



## 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 06 OF 2025/26 - FINDINGS ON THE 2025/26 MUNICIPAL BUDGET ASSESSMENTS

#### PURPOSE

The purpose of this circular is to:

- Communicate the key findings arising from the assessments of the 2025/26 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 are required to consider and where applicable, address in the preparation of their 2025/26 Adjustments Budgets and the 2026/27 Medium Term Revenue and Expenditure Framework (MTREF) Budgets.

#### BACKGROUND AND DISCUSSION OF BUDGET PROCESSES

##### Background

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*.

The Provincial Treasury assessed the 2025/26 Tabled Budgets of all 51 delegated municipalities in accordance with Section 23(1)(b) of the MFMA and further conducted high level assessments on the 2025/26 Approved Budgets of all 51 delegated municipalities. In terms of Section 18 of the MFMA 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 2025/26 Tabled Budgets as well as the 2025/26 Approved Budgets.

**Tabling of the 2025/26 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 2024/25 on 12 August 2024 reminding municipalities to table the Time schedule of key deadlines for the 2025/26 financial year by 31 August 2024. 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, all the 51 delegated municipalities timeously tabled their Time schedule outlining key deadlines by 31 August 2024 as per the requirements of the MFMA.

All the Time Schedules outlining key deadlines were submitted on timeously and therefore, Provincial Treasury conducted a high-level review of the Time Schedules outlining key deadlines for all 51 delegated municipalities. Findings in respect of compliance and credibility were raised in the Time schedules outlining key deadlines of 30 municipalities as listed in Table 1. The findings were communicated to the municipalities in writing, with the common issues being:

- Some municipalities did not include the bilateral engagements between Provincial Treasury and municipalities in January – March 2025 and/or in April – May 2025 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);
- The dates for the finalisation of the Tariff policies for Property rates and Service charges were not clearly reflected by the municipality;
- There was no indication of the process for the review of the prices for bulk resources by some municipalities;
- The process for the finalisation of the Service Delivery and Budget Implementation Plan (SDBIP) and the date on which the SDBIP will be approved by the Mayor were not clearly indicated;
- The submission of the Tabled (Draft) Budget and all related documents for assessment and comments were not reflected; and
- The 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 were not indicated.



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**Table 1: Municipalities that had compliance and credibility issues in their 2025/26 Time schedules outlining key deadlines**

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	uMdoni	11	iNkosi Langalibalele	21	uPhongolo
2	uMzumbe	12	Alfred Duma	22	AbaQulusi
3	uMzibabantu	13	uThukela DM	23	Nongoma
4	Ray Nkonyeni	14	eNdumeni	24	uMfolozi
5	Ugu DM	15	Nquthu	25	Ndwedwe
6	uMshwathi	16	uMvoti	26	Greater Kokstad
7	uMngeni	17	uMzinyathi DM	27	Johannes Phumanı Phungula
8	Mpofana	18	eMadlangeni	28	Dr. Nkosazana Dlamini Zuma
9	Mkhambathini	19	Dannhauser	29	uMzimkhulu
10	Okhahlamba	20	eDumbe	30	Harry Gwala DM

Source: KZN Provincial Treasury

### **Provincial Treasury support to municipalities on the 2025/26 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 all delegated municipalities with the preparation of their 2025/26 Medium Term Revenue and Expenditure Framework (MTREF) budgets. Provincial Treasury issued Circular PT/MF 07 of 2024/25 dated 13 February 2025 (Preparation, submission, and publication of the 2025/26 MTREF Budget) to municipalities.

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

- Preparation of the 2025/26 MTREF Budgets;
- Format Requirements for the 2025/26 MTREF Budgets;
- Budget Steering Committee (BSC);
- Service Delivery and Budget Implementation Plans (SDBIPs);
- National and Provincial Transfers to municipalities;
- Publication of the 2025/26 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 2025/26 MTREF Budgets.
- Budget funding plans;
- Criteria for the release of the Equitable Share allocation;
- Common findings in prior years for consideration in the 2025/26 MTREF Budget process;



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- Technical Assistance on the 2025/26 MTREF Budgets;
- Engagement with municipalities on the 2025/26 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 2025/26 MTREF Budgets.

Provincial Treasury subsequently issued Circular PT/MF 09 of 2024/25 dated 28 March 2025 (2025/26 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 about the expected documents to be submitted together with the 2025/26 MTREF Budget.

The MFMA Circulars No. 129 and 130 issued by the National Treasury were shared with all delegated municipalities to ensure that 2025/26 MTREF Budgets incorporate the guidelines and information required as per these circulars.

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

Regulation 4(1) of the Municipal Budget and Reporting Regulation (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.

The majority of municipalities reflected fully operational BSCs except the Mpofana Local Municipality and the Harry Gwala District Municipality. Both municipalities indicated that their MANCO and Finance Portfolio Committee are being used for the purpose of guiding and managing the budget process.

**Figure 1: Municipalities with functional BSCs**



Source: KZN Provincial Treasury

**2025/26 TABLED BUDGET ASSESSMENT PROCESS****Tabling of the 2025/26 Annual Budgets**

Section 16(2) of the FMA 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 2025, 50 of the 51 delegated municipalities tabled their 2025/26 Annual Budgets to Council.

The Dannhauser Local Municipality did not table its 2025/26 Annual Budget to Council by 31 March 2025 as required by Section 16(2) of the MFMA. However, in compliance with Section 27(1) of the MFMA and Regulation 60(1) of the MBRR, the municipality submitted a Schedule G application on 28 March 2025 notifying Provincial Treasury of its impending failure to table the 2025/26 Annual Budget in Council by 31 March 2025 as required by Section 16(2) of the MFMA. In the Schedule G application, the municipality indicated its intention to table the 2025/26 Annual Budget to Council on 15 April 2025, citing infighting due to project alignment at the municipality. Accordingly, the MEC for Finance granted an extension to 15 April 2025 in terms of Section 27(2) of the MFMA.

On 15 April 2025, the municipality in compliance with Section 27(1) of the MFMA and Regulation 60(1) of the MBRR once again submitted a Schedule G application notifying Provincial Treasury of its impending failure to table the 2025/26 Annual Budget in Council on 15 April 2025 in terms of the extension granted by the MEC, resulting from political instability at the municipality. Accordingly, the MEC for Finance granted an extension to 30 April 2025 in terms of Section 27(2) of the MFMA.

The municipality failed to table its 2025/26 Annual Budget to Council on the extended date of 30 April 2025 granted by the MEC for Finance and as a result thereof on 02 May 2025, the MEC for Finance issued the municipality with a non-compliance letter in terms of Section 16(2) of the MFMA.

In compliance with Section 27(3) of the MFMA and Regulation 63(1) of the MBRR, the municipality submitted additional Schedule G applications dated 02 May 2025, and 15 May 2025, notifying Provincial Treasury of actual non-compliance with Section 16(2) as a result of political instability at the municipality.

In accordance with Regulation 64(1) of the MBRR, the MEC for Finance noted and accepted that the municipality would rectify the non-compliance by rescheduling the tabling of the 2025/26 Annual Budget to 15 May 2025. While a final extension was granted to 15 May 2025, the municipality remained unable to resolve the infighting due to political instability at the municipality. The MEC for Finance declined the municipality's application dated 15 May 2025, reiterating that the extension granted on 05 May 2025 constituted the final approval and that no further extensions would be considered. The municipality eventually tabled its budget to Council on 23 May 2025.

**Submission of the 2025/26 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 2025 if a municipality tabled on 31 March 2025. 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 2 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 2025/26 Budget Tabled in Council.

The 15 municipalities listed in Table 2 did not submit one or more of their 2025/26 Tabled (Draft) Budget documents or data strings timeously as per the requirement of Section 22(b)(i) of the MFMA and MFMA Circular No. 126. Non-compliance letters were issued to the non-compliant municipalities in this regard.

**Table 2: Municipalities which did not submit one or more of their 2025/26 Tabled Budget documents or data strings**

No.	Name of municipality	Annual Budget tabled in Council	Tabled Budget data string (TABB)	Project Details Tabled Budget data string (PRTA)	Draft SDBIP	Non-financial tables data string (A1D)
1	uMdoni					×
2	uMuziwabantu				×	×
3	Mpofana					×
4	iMpemble				×	
5	Mkhambathini					×
6	Richmond				×	
7	Okhahlamba	×			×	
8	iNkosi Langalibalele	×			×	
9	uThukela DM	×			×	
10	Nquthu	×	×	×	×	×
11	uMvoti				×	
12	Amajuba DM			×		×
13	Maphumulo		×	×	×	×
14	uMzimkhulu	×			×	×
15	Harry Gwala DM	×			×	
Total non-compliant municipalities		6	2	3	11	8

Source: KZN Provincial Treasury

The municipalities were allowed to submit outstanding data strings or resubmit data strings with errors for the 2025/26 Tabled Budget to the National Treasury GoMuni Upload Portal up until 15 April 2025 after which, the database was closed for submission. As at 15 April 2025, all the municipalities had submitted their Tabled Budget data string, non-financial data string for the Tabled Budget and the Project Details Tabled Budget data string, as well as the Annual Budget tabled in Council. With the exception of the uMuziwabantu Local Municipality, all municipalities listed in Table 2 subsequently submitted their Draft SDBIPs.

**Placement of 2025/26 Tabled (Draft) 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.*



All delegated municipalities with the exception of the uMzumbe Local Municipality, uploaded their Draft 2025/26 Annual Budget to their municipal websites within five days of tabling the budgets to Council. A non-compliance letter was issued to the uMzumbe Local Municipality in this regard. Subsequently, the municipality uploaded their 2025/26 Tabled (Draft) Budget to their website.

### **Outcomes of the 2025/26 Tabled Budgets Assessments**

Upon receipt of the 2025/26 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 6.9 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' Tabled budgets assessed, Provincial Treasury determined that 35 Tabled Budgets were funded, while 16 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 2025/26 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 2024/25. 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 issues raised by Provincial Treasury in the assessments of the delegated municipalities' 2025/26 Tabled Budgets.

Provincial Treasury's findings on the 2025/26 Tabled Budget assessments were presented at the bi-lateral engagements which covered the legislative compliance of the processes relating to the preparation of the 2025/26 Tabled Budget to the tabling of the 2025/26 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.

The bi-lateral engagements covered strategic service delivery issues relating to water, electricity and refuse removal services. At the bi-lateral engagements, municipalities confirmed the level of integration of their budgets have 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 2025/26 Tabled Budget was also discussed, given that the budget serves an enabler of service delivery.



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With the exception of the Dannhauser Local Municipality which only tabled their 2025/26 Annual Budget to Council on 23 May 2025, bi-lateral engagements were held with all delegated municipalities during the period from 23 April 2025 to 19 May 2025. Table 3 provides a list of all engagement dates per municipality.

**Table 3: The bi-lateral engagements held with delegated municipalities on their 2025/26 Tabled Budget assessments**

No	Name of Municipality	Dates of Bi-lateral engagements	No	Name of Municipality	Dates of Bi-lateral engagements
1	uMdoni	06-May-25	26	uPhongolo	02-May-25
2	uMzumbe	16-May-25	27	AbaQulusi	16-May-25
3	uMuziwabantu	08-May-25	28	Nongoma	15-May-25
4	Ray Nkonyeni	14-May-25	29	Ulundi	16-May-25
5	Ugu DM	06-May-25	30	Zululand DM	12-May-25
6	uMshwathi	07-May-25	31	uMhlabuyalingana	08-May-25
7	uMngeni	15-May-25	32	Jozini	25-Apr-25
8	Mpofana	09-May-25	33	Inkosi uMtubatuba	08-May-25
9	iMpemble	08-May-25	34	Big Five Hlabisa	09-May-25
10	Mkhambathini	13-Mar-25	35	uMkhanyakude DM	07-May-25
11	Richmond	05-May-25	36	uMfolozi	15-May-25
12	uMgungundlovu DM	07-May-25	37	uMlalazi	05-May-25
13	Okhahlamba	09-May-25	38	Mthonjaneni	06-May-25
14	iNkosi Langalibalele	23-Apr-25	39	Nkandla	12-May-25
15	Alfred Duma	08-May-25	40	King Cetshwayo DM	15-May-25
16	uThukela DM	25-Apr-25	41	Mandeni	19-May-25
17	eNdumeni	05-May-25	42	KwaDukuza	15-May-25
18	Nquthu	14-May-25	43	Ndwedwe	15-May-25
19	uMsinga	12-May-25	44	Maphumulo	30-Apr-25
20	uMvoti	09-May-25	45	iLembe DM	15-May-25
21	uMzinyathi DM	09-May-25	46	Greater Kokstad	15-May-25
22	Newcastle	08-May-25	47	Johannes Phumani Phungula	12-May-25
23	eMadlangeni	06-May-25	48	uMzimkhulu	13-May-25
24	Amajuba DM	13-May-25	49	Dr. Nkosazana Dlamini Zuma	29-Apr-25
25	eDumbe	08-May-25	50	Harry Gwala DM	12-May-25

Source: KZN Provincial Treasury

### Key findings on the 2025/26 Tabled Budgets Assessments

The following were the key findings emanating from Provincial Treasury's assessment of the 2025/26 Tabled Budgets:

#### • Compliance with MBRR and other legislations

There has been an improvement in the submission of budget documents as the delegated municipalities complied with Section 22(b)(i) of the MFMA. However, 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 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 was 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 could not, 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 the 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 07 of 2024/25 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 2024/25 Adjusted Budget figures did not reconcile to the approved Schedule B Adjustments budget figures; and
- Differences were noted between the figures quoted in the Budget narrative report and the data strings of Schedule A1.

Some municipalities did not adequately substantiate their budget assumptions, and in some cases, no assumptions were provided for certain line items. This limited Provincial Treasury's ability to conduct a comprehensive analysis. Given the insufficient level of detail in the budget documentation, Provincial Treasury engaged municipalities extensively during the bilateral sessions to interrogate the underlying budget assumptions. Municipalities were strongly encouraged to enhance the disclosure and clarity of information when preparing their Final Budgets to ensure improved transparency and credibility.

- **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 2025/26 MTREF. These municipalities were alerted to the fact that continued *Operating deficits* may result in the depletion 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 trading deficit, despite the advice contained in the MFMA Circular No. 70 that tariffs set by municipalities should be cost reflective. It is also of great concern that some of these municipalities did not provide any strategies 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, some municipalities budgets that were assessed as unfunded.

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 to the 2025/26 MTREF. Furthermore, many municipalities neither accurately completed the Full Year Forecast column in the budget, nor provided Provincial Treasury with their workings for the 2024/25 Closing *Cash and cash equivalents* balance and as a result, Provincial Treasury could not ascertain the reasonableness of the 2025/26 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 2024/25 Adjustments Budget and the budget assumptions for revenue and expenditure provided for the 2025/26 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 2025/26 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 2025/26 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* 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 in their budget narratives reports which were in excess of the projected Consumer Price Index (CPI) inflation rates as required by MFMA Circular No. 129.



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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 bulk 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 norm 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*.

- **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 60 percent of the *Capital expenditure* budget for the *Renewal and Upgrading of existing assets* as per MFMA Circular No. 130. Furthermore, the budgets for *Repairs and maintenance* were in some cases unrealistic or questionable and the *Asset register summary – PPE (WDV)* values of *Asset Management* 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.



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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 2025/26 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 and the relevant Provincial Treasury.

Municipalities were requested to include Provincial Treasury's 2025/26 Tabled Budget assessment feedback reports with their 2025/26 Annual Budget documents when tabling to Council for approval. Municipalities were further required to include the Council's comments in the Council minutes and resolutions to confirm the Provincial Treasury's 2025/26 Tabled Budget assessment feedback reports were indeed included with the municipalities' 2025/26 Annual Budget documents. Table 4 below lists the 34 municipalities that submitted Council resolutions indicating compliance with Section 23(1)(b).

In the high-level assessment feedback on the 2025/26 Approved Budgets, Provincial Treasury noted that the Council resolutions submitted by the remaining 17 municipalities did not provide evidence confirming that Provincial Treasury's comments were formally tabled before Council, as requested in the Tabled Budget assessment feedback.

**Table 4: Municipalities that tabled Provincial Treasury findings on the 2025/26 Tabled Budgets to Council**

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	uMdoni	13	uThukela DM	25	uMkhanyakude DM
2	uMzumbe	14	uMzinyathi DM	26	Mthonjaneni
3	uMziwabantu	15	Newcastle	27	King Cetshwayo DM
4	Ray Nkonyeni	16	eMadlangeni	28	Mandeni
5	Ugu DM	17	eDumbe	29	Ndwedwe
6	uMngeni	18	AbaQulusi	30	iLembe DM
7	Mkhambathini	19	Nongoma	31	Greater Kokstad
8	Richmond	20	Ulundi	32	uMzimkhulu
9	uMgungundlovu DM	21	Zululand DM	33	Dr. Nkosazana Dlamini Zuma
10	Okhahlamba	22	uMhlabuyalingana	34	Harry Gwala DM
11	iNkosi Langalibalele	23	Jozini		
12	Alfred Duma	24	Big Five Hlabisa		

Source: KZN Provincial Treasury

### Analysis of the 2025/26 Tabled Budget data string (TABB)

An analysis of the 2025/26 Tabled Budgets data string (TABB) was conducted and feedback were provided to all delegated municipalities. It was noted that 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.

## 2025/26 APPROVED BUDGET ASSESSMENT PROCESS

### Approval of the 2025/26 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 2025/26 Annual Budgets for approval by 31 May 2025 in compliance with Section 24(1) of the MFMA with the exception of the eNdumeni and Nongoma Local Municipalities.

In complying with Section 27(1) of the MFMA and Regulation 60(1) of the MBRR, the eNdumeni Local Municipality submitted a Schedule G application dated 30 May 2025, notifying Provincial Treasury of the impending non-compliance with the requirement in Section 24(1) of the MFMA to consider the approval of the 2025/26 Annual Budget in Council by 31 May 2025. The Schedule G application was approved by the MEC for Finance on 30 May 2025. In line with Section 25(1) of the MFMA, the Council reconsidered the Annual Budget within seven days of the Council meetings that failed to approve the budget, until the 2025/26 Annual Budget was ultimately approved by the Council.

In compliance with Section 27(1) of the MFMA and Regulation 60(1) of the MBRR, the Nongoma Local Municipality submitted a Schedule G application on 30 May 2025 notifying Provincial Treasury of its impending non-compliance with the requirements of Section 24(1) to consider the approval of the 2025/26 Annual Budget by Council by 31 May 2025. In the Schedule G application, the municipality indicated its intention to consider the approval of the 2025/26 Annual Budget by Council on 06 June 2025, citing the lack of a quorum resulting from political instability. Accordingly, the MEC for Finance granted an extension to 06 June 2025 in terms of Section 27(2) of the MFMA.

Furthermore, in compliance with Section 27(3) of the MFMA and Regulation 63(1) of the MBRR, the municipality submitted additional Schedule G applications dated 06 June 2025, 13 June 2025, and 20 June 2025, notifying Provincial Treasury of actual non-compliance with Section 24(1) due to the continued lack of a quorum arising from political instability.

In accordance with Regulation 64(1) of the MBRR, the MEC for Finance noted and accepted that the municipality would rectify the non-compliance by rescheduling the approval of the 2025/26 Annual Budget to 13 June 2025 and subsequently to 20 June 2025. While extensions were granted to 06 June 2025, 13 June 2025, and 20 June 2025, the municipality remained unable to secure a quorum, and consequently the 2025/26 Annual Budget could only be approved on 26 June 2025.

The eNdumeni and Nongoma Local Municipalities subsequently approved their 2025/26 Annual Budgets on 24 and 26 June 2025 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*.



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### Submission of the 2025/26 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 Original 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 iMpindle Local Municipality did not submit their non-financial data string for the Approved Budget (A1F), whilst the Nquthu Local Municipality did not submit their 2025/26 Annual Budget approved in Council, Original Budget data string (ORGB), IDP Project details data string (PROR) and the non-financial data string for the Approved Budget (A1F). Non-compliance letters were sent to the affected municipalities in this regard. Municipalities were allowed to submit outstanding data strings for the 2025/26 Approved Budget to the National Treasury GoMuni Upload Portal up until 14 July 2025, whereafter the database was closed for submission. The iMpindle and Nquthu Local Municipalities submitted the outstanding data strings by the 14 July 2025.

### Outcomes of the High-Level Assessment of the Approved 2025/26 Budgets

Provincial Treasury conducted a high-level assessment of the 2025/26 Approved Budgets of all 51 delegated municipalities to determine their respective funding positions. The assessment also sought to establish the extent to which municipalities considered and incorporated the comments and recommendations issued by Provincial Treasury on their 2025/26 Tabled Budgets into their 2025/26 Approved Budgets.

For the 2025/26 Tabled Annual budget, only 35 Tabled (Draft) Budgets were assessed as Funded by Provincial Treasury and 16 were assessed as Unfunded. However, through continuous engagement and targeted support provided by Provincial Treasury, the funding positions of municipalities improved significantly. As a result, 46 municipalities adopted Funded 2025/26 Approved Budgets, with only five (5) municipalities remaining with Unfunded 2025/26 Approved Budgets.

**Table 5: Municipalities with unfunded 2025/26 Approved Budgets**

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

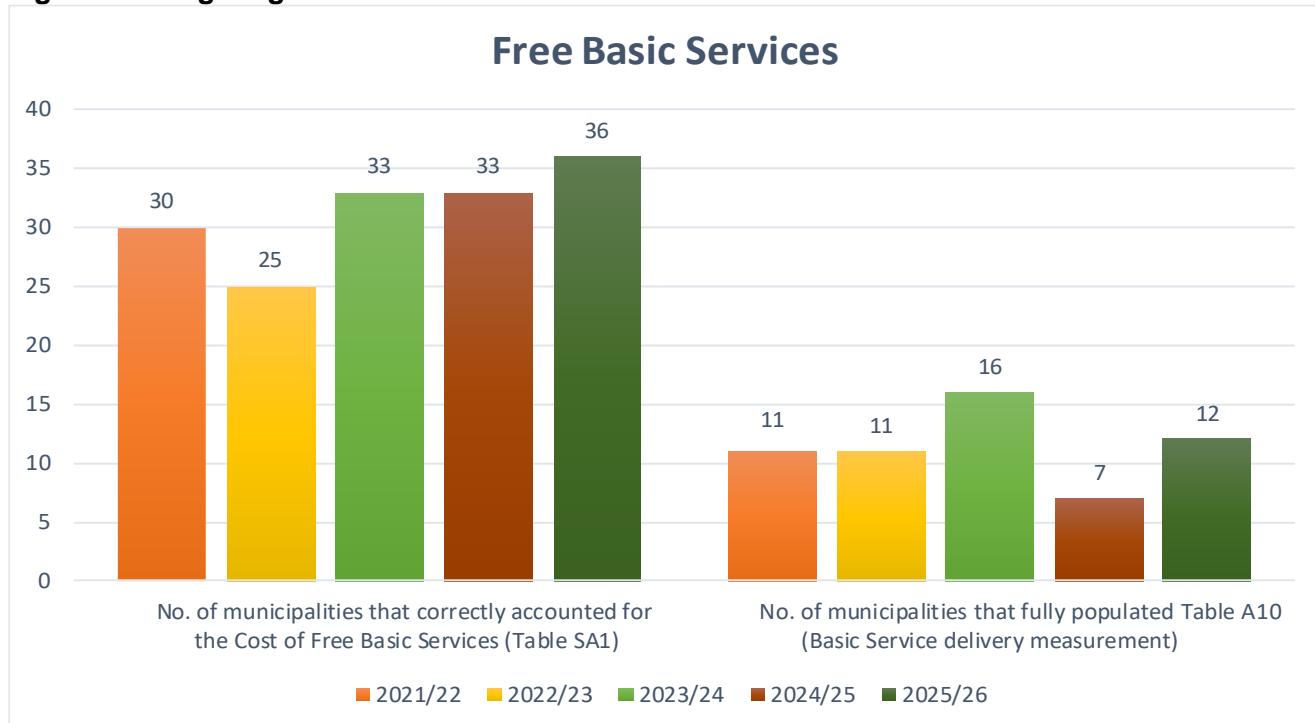
Source: KZN Provincial Treasury

### Key findings of the 2025/26 Approved Budgets

The following key findings are based on the 2025/26 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 36 out of 51 municipalities (70.6 percent) correctly accounted for the cost of free basic services in Table SA1: *Supporting detail to Budgeted Financial Performance* of Schedule A1. The remaining 15 (29.4 percent) municipalities failed to correctly account for cost of free basic services.

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

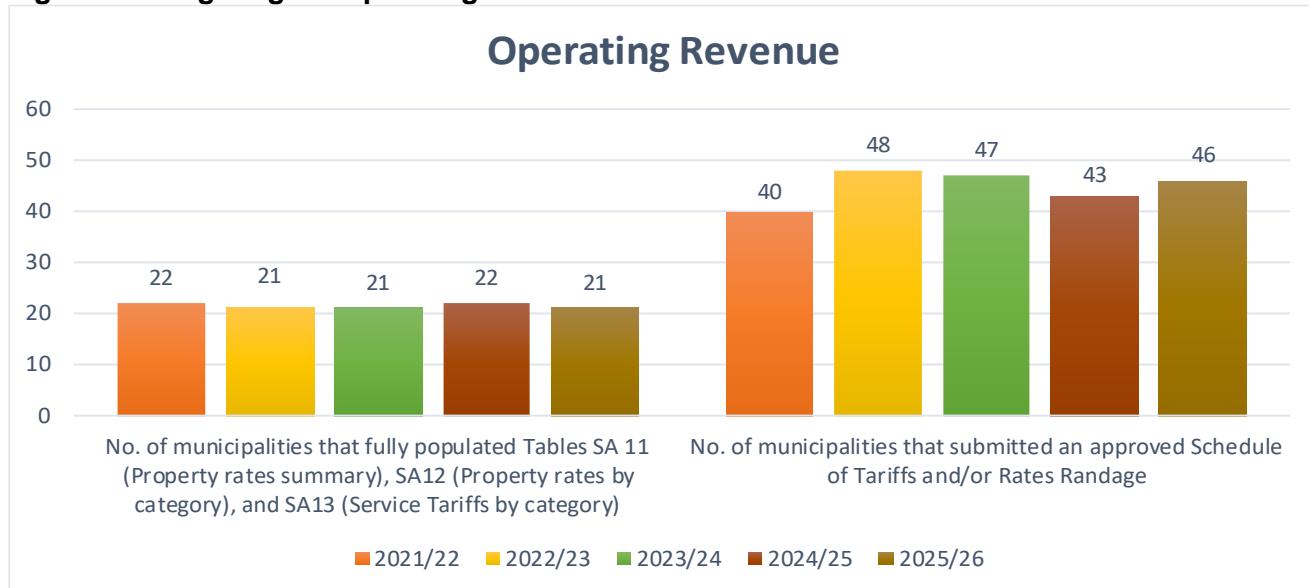
Source: KZN Provincial Treasury

A number of municipalities did not fully populate Table A10: *Basic service delivery measurement*. Figures 2 illustrates that only 12 municipalities (23.5 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 their 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 all delegated municipalities. Municipalities were encouraged to consider the basic services component of the Equitable share allocation when budgeting for *Free basic services* during the 2025/26 Tabled Budget engagements.

- **Operating revenue**

Provincial Treasury remains concerned about the limited level of details contained in municipal budget documentation. A number of municipalities did not fully complete all the supporting tables in Schedule A1. Figure 3 illustrates only 21 municipalities (41.2 percent) fully completed Table SA11, Table SA12 and Table SA13 in the 2025/26 budget cycles. These tables are crucial in determining the credibility of the budget for *Property rates* and *Service charges*.

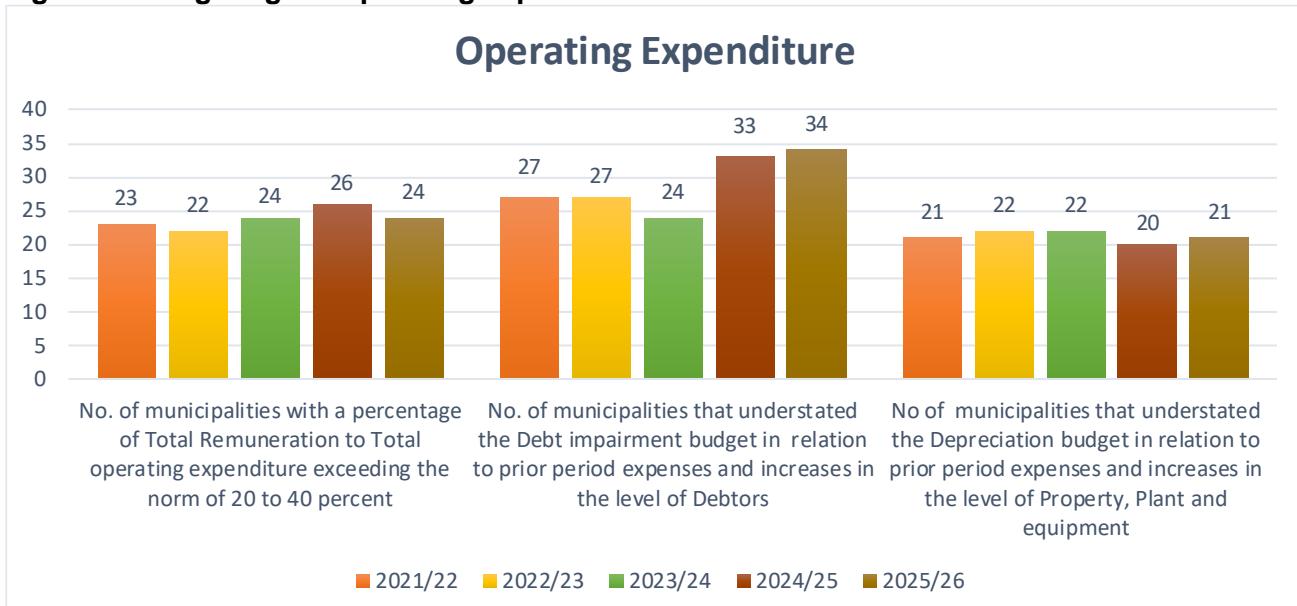
**Figure 3: Budgeting for Operating revenue**

Source: KZN Provincial Treasury

There are still some municipalities that did not submit their approved schedule of tariffs and /or rates randages. There are 46 municipalities (90.2 percent) as depicted in Figure 3 that submitted their approved schedule of tariffs and/ or rates randages in the 2025/26 budget cycles. 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.

- **Operating expenditure**

The percentage of total Remuneration to total *Operating expenditure* exceeded the norm range for a number of municipalities in the 2025/26 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 more than 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 2025/26 Approved Budgets, at least 24 municipalities (47.1 percent) are above the norm as illustrated in Figure 4.

**Figure 4: Budgeting for Operating expenditure**

Source: KZN Provincial Treasury

Municipalities are still understating the budget for non-cash expenditure. Figure 4 illustrates that at least 34 municipalities (66.7 percent) understated the budget for *Debt impairment*. Furthermore, 21 municipalities (41.2 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.

#### • Asset management

Figure 5 illustrates an increasing trend in municipalities fully populating Table SA36 in the 2025/26 Approved Budget. Forty-five (45) municipalities (88.2 percent) fully completed Table SA36 which requires the following information:

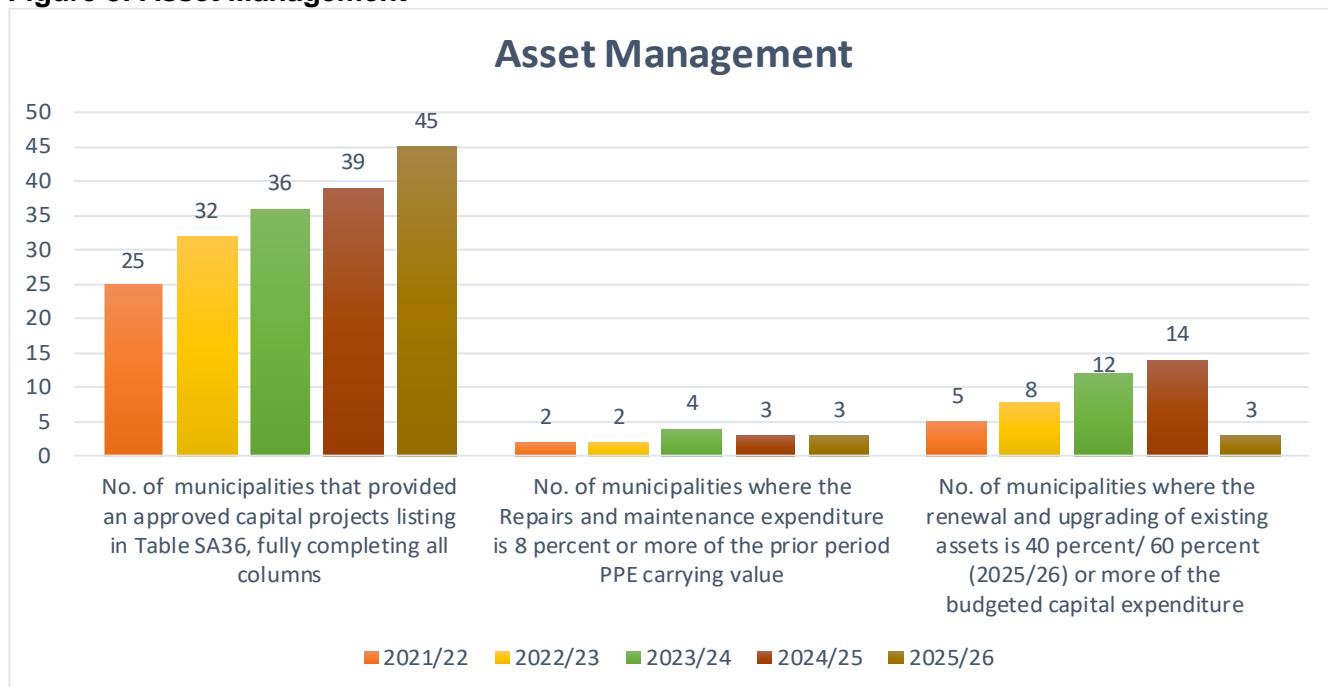
- Description of the projects.
- Asset classifications.
- GPS co-ordinates.
- The relevant wards.
- Whether the project is a new or renewal of an asset; and
- The estimated rand value.

The information in Table SA36 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*



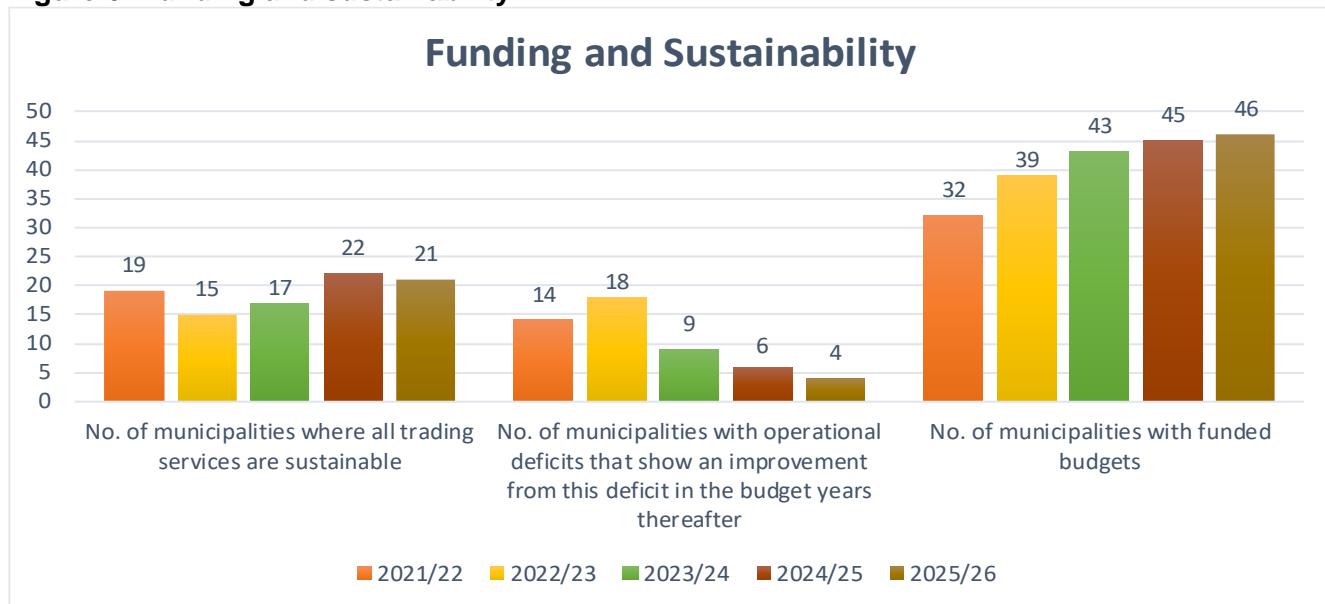
*Equipment (PPE) value towards Repairs and maintenance and at least 60 percent of the Capital budget towards the Renewal and Upgrading of existing assets.* It was however noted with concern that municipalities are still not adequately budgeting for the Repairs and maintenance of assets and/or for the Renewal and Upgrading of existing assets. As per the assessment of the 2025/26 Approved Budgets, and as shown in Figure 5 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 three (3) municipalities (5.9 percent) allocated 60 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 21 municipalities (41.2 percent) are in a position where all of their trading services are sustainable. The remaining 30 municipalities (58.8 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.

**Figure 6: Funding and sustainability**

Source: KZN Provincial Treasury

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 four (4) municipalities (7.8 percent) that budgeted for Operational deficits for the 2025/26 budget year.

Forty-six (46) of the 51 delegated municipalities (90.2 percent) approved funded budgets for the 2025/26 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 2025/26 MTREF which has negative impact on the future cash flows;
- 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



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- 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.

In compliance with MFMA Circular No. 89 and subsequent MFMA Municipal Budget Circulars, the five (5) municipalities with unfunded budgets revised their Budget funding plans, which were approved by their respective municipal Councils indicating how and by when the MTREF budgets of the municipalities will be funded. Following the Provincial Treasury's assessment of the submitted Budget funding plans, it was noted with concern that only three (3) of the municipalities had prepared credible and compliant plans. The remaining two (2) municipalities were therefore requested to revise their Budget Funding Plans and re-table the updated plans for Council consideration. Table 6 reflects the municipalities with unfunded 2025/26 Approved Budgets.

**Table 6: Municipalities with unfunded 2025/26 Approved Budgets**

No	Name of Municipality	Approved Budget Funded Position	Budget Funding Plan approved by Council and submitted to PT	PT/Assessment of Credibility of Budget Funding Plan	Council approval of reviewed Budget Funding Plan required
1	Mpofana	Unfunded	Yes	No	Yes
2	uThukela DM	Unfunded	Yes	No	Yes
3	Ulundi	Unfunded	Yes	Yes	N/A
4	eNdumeni	Unfunded	Yes	Yes	N/A
5	eMandlangeni	Unfunded	Yes	Yes	N/A

Source: KZN Provincial Treasury

### Summary of 2025/26 Annual Budget Assessment

Table 7 shows a summary of the statistics for both the 2025/26 Tabled and the Approved Budgets.

**Table 7: Summary of the statistics for the 2025/26 Tabled and Approved Budgets**

	No. of Budgets	Name of Non-compliant municipalities
<b>2025/26 Tabled Budgets</b>		
Budgets tabled late (after 31 March 2025)	1	Dannhauser
Budgets received (PDF copies and mSCOA data strings)	51	
Budgets Assessed	51	
Budgets Tabled in correct formats	51	
Funded Budgets	35	
Unfunded Budgets	16	Mpofana LM, iMpendle LM, iNkosi Langalibalele LM, uThukela DM, eNdumeni LM, Nquthu LM, uMvoti LM, uMzinyathi DM, Newcastle LM, eMadlangeni LM, eDumbe LM, AbaQulusi LM, Ulundi LM, Zululand DM, Jozini LM and Dr Nkosazana Dlamini Zuma LM
<b>2025/26 Approved Budgets</b>		
Budgets not considered for Approval by 31 May 2025	2	eNdumeni LM and Nongoma 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	46	
Unfunded Budgets	5	Mpofana LM, uThukela DM, eNdumeni LM, eMadlangeni LM and Ulundi LM

Source: KZN Provincial Treasury



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Table 8 shows the funding position of each delegated municipality's 2025/26 Tabled Budget and 2024/25 Approved Budget as per Provincial Treasury's assessments. The table shows that initially there were 36 Tabled Budgets that were funded and 16 were unfunded. However, through further engagements and ongoing support to municipalities by Provincial Treasury, the funding position of the Approved Budgets improved to 46 municipalities with funded Approved Budgets and five (5) municipalities with unfunded Approved Budgets.



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**Table 8: Funding Position of 2025/26 Tabled and Approved Budgets**

No	Name of Municipality	2025/26 Tabled Budget	2025/26 Approved Budget	Improved / Regressed / No Change
1	uMdoni	Funded	Funded	
2	uMzumbe	Funded	Funded	
3	uMziwabantu	Funded	Funded	
4	Ray Nkoneyi	Funded	Funded	
5	Ugu DM	Funded	Funded	
6	uMshwathi	Funded	Funded	
7	uMngeni	Funded	Funded	
8	Mpfana	Unfunded	Unfunded	No change
9	iMpemble	Unfunded	Funded	Improved
10	Mkhambathini	Funded	Funded	
11	Richmond	Funded	Funded	
12	uMgungundlovu DM	Funded	Funded	
13	Okhahlamba	Funded	Funded	
14	iNkosi Langalibalele	Unfunded	Funded	Improved
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	Unfunded	Funded	Improved
21	uMzinyathi DM	Unfunded	Funded	Improved
22	Newcastle	Unfunded	Funded	Improved
23	eMadlangeni	Unfunded	Unfunded	No change
24	Dannhauser	Funded	Funded	
25	Amajuba DM	Funded	Funded	
26	eDumbe	Unfunded	Funded	Improved
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	Unfunded	Funded	Improved
34	Inkosi uMtubatuba	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	Funded	Funded	
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	Funded	Funded	
47	Greater Kokstad	Funded	Funded	
48	Johannes Phumanzi Phungula	Funded	Funded	
49	uMzimkhulu	Funded	Funded	
50	Dr. Nkosazana Dlamini Zuma	Unfunded	Funded	
51	Harry Gwala DM	Funded	Funded	Improved

Source: KZN Provincial Treasury

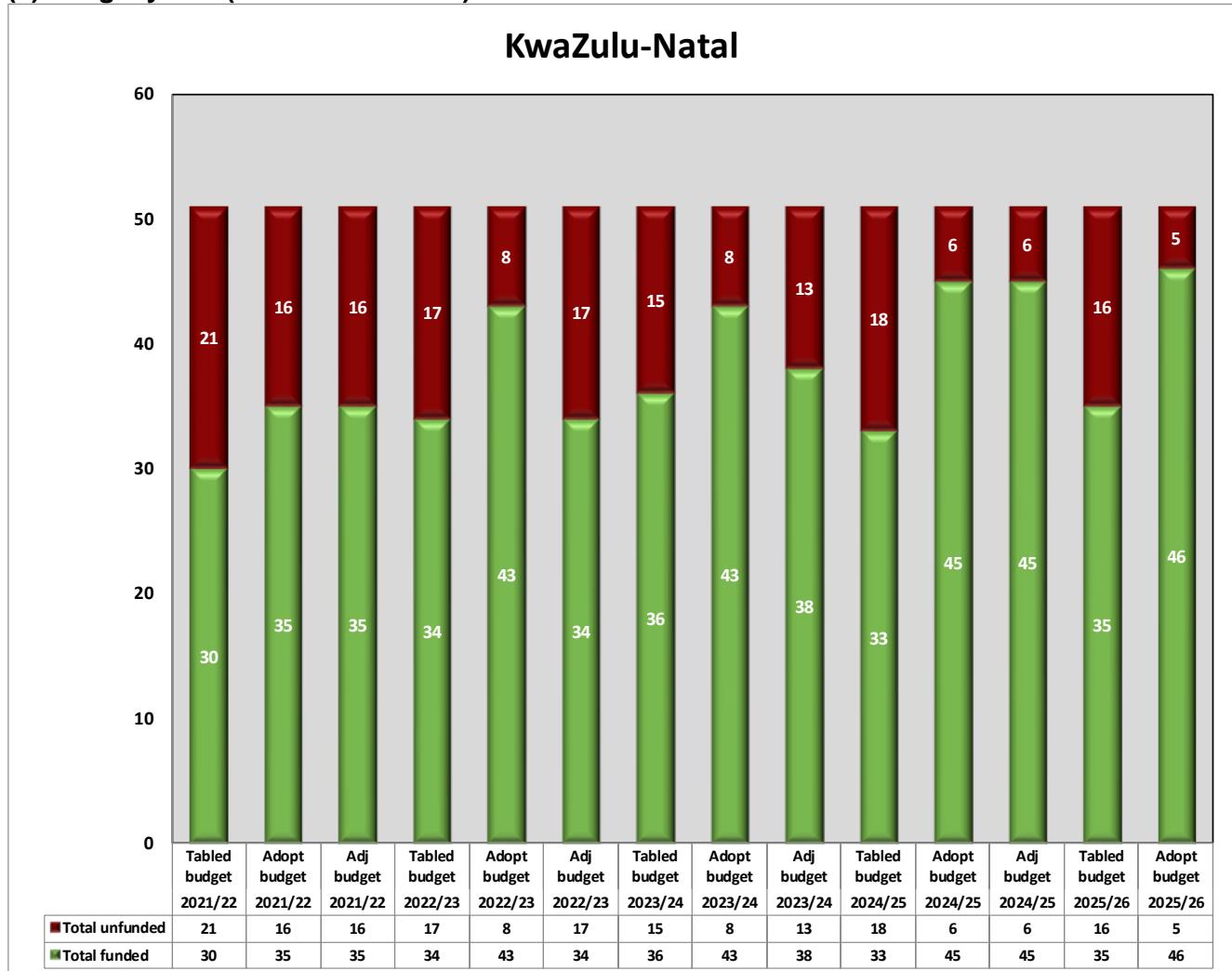


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Figure 7 shows the trend analysis of the funding position of the delegated municipalities over the last five (5) budget years (2021/22 – 2025/26).

**Figure 7: Trend analysis of the funding position of the delegated municipalities over the last five (5) budget years (2021/22 – 2025/26)**



Source: KZN Provincial Treasury



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### CONCLUSION

Municipalities are required to note the key non-compliance areas, weaknesses and common errors identified by Provincial Treasury from the assessments of the 2025/26 Tabled and Approved Budgets. Where applicable, these matters must be addressed during the preparation of the 2025/26 Adjustments Budget and the 2026/27 MTREF Budget.

In addition, municipalities with unfunded 2025/26 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. Furthermore, as part of the Provincial Recovery Plan, these municipalities must submit quarterly progress reports on the unfunded budget action plans to the Provincial Treasury within ten (10) working days after the end of each quarter.

Yours sincerely

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

**CC**

- Mayors**
- Deputy Mayors**
- Speakers**
- Ministerial Representatives**
- Mr. F. A. Rodgers – KZN MEC for Finance**
- Mr. J. Hattingh – National Treasury**
- Mr. W. McComans – National Treasury**
- Ms. N. Mkhize – Auditor General**