time schedule outlining key deadlines by 31 August 2023.

All the municipalities shown in Table 1 subsequently approved their Time schedules outlining key deadlines for the 2024/25 budget preparation process.

**Table 1: Municipalities that did not table their 2024/25 Time schedules outlining key deadlines by 31 August 2023**

No	Name of municipality	No	Name of municipality	No	Name of municipality
1	uMzombe	2	eMadlangeni	3	uMkhanyakude DM

Source: KZN Provincial Treasury

The uMzombe Local Municipality did not timeously submit their Time Schedule outlining key deadlines and the Provincial Treasury therefore did not conduct an assessment thereof. Provincial Treasury conducted a high-level review of the Time Schedule outlining key deadlines for 50 of the 51 delegated municipalities. Findings in respect of compliance and credibility were raised in the Time schedule outlining key deadlines of 35 municipalities as listed in Table 2. The findings were communicated to the municipalities in writing, with the common issues being:

- Municipalities did not include the bilateral engagements between Provincial Treasury and municipalities in January – March 2024 and/or in April – May 2024 for the Mid-Year Budget and Performance Assessment and Tabled Budget processes respectively;
- No indication was received by Provincial Treasury from selected municipalities regarding timelines for the annual review of budget related policies including rates and tariffs;
- The consultative process for some municipalities did not include public participation with respect to the budget related policies, the annual budget and the Integrated Development Plan (IDP);



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- The dates for the finalisation of the Tariff policies for Property rates and Service charges were not clearly reflected by some municipalities;
- There was no indication of the process for the review of the prices for bulk resources;
- The Time schedule outlining key deadlines for some municipalities did not indicate the process for the finalisation of the Service Delivery and Budget Implementation Plan (SDBIP) and an indication of the date on which the SDBIP will be approved by the Mayor;
- The Time schedules outlining key deadlines for some municipalities did not reflect timelines for the submission of the Tabled (Draft) Budget and all related documents for assessment and comments; and
- The timeline for some municipalities did not indicate proposed dates on which the Tabled (Draft) and Approved Budget and all related documents will be placed on the municipal website as per Section 75 of the MFMA.

**Table 2: Municipalities that had findings in respect of compliance and credibility in their 2024/25 Time schedules outlining key deadlines**

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	uMdoni	13	uThukela DM	25	AbaQulusi
2	uMuziwabantu	14	eNdumeni	26	Nongoma
3	Ray Nkonyeni	15	Nquthu	27	Ulundi
4	Ugu DM	16	uMsinga	28	uMfolozi
5	uMshwathi	17	uMvoti	29	uMlalazi
6	uMngeni	18	uMzinyathi DM	30	Nkandla
7	Mpoofana	19	Newcastle	31	Greater Kokstad
8	Mkhambathini	20	eMadlangeni	32	Johannes Phumani Phungula
9	Richmond	21	Dannhauser	33	uMzimkhulu
10	Okhahlamba	22	Amajuba DM	34	Dr. Nkosazana Dlamini Zuma
11	iNkosi Langalibalele	23	eDumbe	35	Harry Gwala DM
12	Alfred Duma	24	uPhongolo		

Source: KZN Provincial Treasury

### Provincial Treasury support to municipalities on the 2024/25 municipal budget preparation process

Section 5(4)(a)(ii) of the MFMA states *that to the extent necessary to comply with subsection (3) [of Section 5 of the MFMA], a Provincial Treasury must monitor the preparation by municipalities in the province of their budgets.* Furthermore, Section 5(4)(b) of the MFMA states that a Provincial Treasury *may assist municipalities in the province in the preparation of their budgets.*

To guide and support all delegated municipalities with the preparation of their 2024/25 Medium Term Revenue and Expenditure Framework (MTREF) budgets Provincial Treasury issued Circular PT/MF 06 of 2023/24 dated 13 February 2024 (Preparation, submission and publication of the 2024/25 MTREF Budget) to municipalities.

The circular provided guidance on the following areas relating to the Budget preparation process:

- Preparation of the 2024/25 MTREF Budgets;



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- Format Requirements for the 2024/25 MTREF Budgets;
- Budget Steering Committee (BSC);
- Service Delivery and Budget Implementation Plans (SDBIPs);
- National and Provincial Transfers to municipalities;
- Publication of the 2024/25 MTREF Budgets;
- Municipalities unable to comply with Sections 16(2) and 24(1) of the MFMA;
- Balance Sheet and Cash Flow Budgeting;
- Reconciliation of Valuation roll data to the billing system;
- Setting cost reflective tariffs;
- Fixed asset register;
- Funding Position of the 2024/25 MTREF Budgets;
- Budget funding plans;
- Criteria for the release of the Equitable Share allocation;
- Common findings in prior years for consideration in the 2024/25 MTREF Budget process;
- Technical Assistance on the 2024/25 MTREF Budgets;
- Engagement with municipalities on the 2024/25 MTREF Tabled Budgets; and
- Municipal Budget submission process.

The Provincial Treasury Circular included some weaknesses and common mistakes identified by both the Provincial and National Treasuries in prior years that should be considered and addressed (where applicable) by municipalities when preparing their 2024/25 MTREF Budgets.

Provincial Treasury subsequently issued Circular PT/MF 09 of 2023/24 dated 27 March 2024 (2024/25 MTREF Budget Preparation). The objectives of this circular were to notify municipalities of all the Provincial allocations to be incorporated during the budget preparation process and to remind municipalities of the required documents to be submitted together with the 2024/25 MTREF Budget.

The MFMA Circulars No. 126 and 128 issued by the National Treasury were shared with all delegated municipalities in an effort to ensure that 2024/25 MTREF Budgets comply with the guidelines and information required as per these circulars.

### **The status of the Budget Steering Committees (BSCs)**

Regulation 4(1) of the MBRR requires the Mayor of each municipality to establish a Budget Steering Committee (BSC) to provide technical assistance to the Mayor in discharging his/her duties as outlined in Section 53 of the MFMA which relates to the execution of the budget process.

During the assessment of the 2024/25 budget, it was noted that the number of municipalities with fully operational BSCs decreased from 49 noted in the 2023/24 budget assessment process to 48, whilst the uMngeni, Mpofana and Mkhambathini Local Municipalities have alternate arrangements in place in respect of their BSCs. All three of these municipalities indicated that their MANCO and/or Finance Portfolio Committees are being used for the purpose of guiding and managing the budget process, similar to the functions of the BSC. Figure 1 illustrates the steady increase in the number of functional



BSCs noted since the 2020/21 budget assessment process, except to what has been noted during the 2024/25 budget assessment process which shows a regression.

**Figure 1: Municipalities with functional BSCs**



Source: KZN Provincial Treasury

## **2. 2024/25 TABLED BUDGET ASSESSMENT PROCESS**

### **Tabling of the 2024/25 Annual Budgets**

Section 16(2) of the MFMA states that *the Mayor of the municipality must table the Annual Budget at a Council meeting at least 90 days before the start of the budget year*. As at 31 March 2024, 50 of the 51 delegated municipalities tabled their 2024/25 Annual Budgets. The uMzumbe Local Municipality did not table its 2024/25 Annual Budget by 31 March 2024. In complying with Section 27(1) of the MFMA and Regulation 60(1) of the MBRR, a Schedule G application dated 28 March 2024 was received from the municipality notifying Provincial Treasury of the municipality's impending failure to table the 2024/25 Annual Budget in Council by 31 March 2024 as required by Section 16(2) of the MFMA.

The MEC for Finance granted the municipality an extension up until 19 April 2024 in terms of Section 27(2) of the MFMA which states that *the MEC for Finance may, on application by the Mayor and on good cause shown, extend any time limit or deadline contained in that provision, provided that no such extension may compromise compliance with Section 16(1) [of the MFMA]*. The municipality was however not able to table the Draft 2024/25 Annual Budget to Council on 19 April 2024 as per the extension granted by the MEC for Finance. The municipality informed Provincial Treasury on 16 May 2024 that a Special Council meeting would be convened on 20 May 2024 to address all the compliance matters including the tabling of the Draft 2024/25 Annual Budget however, the convening of the meeting was not successful due to a failure to meet the quorum required for the Council meeting. The municipality once again attempted and failed to table their Draft 2024/25 Annual Budget to Council on 24 and 31 May 2024 respectively due to failure to meet the quorum required for the Council meetings.



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### Submission of the 2024/25 Tabled Budgets

Section 22(b)(i) of the MFMA requires that **immediately** after an Annual Budget is tabled in a municipal Council, the Annual Budget must be submitted to the National and Provincial Treasuries in both PDF and electronic formats. As per MFMA Budget Circular No. 126, the date for the submission of the PDF and electronic copies was 01 April 2024 if a municipality tabled on 31 March 2024. The budget circulars also clarified that the budget documents to be submitted include the Tabled Budget data string (TABB), the Non-Financial Information data string for the Tabled Budget (A1D) and the Project Details Tabled Budget data string (PRTA).

Table 3 lists the municipalities that did not submit one or more of the following required documents within the prescribed timeframe:

- Tabled Budget data strings (TABB);
- Project detail data strings (PRTA);
- Schedule A1 Draft (Non-Financial Information) data string (A1D);
- Draft Service Delivery and Budget Implementation Plan (SDBIP); and
- Electronic copy (PDF) of the 2024/25 Budget Tabled in Council;

**Table 3: Municipalities which did not submit one or more of their 2024/25 Tabled Budget documents or data strings**

No	Name of municipality	Project Details Tabled Budget data string (PRTA)	Draft SDBIP
1	Mpofana		×
2	Mkhambathini	×	
3	uMsinga	×	
4	Dannhauser	×	
5	eDumbe	×	
6	uPhongolo		×
7	Nongoma	×	
8	Ulundi		×
9	Zululand DM		×
Total non-compliant municipalities		5	4

Source: KZN Provincial Treasury

The municipalities were allowed to submit outstanding data strings or resubmit data strings with errors for the 2024/25 Tabled Budget to the National Treasury GoMuni Upload Portal up until 15 April 2024 after which, the database was closed for submission. As at 15 April 2024, all the municipalities had submitted their Tabled Budget data string, Project Details Tabled Budget data string and non-financial data string for the Tabled Budget as well as Tabled Budget documents with the exception of the uMzumbi Local Municipality that did not table their Draft 2024/25 Annual Budget to Council. Additionally, all four (4) municipalities subsequently submitted their Draft SDBIP.





## **Placement of 2024/25 Tabled Budgets documents on the municipal websites as per Section 75(2) of the MFMA**

Section 75(2) of the MFMA states that all documents expected to be placed on the municipal websites *must be placed on the website not later than five working days after its tabling in Council or on the date on which it must be made public, whichever occurs first.*

With the exception of the uMzumbe Local Municipality that did not table their Draft 2024/25 Annual Budget to Council and thus did not place their tabled budget documents on their website, the 50 remaining delegated municipalities complied with Section 75 of the MFMA accordingly.

## **Outcomes of the 2024/25 Tabled Budgets Assessments**

Upon receipt of the 2024/25 Tabled Budgets, Provincial Treasury undertook an assessment of the Tabled Budgets and provided comments to the respective municipalities as per the requirements of Section 23(1) of the MFMA which states that *when the Annual Budget has been tabled, the municipal Council must consider any views of the local community, the National Treasury, the relevant Provincial Treasury and any provincial or national organs of state or municipalities which made submissions on the budget.* The assessment process also included compliance checks on all Tabled Budgets received to establish the level of compliance with the requirements of the MFMA and the MBRR in general and to verify amongst others, whether:

- The Tabled Budgets submitted were in the correct Version 6.8 of the Schedule A1;
- The information provided in the main budget Tables (A1 to A10) and supporting Tables (SA1-SA38) reconciled to the budget documents and schedules submitted to the National Treasury portal; and
- The submitted budget information is sufficient to enable the assessments of the Tabled Budgets by Provincial Treasury.

Of the 51 municipalities' budgets assessed, Provincial Treasury determined that 33 Tabled Budgets were funded, while 18 were unfunded based on the Tabled Budget data strings uploaded to the National Treasury GoMuni Upload Portal as well as the Schedule A1 and the Tabled Budget narrative documents submitted by the municipalities.

## **Bi-lateral engagements for the 2024/25 Tabled Budgets**

Provincial Treasury requested municipalities to make provision for engagements with Provincial Treasury on their annual MTREF Tabled Budgets in their Time Schedules Outlining Key Deadlines in Provincial Circular PT/MF 02 of 2023/24. These engagements, driven by a comprehensive agenda, are a support initiative of Provincial Treasury as per Sections 5(2) and 23(1) of the MFMA and are vital for the discussion and understanding of significant findings raised by Provincial Treasury in the assessments of the delegated municipalities' 2024/25 Tabled Budgets.

Provincial Treasury's findings on the 2024/25 Tabled Budget assessments were presented at the bi-lateral engagements which covered the legislative compliance of the processes relating to the preparation of the 2024/25 Tabled Budget to the tabling of the 2024/25 Annual Budget. Findings on the credibility of budget data strings, budget assumptions, revenue optimisation, operational expenditure as well as infrastructure delivery and financing together with repairs and maintenance and asset management also formed part of the agenda. There was also a significant focus on the funding position of the municipalities with discussions on cash flow assumptions used, funding compliance as well as the financial sustainability of the municipalities as represented by financial ratios set out in MFMA Circular No. 71.



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The bi-lateral engagements covered strategic service delivery issues relating to water, electricity and refuse removal services. Municipalities confirmed at the bi-lateral engagements the level of integration of their budgets with national and provincial priorities including the Provincial Growth and Development Strategies, the President's State of the Nation address as well as the KZN Premier's State of the Province address. The alignment of the IDP and the SDBIP to the 2024/25 Tabled Budget was also discussed as the budget is an enabler of service delivery.

With the exception of the uMzumbi Local Municipality that did not table their Draft 2024/25 Annual Budget to Council, bi-lateral engagements were held with all delegated municipalities during the period from 19 April 2024 to 17 May 2024. Table 4 provides a list of all engagement dates per municipality.

**Table 4: The bi-lateral engagements held with delegated municipalities on their 2024/25 Tabled Budget assessments**

No	Name of Municipality	Dates of Bi-lateral engagements	No	Name of Municipality	Dates of Bi-lateral engagements
1	uMdoni	29-Apr-24	26	uPhongolo	16-May-24
2	uMuziwabantu	30-Apr-24	27	AbaQulusi	09-May-24
3	Ray Nkonyeni	02-May-24	28	Nongoma	23-Apr-24
4	Ugu DM	07-May-24	29	Ulundi	07-May-24
5	uMshwathi	13-May-24	30	Zululand DM	26-Apr-24
6	uMngeni	08-May-24	31	uMhlabyalingana	08-May-24
7	Mpofana	17-May-24	32	Jozini	09-May-24
8	iMpendle	26-Apr-24	33	Mtubatuba	24-Apr-24
9	Mkhambathini	13-May-24	34	Big Five Hlabisa	17-May-24
10	Richmond	26-Apr-24	35	uMkhanyakude DM	15-May-24
11	uMgungundlovu DM	03-May-24	36	uMfolozi	30-Apr-24
12	Okhahlamba	22-Apr-24	37	uMlalazi	10-May-24
13	iNkosi Langalibalele	13-May-24	38	Mthonjaneni	02-May-24
14	Alfred Duma	29-Apr-24	39	Nkandla	13-May-24
15	uThukela DM	30-Apr-24	40	King Cetshwayo DM	19-Apr-24
16	eNdumeni	03-May-24	41	Mandeni	26-Apr-24
17	Nquthu	03-May-24	42	KwaDukuza	10-May-24
18	uMsinga	10-May-24	43	Ndwedwe	08-May-24
19	uMvoti	09-May-24	44	Maphumulo	02-May-24
20	uMzinyathi DM	07-May-24	45	iLembe DM	07-May-24
21	Newcastle	26-Apr-24	46	Greater Kokstad	03-May-24
22	eMadlangeni	06-May-24	47	Johannes Phumani Phungula	09-May-24
23	Dannhauser	03-May-24	48	uMzimkhulu	08-May-24
24	Amajuba DM	30-Apr-24	49	Dr. Nkosazana Dlamini Zuma	07-May-24
25	eDumbe	29-Apr-24	50	Harry Gwala DM	13-May-24

Source: KZN Provincial Treasury





## **Key findings on the 2024/25 Tabled Budgets Assessments**

The following were the key findings emanating from Provincial Treasury's assessment of the 2024/25 Tabled Budgets:

- **Compliance with MBRR and other legislations**

There has been an improvement in the submission of budget documents as all the respective non-delegated municipalities complied with Section 22(b)(i) of the MFMA. Some municipalities did not submit their budget policies and other supporting documentation including key calculations supporting significant revenue and expenditure line items timeously. Provincial Treasury also noted that the budget narrative documents for some of the municipalities were of a poor quality, were not comprehensive and in some cases, contradicted information contained in the Schedule A1. These factors reduced the extent of the analysis that Provincial Treasury was able to perform for these specific municipalities.

Similar to previous years, Table A10: *Basic service delivery measurement* was either not completed or poorly completed. Table A10 is critical for reflecting amongst others, information on the number of households within a municipal area, a measurement of the number of households receiving basic services at the minimum service level, the number of households receiving Free basic services, the cost of providing Free basic services and the unit of measurement thereof such as kilolitres for water, kilowatt hour for electricity and how frequently refuse is being removed, etc. Due to the poor quality of information in Table A10, Provincial Treasury was not able to, in many cases, determine the accuracy of the budget for the Cost of Free Basic Services and whether municipalities are effectively delivering basic services to their indigent customers.

Other critical supporting tables which were either not completed or poorly completed included Table SA7: *Measurable performance objectives*, Table SA9: *Social, economic and demographic statistics and assumptions*, Table SA11: *Property rates summary*, Table SA12: *Property rates by category*, Table SA13: *Service tariffs*, Table SA24: *Summary of personnel numbers*, Table SA37: *Project delayed from previous financial year/s* and Table SA38: *Consolidated detailed operational projects*. This was despite the guidance provided in MFMA Circular No. 122 and by Provincial Treasury through Chief Financial Officers (CFO) Forums on the importance of completing the budget tables.

- **Credibility of budget figures**

Provincial Treasury requested municipalities via Circular PT/MF 06 of 2023/24 to submit their data strings before tabling to Council in order for Provincial Treasury to perform a high-level review for errors in the data strings thereby improving the accuracy and credibility of the Annual Budget that is tabled in Council. However, many municipalities did not adhere to the request and Provincial Treasury found that the budget tables in the Schedule A1 data strings for some municipalities' Tabled Budgets were not fully and/or accurately completed. Discrepancies were noted in the following areas:

- Audited Outcome figures of the data strings did not reconcile to the audited Annual Financial Statement (AFS) figures;
- The 2023/24 Adjusted Budget figures did not reconcile to the approved Schedule B figures; and
- Differences were noted between the figures quoted in the narrative report and the data strings of Schedule A1.

Some municipalities did not provide the basis for their budget assumptions and/or no budget assumptions were supplied at all for certain line items, thus limiting the analysis by Provincial Treasury. Due to the lack of comprehensive information in the budget documents, Provincial Treasury discussed the budget assumptions in greater detail during the bi-lateral engagements and encouraged



municipalities to disclose as much information as possible when preparing and finalising their Annual Budget for approval.

- **Sustainability of the operational activities of the municipality**

Many municipalities' operating budgets continue to be funded mainly from grants. Provincial Treasury noted with concern that some municipalities budgeted for Operating deficits for the 2024/25 MTREF. These municipalities were alerted to the fact that continued Operating deficits may result in the erosion of municipal cash reserves leading to possible future cash flow challenges as well as unfunded budgets. Municipalities were also reminded of the contents contained in MFMA Circular No. 126 in this regard.

Many municipalities continue to provide water, sanitation and refuse removal services at a deficit, despite the advice contained in the MFMA Circulars that tariffs set by municipalities should be cost reflective. It is also of great concern that some of these municipalities did not indicate any plans aimed at rectifying the challenges that have resulted in providing these services at deficits in the budget narrative documents and at the bi-lateral engagements with Provincial Treasury, thereby exposing the municipality to the risk of not being sustainable.

- **Funding of budgets**

The importance of approving funded budgets has been a focal topic during many Provincial Treasury CFO Forums and bi-lateral engagements with the municipalities. However, despite the ongoing advice from Provincial Treasury that municipalities should prepare funded budgets as per Section 18 of the MFMA, many municipalities still tabled unfunded budgets.

Some municipalities still failed to adequately complete Table A7: *Budgeted cash flows* and Table A8: *Cash backed reserves/accumulated surplus reconciliation* which are critical not only to reflect the cash flow status of the municipality but also to assist in determining the funding position of municipal budgets.

In Table A7, the most common error was the capturing of incorrect figures in the Adjusted Budget and Audited Outcomes columns. Consequently, incorrect opening balances were being carried over the MTREF. Furthermore, many municipalities neither accurately completed the Full Year Forecast column in the budget, nor provided Provincial Treasury with their workings for the 2023/24 Closing *Cash and cash equivalents* balance and as a result, Provincial Treasury could not ascertain the reasonableness of the 2024/25 Opening *Cash and cash equivalents* balance. The budgeted cash inflow in some cases was also based on collection rate assumptions which were not realistic and adequately justified.

Provincial Treasury recalculated an estimate for *Other working capital requirements* in Table A8 based on the *Receivables* and *Payables* as per the audited AFS as well as the 2023/24 Adjustments Budget and the budget assumptions for revenue and expenditure provided for the 2024/25 budget year. This process highlighted that some municipalities significantly understated their cash outflows for *Suppliers and employees* in Table A7 and/or their *Trade and other creditors* balance as at the end of the 2024/25 budget year in Table SA3: *Supporting detail to 'Budgeted Financial Position'*. Similarly, municipalities overstated their cash inflows for the various operating revenue line items in Table A7 and/or their *Other debtors and Long term receivables* as per Table A6 and *Consumer debtors* balances as at the end of the 2024/25 budget year in Table SA3.

Table A8 was in some instances characterised by incomplete information which did not correlate with the information contained in the audited AFS whereby estimates on *Unspent conditional transfers*, *Statutory requirements* and *Other provisions* were not reflected and this together with the unrealistic *Other working capital requirements*, resulted in an abnormal *Surplus/(shortfall)* position.



Some municipalities reflected negative *Cash/cash equivalents at the year end* and *Shortfall* positions over the entire MTREF period thus, raising concerns over their liquidity status and whether the municipalities would be able to pay their debts as and when they fall due.

- **Operating revenue**

Regarding the Operating revenue budget, some municipalities did not justify all tariff increases which were in excess of the projected Consumer Price Index (CPI) inflation rates in their budget narratives reports as required by MFMA Circular No. 126.

Most municipalities did not disclose the rateable properties, market values as well as valuation reductions and any other rating criteria in Tables SA11: *Property rates summary* and SA12b: *Property rates by category*, thereby limiting the Provincial Treasury's analysis of the reasonability of the budgeted Property rates revenue. Furthermore, due to the non-submission of the *Property rates* policies and/or calculations to support the budgets by some municipalities, Provincial Treasury could also not determine whether these municipalities fully complied with the requirements of the Municipal Property Rates Amendment Act (Act No. 29 of 2014).

Some municipalities that provide services such as water and electricity did not budget for the Cost of Free Basic Services against the related revenue items in Table SA1: *Supporting detail to 'Budgeted Financial Performance'* due to the incorrect population of Table SA9: *Social, economic and demographic statistics and assumptions*. Some municipalities also appear to have not considered the basic services component of the Equitable share allocation for use in the Free basic service support for residents within the municipality's jurisdiction and rather budgeted to utilise the majority of the Equitable share allocation for municipal expenses.

- **Operating expenditure**

Provincial Treasury noted that Tables SA22, SA23 and SA24 relating to councillors and staff benefits, salaries and allowances as well as personnel numbers for the municipalities were either poorly completed or not completed thereby limiting the extent to which the reasonability of the budgeted salary increases could be assessed.

Despite the guidance provided in MFMA Circular No. 71 for the ratio of *Remuneration (Employee related costs and Remuneration of councillors)* to the total *Operating expenditure* to be between 25 and 40 percent, the budgeted ratio was found to be excessive in some municipalities.

Some municipalities under-budgeted for *Debt impairment* and *Depreciation and asset impairment*. While both these are non-cash expenses, municipalities could still incur unauthorised expenditure at the end of the financial year due to under-budgeting. Significant under-budgeting also results in municipalities projecting unrealistic *Operating surpluses*. Furthermore, understating the *Operating expenditure* budget also implies that municipalities are not taking all costs into account when determining the tariffs for the provision of services.

- **Capital expenditure and Asset management**

As in the prior years, some municipalities continue to submit incomplete budget tables relating to their Capital budget, such as Table SA36: *Detailed capital budget* and Table SA37: *Project delayed from previous financial year/s*. Most municipalities still have a challenge in budgeting for at least 40 percent of the *Capital expenditure* budget for the *Renewal and Upgrading of existing assets* as per MFMA Circular No. 55. Furthermore, the budgets for *Repairs and maintenance* were in some cases unrealistic or questionable and the *Asset register summary – PPE (WDV)* values in Table A9: *Asset Management*



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were also not linked to asset registers thereby distorting the information which forms the basis for the correct calculation of *Repairs and maintenance*.

Notwithstanding the importance of supplementing the capital programme from *Internally generated funds*, the narrative reports of some municipalities could not adequately demonstrate that they have sufficient cash backed accumulated funds from previous financial years to fund capital projects internally. With the poorly completed Tables A7 and A8, the municipalities' ability to finance capital programmes from internal funding, in some cases, could not be established.

Some of the municipalities that were assessed to have unfunded budgets by Provincial Treasury budgeted to use *Internally generated funds* for *Capital expenditure* which is a clear contravention of the requirements of Section 18 of the MFMA. These municipalities were encouraged to channel any excess funds towards the payment of long outstanding creditors, particularly bulk services rather than funding Capital expenditure.

In instances where municipalities had financed their capital programmes through *Borrowings*, some municipalities did not submit sufficient supporting documents such as the projected amortisation schedules and as a result, Provincial Treasury could not assess the reasonableness of their budgeted *Finance charges* and *Repayment of borrowings*.

### Municipalities Tabling of Provincial Treasury findings on the 2024/25 Tabled Budgets to Council

Section 23(1)(b) of the MFMA states that *when the Annual Budget is tabled, the municipal Council must consider any views of the National Treasury, the relevant Provincial treasury.*

Municipalities were requested to table in Council Provincial Treasury's 2024/25 Tabled Budget Assessment together with the municipality's responses to Provincial Treasury's findings on the 2024/25 Tabled Budget when tabling the Final Budget for to Council approval. In addition, municipalities were advised that a copy of the Council resolution and the minutes thereof must be included in the Approved Budget documents to be submitted to the National and Provincial Treasuries. Table 5 below lists the 29 municipalities that submitted Council resolutions.

**Table 5: Municipalities that tabled Provincial Treasury findings on the 2024/25 Tabled Budgets to Council**

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	uMdoni	11	eNdumeni	21	Mthonjaneni
2	uMuziwabantu	12	Nquthu	22	King Cetshwayo DM
3	Ugu DM	13	uMsinga	23	Mandeni
4	Mkhambathini	14	uMzinyathi DM	24	Ndwedwe
5	Richmond	15	Newcastle	25	Maphumulo
6	uMgungundlovu DM	16	eMadlangeni	26	iLembe DM
7	Okhahlamba	17	Nongoma	27	uMzimkhulu
8	iNkosi Langalibalele	18	Zululand DM	28	Dr. Nkosazana Dlamini Zuma
9	Alfred Duma	19	Jozini	29	Harry Gwala DM
10	uThukela DM	20	Big Five Hlabisa		

Source: KZN Provincial Treasury





### **Analysis of the 2024/25 Tabled Budget data string (TABB)**

An analysis of the 2024/25 Tabled Budget data string (TABB) was conducted and was communicated to the respective non-delegated municipalities. The following findings were evident in the analysis:

There was incorrect use of the Municipal Standard Chart of Accounts (mSCOA) segments including but not limited to:

- Region segments incorrectly used;
- Costing not applied;
- Function split between core and non-core not aligned to the mandate of the municipality;
- Funding segment incorrectly used;
- Item segment inappropriately used between movement accounting and classification of items; and
- Project segment not appropriately used nor aligned between Project capital, Operational and Default.

### **3. 2024/25 APPROVED BUDGET ASSESSMENT PROCESS**

#### **Approval of the 2024/25 Annual Budgets**

As per Section 24(1) of the MFMA, *the municipal Council must at least 30 days before the start of the budget year consider approval of the Annual Budget*, while Section 25(1) of the MFMA stipulates that *if a municipal Council fails to approve an Annual Budget, including revenue-raising measures necessary to give effect to the budget, the Council must reconsider the budget and again vote on the budget, or on an amended version thereof, within seven days of the Council meeting that fails to approve the budget.*

Of the total 51 delegated municipalities in the province, 49 municipalities considered their 2024/25 Annual Budgets for approval by 31 May 2024 in compliance with Section 24(1) of the MFMA.

In complying with Section 27(1) of the MFMA and Regulation 60(1) of the MBRR, the uMvoti Local Municipality submitted a Schedule G application dated 30 May 2024 notifying Provincial Treasury of the impending non-compliance to table their 2024/25 Annual Budget in Council by 31 May 2024 and stated that they intended to table their 2024/25 Annual Budget to Council for approval on 14 June 2024 due to legal matters that were currently ongoing at the municipality. The requested extension as per the Schedule G application was granted by the MEC for Finance accordingly on 31 May 2024. The municipality subsequently informed Provincial Treasury on 13 June 2024 that the meeting scheduled for 14 June 2024 could not take place due to political instability and requested a further extension to 21 June 2024 for the tabling of the 2024/25 Annual Budget to Council. A response from the Office of the MEC for Finance was sent to the Mayor on 19 June 2024, noting the municipality's failure to table the 2024/25 Annual Budget on the rescheduled date of 14 June 2024. The MEC noted the impending non-compliance and that the municipality would rectify the non-compliance by rescheduling the tabling date of the 2024/25 Annual Budget in Council to 21 June 2024. On 20 June 2024, correspondence was sent to the municipality requesting confirmation as to whether the scheduled Council meeting to approve the 2024/25 Annual Budget will take place. The municipality thereafter submitted a further Schedule G application and indicated that they planned to table their 2024/25 Annual Budget to Council for approval on 28 June 2024 and the extension request was subsequently granted by the MEC for Finance.

The uMzombe Local Municipality did not notify Provincial Treasury of the impending non-compliance to approve their 2024/25 Annual Budget in Council by 31 May 2024 as required in terms of Section 27(1) of the MFMA nor the actual non-compliance to consider for approval their 2024/25 Annual Budget in Council by 31 May 2024 as required in terms of Section 27(3) of the MFMA. A non-compliance letter in



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this regard was therefore issued accordingly. Subsequent to receipt of the non-compliance letter on 06 June 2024, the Mayor of the municipality sent a Schedule G and notified the MEC for Finance of the actual non-compliance by the municipality to approve the Annual Budget as per Section 24(1) of the MFMA in terms of Section 27(3) of the MFMA and Regulation 63(1) of the MBRR. The municipality indicated that it would rectify the non-compliance with the above-mentioned time provision by rescheduling the tabling date of the Annual Budget in Council to 28 June 2024.

The uMvoti and uMzumbe Local Municipalities subsequently approved their 2024/25 Annual Budgets on 27 and 28 June 2024 respectively, thus ensuring compliance with Section 24(2)(a) of the MFMA which requires that a municipality's annual budget *must be approved before the start of the budget year*.

Two (2) of the 49 municipalities that had approved their 2024/25 Annual Budgets on or before 31 May 2024, namely the Newcastle and Dannhauser Local Municipalities, re-tabled and approved their 2024/25 Annual Budgets on 27 June 2024 as the budgets that they had previously approved were assessed as unfunded by Provincial Treasury. The re-tabled approved budgets of the two (2) municipalities were subsequently assessed as funded.

### Submission of the 2024/25 Annual Budgets

Section 24(3) of the MFMA read together with Regulation 20 of the MBRR requires the Accounting Officer to submit the electronic and printed copies of the Approved Budget to National Treasury and Provincial Treasury within 10 working days after tabling in Council. MFMA Circular No. 126 dated 07 December 2023 further required municipalities to upload both the Approved Budget data string (ORGB) and Schedule A1 Approved (Non-Financial Information) data string (A1F) data strings for the Approved Budget to the National Treasury GoMuni Upload Portal.

Despite the support and guidance provided by Provincial Treasury, the Dannhauser Local Municipality did not submit their IDP Project details (PROR) data string. A non-compliance letter was sent to the municipality in this regard. Municipalities were allowed to submit outstanding data strings for the 2024/25 Approved Budget to the National Treasury GoMuni Upload Portal up until 12 July 2024, whereafter the database was closed for submission. The Dannhauser Local Municipality subsequently submitted its PROR data string.

### Outcomes of the High-Level Assessment of the Approved 2024/25 Budgets

Provincial Treasury assessed the 2024/25 Approved Budgets of all 51 delegated municipalities with a view of establishing their funding positions.

Of the 51 assessed budgets of municipalities, 45 were assessed as Funded while six (6) were assessed as Unfunded and are shown in Table 6 below. Initially there were 33 Tabled (Draft) Budgets that were funded and 18 were unfunded. However, through further engagements and support to municipalities by Provincial Treasury the funding position of the Approved Budgets improved to 45 municipalities with funded Approved Budgets and six (6) municipalities with unfunded Approved Budgets.



**Table 6: Municipalities with unfunded 2024/25 Approved Budgets**

No	Name of Municipality	No	Name of Municipality
1	Mpofana	4	uMzinyathi DM
2	uThukela DM	5	eMadlangeni
3	eNdumeni	6	Ulundi

Source: KZN Provincial Treasury

### Key findings of the 2024/25 Approved Budgets

The following key findings are based on the 2024/25 Approved Budget assessments conducted for the 51 delegated municipalities.

- **Free Basic Service**

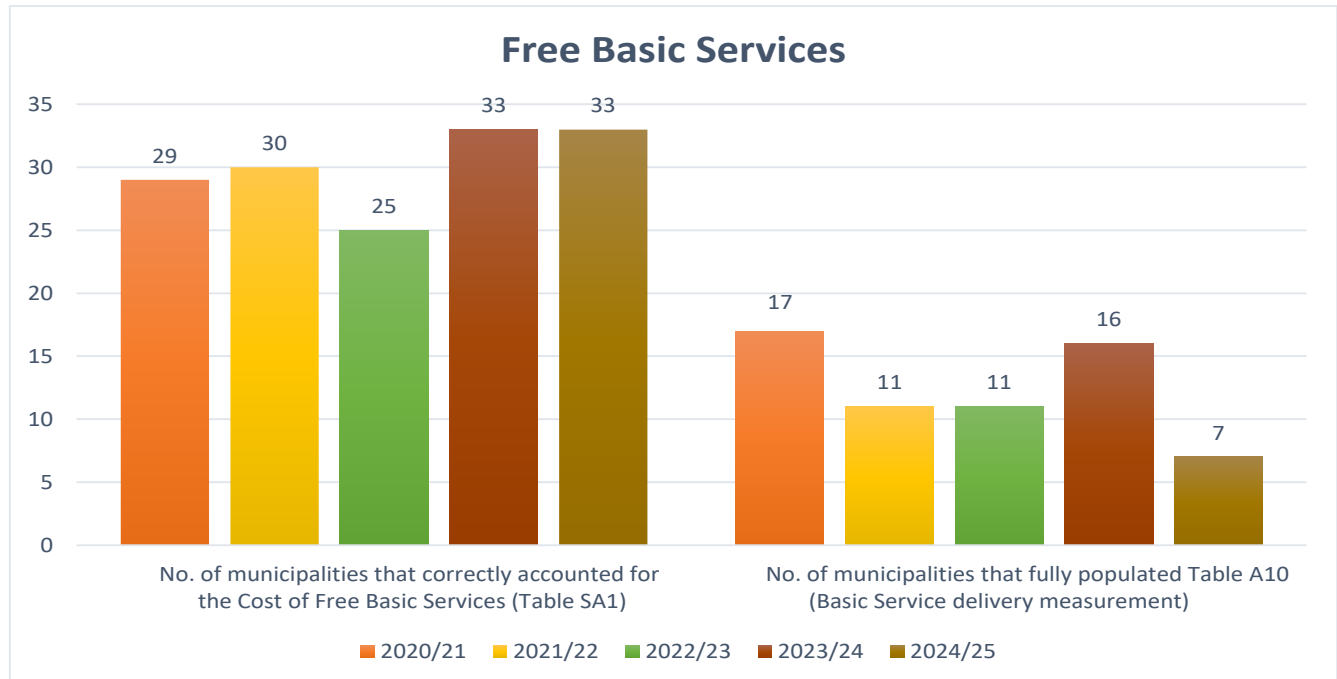
As in previous years, a number of municipalities that provide services such as water, sanitation, electricity and refuse did not budget for the *Cost of free basic services*. Figure 2 illustrates that only 33 out of 51 municipalities (64.7 percent) correctly accounted for the *Cost of free basic services* in Table SA1: *Supporting detail to 'Budgeted Financial Performance'* of Schedule A1. The remaining 18 (35.3 percent) out of the 51 municipalities failed to correctly account for *Cost of free basic services*.

A number of municipalities did not fully populate Table A10: *Basic service delivery measurement*. Figure 2 illustrates that only 7 municipalities (13.7 percent) fully populated Table A10: *Basic service delivery measurement*. Table A10 is essential to provide statistics on the *Cost of free basic services* according to the national policy as well as the cost of free basic services in terms of lost revenue due to rebates, exemptions and discounts as per the municipal Council policy. MFMA Circular No. 58 indicates that the purpose of this information is to enable the Council and the municipality to gain an understanding of the impact that these discounts and free services have on the municipality's revenue in order to tailor its social package appropriately taking into consideration the Equitable share funds provided to subsidise the provision of Free basic services. Information in Table A10 also facilitates the analysis of which customer groups benefit from a municipality's social package as well as actual service delivery and service delivery backlogs.

As a result of the incomplete information, Provincial Treasury was not in a position to fully comment on the credibility of the budget for *Free basic services* in the feedback letters to municipalities. Municipalities were encouraged to consider the basic services component of the Equitable share allocation when budgeting for *Free basic services* during the 2024/25 Tabled Budget engagements.



**Figure 2: Budgeting for Free basic services**



Source: KZN Provincial Treasury

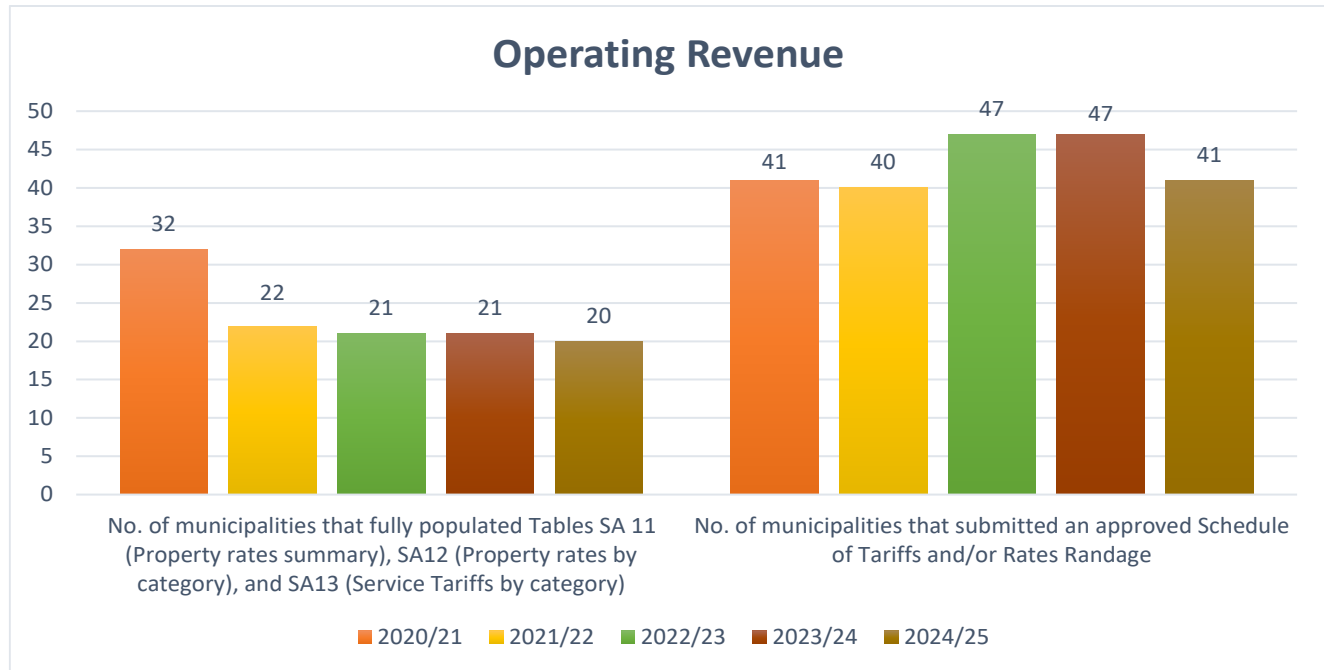
- **Operating revenue**

A number of municipalities did not fully complete all the supporting tables in Schedule A1. Figure 3 illustrates only 20 municipalities (39.2 percent) fully completed Table SA11, Table SA12 and Table SA13 in the 2024/25 budget cycles. These tables are crucial in determining the credibility of the budget for *Property rates* and *Service charges*.

Of the 51 delegated municipalities, there are 41 delegated municipalities (80.4 percent) that submitted their approved schedule of tariffs and/ or rates randages in the 2024/25 budget cycle. The Schedule of tariffs and/or rates randages are useful to assess the reasonability of the budget for applicable revenue items against the approved tariffs.



**Figure 3: Budgeting for Operating revenue**



Source: KZN Provincial Treasury

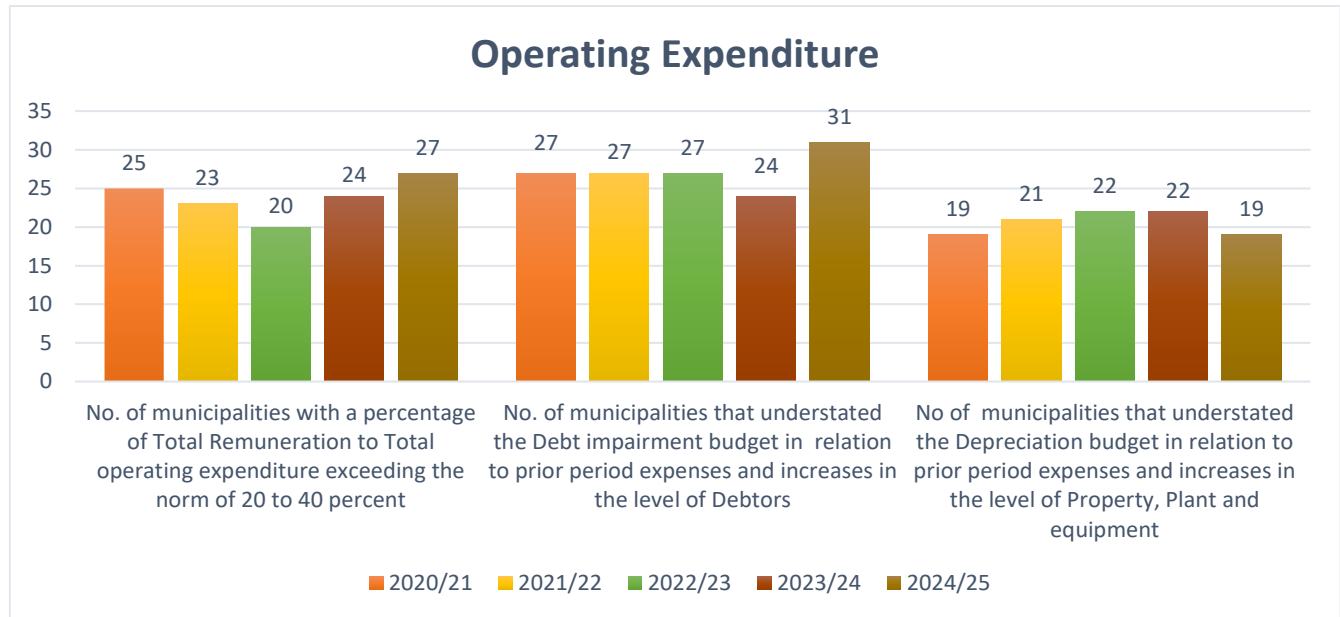
#### • Operating expenditure

The percentage of total Remuneration to total *Operating expenditure* exceeded the norm range for a number of municipalities in the 2024/25 Approved Budget. As per MFMA Circular No. 71, the norm range for total Remuneration as a percentage of total *Operating expenditure* is between 25 and 40 percent. MFMA Circular No. 71 indicates that ratios in excess of the norm could indicate inefficiencies, overstaffing or even incorrect focus due to misdirected expenditure to non-essential or non-service delivery related expenditure. Based on the assessments of the 2024/25 Approved Budgets, at least 27 municipalities (52.9 percent) are above the norm as illustrated in Figure 4.

Municipalities are still understating the budget for non-cash expenditure. Figure 4 illustrates that at least 31 municipalities (60.8 percent) understated the budget for *Debt impairment*. Furthermore, 19 municipalities (37.3 percent) understated the budget for *Depreciation and asset impairment*. While these two line items in the Statement of financial performance are non-cash items, they do contribute to the calculation of the *Operating surplus/deficit* of the municipality. Understating the *Operating expenditure* budget also implies that municipalities are not taking all costs into account when determining the tariffs for the provision of services.



**Figure 4: Budgeting for Operating expenditure**



Source: KZN Provincial Treasury

#### • **Asset management**

Figure 5 illustrates an increasing trend in municipalities fully populating Table SA36 in the 2024/25 Approved Budget. Thirty-nine (39) municipalities (76.5 percent) fully completed Table SA36 which requires the following information:

- Description of the projects;
- Asset classifications;
- GPS co-ordinates;
- The relevant wards;
- Whether the project is a new or renewal of an asset; and
- The estimated rand value.

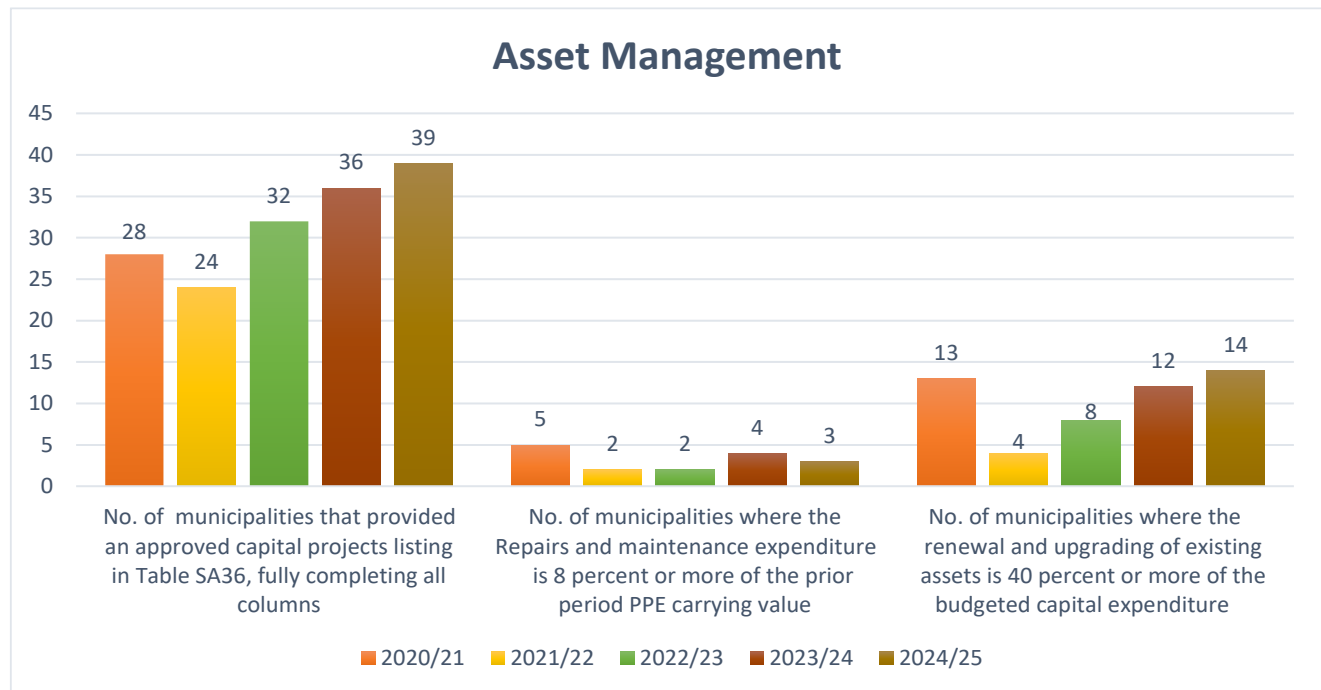
This information assists with effective planning for the Capital budget and therefore all municipalities must provide the required details.

MFMA Circular No. 55 highlighted the concern about the low levels of expenditure on *Repairs and maintenance* and the *Renewal and Upgrading of existing assets* in most municipalities. Municipal Councils, Mayors and Municipal Managers were therefore urged to ensure that allocations to *Repairs and maintenance* and the *Renewal and Upgrading of existing assets* are prioritised. In this regard, municipalities were requested to allocate at least 8 percent of the prior year *Property, Plant and Equipment (PPE)* value towards *Repairs and maintenance* and at least 40 percent of the Capital budget towards the *Renewal and Upgrading of existing assets*. It was however noted with concern that municipalities are still not adequately budgeting for the *Repairs and maintenance* of assets and/or for the *Renewal and Upgrading of existing assets*. As per the assessment of the 2024/25 Approved Budgets, only three (3) municipalities (5.9 percent) budgeted for *Repairs and maintenance* of at least 8 percent or more of the prior period *PPE* value while only fourteen (14) municipalities (27.5 percent) allocated 40 percent or more of the Capital budget towards the *Renewal and Upgrading of municipal assets*. Insufficient expenditure towards *Repairs and maintenance* of assets could increase the



impairment of assets whilst low expenditure towards the *Renewal and Upgrading of existing assets* would result in aged assets and may negatively impact on service delivery.

**Figure 5: Asset Management**



Source: KZN Provincial Treasury

### • Funding and sustainability

Figure 6 illustrates that only 22 municipalities (43.1 percent) are in a position where all of their trading services are sustainable. The remaining 29 municipalities (56.9 percent) have budgeted to trade at a deficit on some or all of their trading services which will negatively impact the future sustainability of the municipality. The budgeted trading losses are caused by the municipalities not having cost reflective tariffs as well as inefficiencies in the provision of these services.

MFMA Circular No. 55 states that a municipality should budget for a moderate Surplus to contribute to the funding of the Capital budget. There are six (6) municipalities (11.8 percent) that budgeted for Operational deficits for the 2024/25 budget year.

Forty-five (45) of the 51 delegated municipalities (88.2 percent) approved funded budgets for the 2024/25 financial year. One of the causes of unfunded budgets is the fact that some municipalities' have trading services that are simply not sustainable given the current tariff structures of the municipalities. Municipalities must therefore increase revenue and decrease expenditure to the extent necessary to improve their financial performance and approve funded budgets.

The common causes identified which contributed to the unfunded budget positions of the municipalities, included the following amongst others:

- Some municipalities budgeted for *Operating deficits* in their 2024/25 MTREF which has negative impact on the future cash flows;

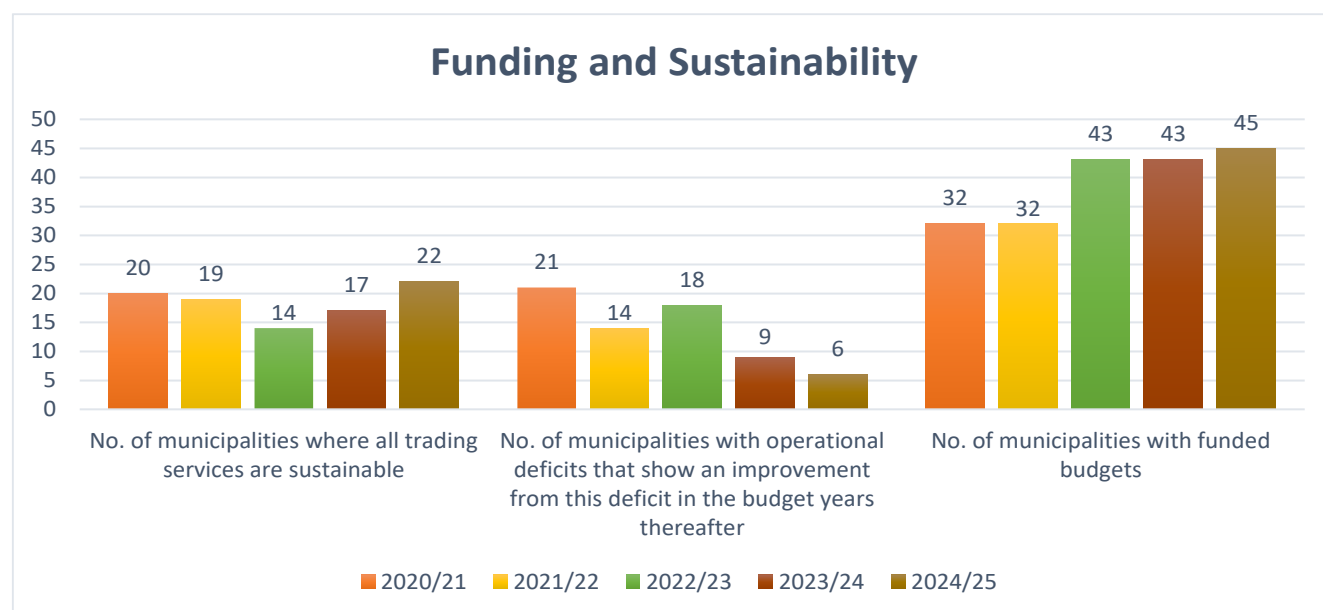


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- Municipalities are not applying realistic collection rates based on prior years' actual figures or are not providing sufficient justification in their budget narrative report for the estimated receipts which results in overstated cash inflows.
- Municipalities are not budgeting to pay all budgeted Operating and Capital expenditure including the applicable Value Added Tax (VAT) to be incurred resulting in an understatement of cash payments in Table A7;
- Some municipalities with Debt repayment plans are not budgeting for cash payments which results in the understatement of cash payments in Table A7;
- Some municipalities are budgeting to fund Capital expenditure from Internally generated funds while the municipalities do not have Cash-backed reserves;
- Municipalities have high *Creditor* balances that have been carried forward on a year on a year basis which contributes negatively to the estimate for *Other working capital requirements*;
- Municipalities are not budgeting or under-budgeting for the cash-backing of *Other Provisions*, *Unspent conditional grants* and *Statutory requirements*; and
- Some municipalities significantly misstate their *Other working capital requirements* due to understating *Trade and other creditors'* balance and overstating the *Other debtors* and *Long term receivables* and *Consumer debtors'* balances.

**Figure 6: Funding and sustainability**



Source: KZN Provincial Treasury

In compliance with MFMA Circulars No. 89 and subsequent MFMA Municipal Budget Circulars, the six (6) with unfunded budgets prepared Budget funding plans that were approved by their respective municipal Councils indicating how and by when the MTREF budgets of the municipalities will be funded. Upon the assessment of the six (6) Budget funding plans by Provincial Treasury, it was concerning to note that only two (2) municipalities were credible. The remaining four (4) municipalities were requested to revise their Budget funding plans and re-table these plans in Council. Table 7 reflects the municipalities with unfunded 2024/25 Approved Budgets.





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**Table 7: Municipalities with unfunded 2024/25 Approved Budgets**

No	Name of municipality	Approved Budget Funding Position	Budget Funding Plan approved by Council and submitted to PT	PT Assessment of Credibility of Budget Funding Plan	Council approval of revised Budget Funding Plan required
1	Mpofana	Unfunded	Yes	Credible	N/A
2	uThukela DM	Unfunded	Yes	Credible	N/A
3	eNdumeni	Unfunded	Yes	Not credible	Yes
4	uMzinyathi DM	Unfunded	Yes	Not credible	Yes
5	eMadlangeni	Unfunded	Yes	Not credible	Yes
6	Ulundu	Unfunded	Yes	Not credible	Yes
<b>Total non-compliant municipalities</b>		<b>6</b>	<b>6</b>	<b>2</b>	<b>4</b>

Source: KZN Provincial Treasury

### Summary of 2024/25 Annual Budget Assessment

Table 8 shows a summary of the statistics for both the 2024/25 Tabled and the Approved Budgets.

**Table 8: Summary of the statistics for the 2024/25 Tabled and Approved Budgets**

	No. of Budgets	Name of Non-compliant municipalities
<b><u>2024/25 Tabled Budgets</u></b>		
Budgets tabled late (after 31 March 2024)/ Budgets not tabled	1	uMzumbhe LM
Budgets received (PDF copies and mSCOA data strings)	51	
Budgets Assessed	51	
Budgets Tabled in correct formats	51	
Funded Budgets	33	
Unfunded Budgets	18	uMuziwabantu LM, Mpofana LM, iMpendle LM, Okhahlamba LM, uThukela DM, eNdumeni LM, Nquthu LM, uMzinyathi DM, Newcastle LM, eMadlangeni LM, Dannhauser LM, Amajuba DM, Abaqulusi LM, uLundi LM, Zululand DM, Nkandla LM, iLembe DM and Dr. Nkosazana Dlamini Zuma LM
<b><u>2024/25 Approved Budgets</u></b>		
Budgets not considered for Approval by 31 May 2024	2	uMzumbhe LM and uMvoti LM
Budgets approved in correct formats	51	
Budgets received (PDF copies and mSCOA data strings)	51	
High level assessments conducted on Approved Budgets	51	
Funded Budgets	45	
Unfunded Budgets	6	Mpofana LM, uThukela DM, eNdumeni LM, uMzinyathi DM, eMadlangeni LM and uLundi LM

Source: KZN Provincial Treasury

Table 9 shows the funding position of each delegated municipality's 2024/25 Tabled Budget and 2024/25 Approved Budget as per Provincial Treasury's assessments.

The table shows that initially there were 33 Tabled Budgets that were funded and 18 were unfunded. However, through further engagements and support to municipalities by Provincial Treasury, the funding position of the Approved Budgets improved to 45 municipalities with funded Approved Budgets and six (6) municipalities with unfunded Approved Budgets.



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**Table 9: Funding Position of 2024/25 Tabled and Approved Budgets**

No	Name of Municipality	2024/25 Tabled Budget	2024/25 Approved Budget	Improved / Regressed / No Change
1	uMdoni	Funded	Funded	
2	uMzombe	Funded	Funded	
3	uMuziwabantu	Unfunded	Funded	Improved
4	Ray Nkonyeni	Funded	Funded	
5	Ugu DM	Funded	Funded	
6	uMshwathi	Funded	Funded	
7	uMngeni	Funded	Funded	
8	Mpofana	Unfunded	Unfunded	No change
9	iMpendle	Unfunded	Funded	Improved
10	Mkhambathini	Funded	Funded	
11	Richmond	Funded	Funded	
12	uMgungundlovu DM	Funded	Funded	
13	Okhahlamba	Unfunded	Funded	Improved
14	iNkosi Langalibalele	Funded	Funded	
15	Alfred Duma	Funded	Funded	
16	uThukela DM	Unfunded	Unfunded	No change
17	eNdumeni	Unfunded	Unfunded	No change
18	Nquthu	Unfunded	Funded	Improved
19	uMsinga	Funded	Funded	
20	uMvoti	Funded	Funded	
21	uMzinyathi DM	Unfunded	Unfunded	No change
22	Newcastle	Unfunded	Funded	Improved
23	eMadlangeni	Unfunded	Unfunded	No change
24	Dannhauser	Unfunded	Funded	Improved
25	Amajuba DM	Unfunded	Funded	Improved
26	eDumbe	Funded	Funded	
27	uPhongolo	Funded	Funded	
28	AbaQulusi	Unfunded	Funded	Improved
29	Nongoma	Funded	Funded	
30	Ulundi	Unfunded	Unfunded	No change
31	Zululand DM	Unfunded	Funded	Improved
32	uMhlabuyalingana	Funded	Funded	
33	Jozini	Funded	Funded	
34	Mtubatuba	Funded	Funded	
35	Big Five Hlabisa	Funded	Funded	
36	uMkhanyakude DM	Funded	Funded	
37	uMfolozi	Funded	Funded	
38	uMlalazi	Funded	Funded	
39	Mthonjaneni	Funded	Funded	
40	Nkandla	Unfunded	Funded	Improved
41	King Cetshwayo DM	Funded	Funded	
42	Mandeni	Funded	Funded	
43	KwaDukuza	Funded	Funded	
44	Ndwedwe	Funded	Funded	
45	Maphumulo	Funded	Funded	
46	iLembe DM	Unfunded	Funded	Improved
47	Greater Kokstad	Funded	Funded	
48	Johannes Phumani Phungula	Funded	Funded	
49	uMzimkhulu	Funded	Funded	
50	Dr. Nkosazana Dlamini Zuma	Unfunded	Funded	Improved
51	Harry Gwala DM	Funded	Funded	

Source: KZN Provincial Treasury

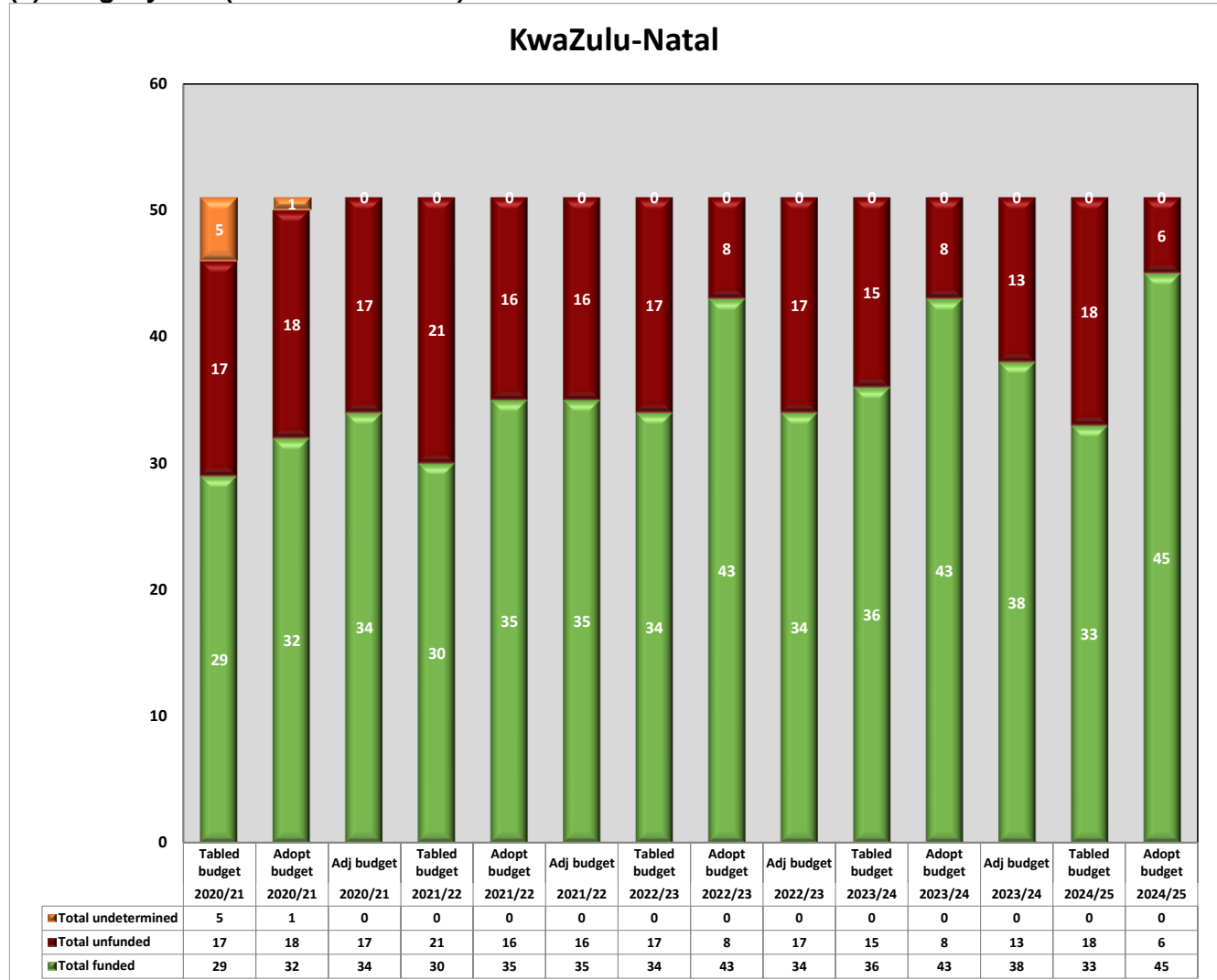


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Figure 7 shows the trend analysis of the funding position of the delegated municipalities over the last five (5) budget years (2020/21 – 2024/25).

**Figure 7: Trend analysis of the funding position of the delegated municipalities over the last five (5) budget years (2020/21 – 2024/25)**



Source: KZN Provincial Treasury



#### **4. CONCLUSION**

Municipalities must take note of the key non-compliance areas, weakness and common errors highlighted by Provincial Treasury from the assessments of the 2024/25 Tabled and Approved Budgets which should be addressed (where applicable) when preparing their 2024/25 Adjustments Budgets and the 2025/26 MTREF Budgets. Furthermore, municipalities that have unfunded 2024/25 Approved Budgets and approved Budget funding plans are required to report on the progress of the implementation of their Budget funding plans to their municipal Councils, National Treasury and Provincial Treasury on a monthly basis.

Yours sincerely

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**Ms. C. Coetzee**  
**Head of Department**  
**KZN Provincial Treasury**

**CC Mr. F. Rodgers – KZN MEC for Finance**  
**Mayors**  
**Ministerial Representatives**