

“ The City of Heritage ”



MUNICIPAL ADJUSTMENTS BUDGET

2025/2026

ULUNDI MUNICIPALITY

BUDGET ADJUSTMENT FOR THE FINANCIAL YEAR 2025/2026

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MAYOR'S REPORT

TABLING OF BUDGET ADJUSTMENT FOR 2025/26

**BY HIS WORSHIP THE MAYOR OF ULUNDI, CLLR W.M NTSHANGASE AT THE COUNCIL CHAMBER OF
THE ULUNDI MUNICIPAL COUNCIL ON 24 FEBRUARY 2026**

MAYORAL REPORT ON ADJUSTMENT BUDGET

Honourable Speaker, Chief Whip, Deputy Mayor, Chairperson of the MPAC, Honourable Councillors, Municipal Manager, Municipal Executive Directors, Senior Managers and Officials I greet you all.

Honourable Speaker it is my pleasure again to table in this house an Adjusted Budget for 2025/2026 financial year as informed by section 28 of the MFMA.

Honourable Speaker and colleagues it must be remembered that recently this house mandated the Accounting Officer to prepare this document as informed the Mid-year Budget and Performance Assessment report that was tabled on the 22th of January 2025.

Therefore, Honourable Speaker and colleagues, in terms of MFMA section number 28

1. A municipality may revise an approved annual budget through an adjustments budget.

2. An adjustment budget–

- a. Must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
- b. May appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
- c. May, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
- d. May authorise the utilisation of projected savings in one vote towards spending under another vote;
- e. May authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;
- f. May correct any errors in the annual budget; and
- g. May provide for any other expenditure within a prescribed framework.

3. An adjustments budget must be in a prescribed format.

I must also share my words of despondency that once again Treasurer has once again reduced drastically Municipal Infrastructure Grant. This elevates the level of poverty when it comes to infrastructure developments in our communities. It affects us all both rural and urban areas.

Honourable Speaker and colleagues, the following are some of the items affected by Adjusted Budget for the 2025/2026 financial year:

Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 24/02/2026

Description	Original Budget	Adjustment	Adjusted Budget	Comments
	A		H	
R thousands				
<u>Revenue By Source</u>				
Property rates	149 885	5 000	154 885	The expectation comes from the initiative taken by the municipality of disconnecting electricity if the resident owes more than a certain amount.
Service charges - electricity revenue	110 480	–	110 480	No adjustment made.
Service charges - refuse revenue	12 114	–	12 114	
		–		
Rental of facilities and equipment	2 205		2 205	No adjustment made.
Interest earned - external investments	2 192		2 192	No adjustment made.

Interest earned - outstanding debtors	1 025		1 025	No adjustment made.
Interest	3 254	4 000	7 254	Budget has been adjusted upwards by R4 000 000.00 due to more interest earned from outstanding debtors
Fines, penalties and forfeits	600		600	No adjustment made.
Licences and permits	–			
Agency services	2500		2500	No adjustment made..
Transfers and subsidies	222 682	30 745	253 427	The municipality received an additional funding of R745 000.00 from arts and culture and also R30 000 000.00 from disaster.
Other revenue	189		189	No adjustment made.
Total Revenue (excluding capital)				
<u>Expenditure By Type</u>				
Employee related costs	190 207	–	190 207	No adjustment made..
Remuneration of councillors	18 358	750	19 108	Adjusted upwards due to the implementation of ministerial determination.
Depreciation & asset impairment	74 391	-15 000	59 391	Adjusted downwards due to depreciation from audited AFS.
Bulk purchases - electricity	170 966		170 966	No adjustment made.
Inventory consumed	6 348	864	7 212	The increase adjustment means more inventory will be procured and kept in time rather than purchasing when needed
Contracted services	45 979	78 155	124 134	The upward increase is due to R30 000 000.00 disaster grant the municipality received and the other

				portion relates to repairs and maintenance that emanated from natural disasters.
Transfers and subsidies				
Other expenditure	43 669	-1 061	42 608	The municipality is implementing cost containment measures.

With those words I wish to thank you all, and GOD bless you!!!

2. COUNCIL RESOLUTION(S)

3. EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically, and equitably to all communities.

The municipality's business and service delivery priorities were received as part of this year's planning and budget process. Where appropriate, funds were transferred from low to high priority programmes to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core and 'nice to have' items. The municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers.

The budget/IDP process occurred according to the budget timetable approved by Council in August 2024. This ensured compliance with the MFMA and subsequent circulars in the preparation and approval of the multi-year budget/IDP. The Municipal Budget and reporting Regulations (MBRR) was also prepared taking cognizance of the contents of the Municipal Finance Management Act No 56 of 2003, Circular No 05 of 2025/26.

The main challenges experienced during 2025/2026 Mid – Year Budget and Performance assessment can be summarized as follows:

- Schedule B to agree with Cashflow (Data Strings) .
- High levels of indigency within households responsible for municipal services due to unemployment
- Non collection of electricity due to electricity losses.
 - The municipality is also having challenges with paying off Eskom Invoice is it fall due.
 - The municipality is under debt review and compliance status is at 78%, moreover the municipality has received debt write off of R 47Million

The Municipality encountered challenges of balancing the Data strings and B-schedule.

The Municipality also encountered challenges because it has an unfunded budget due to natural disasters the municipality had to increase their expenditure in order to assist the community.

Below is a table showing a consolidated overview of the adjustment budget for 2025/2026:

No	Description	Original Budget R	Adjustment(s) R	Final/Adjusted Budget R
1.	Operating Revenue	508 183 000	87 206 000	595 389 000
2.	Operating Expenditure	580 064 000	70 803	650 867 000
3.	Capital Expenditure	44 593 000		44 593 000
4.	Surplus/(Deficit)	-27 288 000	16 403 000	-10 885 000

4. ADJUSTMENTS BUDGET TABLES

5. ADJUSTMENTS TO BUDGET ASSUMPTIONS

5.1 Given the constraints on the revenue side, the Council took very tough decisions on the expenditure side. Priority was given to:

- Protecting the poor from the worst impacts of the economic downturn;
- Supporting meaningful local economic development (LED) initiatives that foster micro and small business opportunities and job creation;
- Securing the health of the asset base (especially the Council's revenue generating assets) by increasing spending on repairs and maintenance on gravel roads across all 24 wards ; and
- Expediting spending on capital projects that are funded by conditional grants.

5.2 In preparing the adjustments budget, the following priorities were considered:

- Deliver more and better services in a caring and efficient manner;
- Hold political office bearers and public servants accountable;
- Shift resources to new priorities;
- Move from debate to effective implementation and decisive action; and
- Work in partnership with communities, labour and businesses to achieve our shared objectives.

5.3 The following budget assumptions have a major influence on the budget adjustment:

- It will take some time for the economic upturn to flow through to increase municipal revenues and better cash flows.
- The revenue stream of this municipality may be under pressure for the next quarter of 2026.
- Also, the high cost of moving waste to the regional dump site.

5.4 The following cashflow budget assumptions:

Description	Ref	Budget Year 2024/25									Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unfore.	Nat. or Prov.	Other	Total	Adjusted	Adjusted	Adjusted
		Budget	Adjusted	Funds	capital	Unavoid.	Govt	Adjusts.	Adjusts.	Budget	Budget	Budget
R thousands		3	4	5	6	7	8	9	10	+1 2025/26	+2 2026/27	
		A	A1	B	C	D	E	F	G	H		
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates		110 972	-					-	-	110 972	122 275	127 736
Service charges		123 259	-					118	118	123 377	131 338	137 380
Other revenue		30 490	-					32 377	32 377	62 867	13 810	14 619
Transfers and Subsidies - Operational	1	229 133	-					42 394	42 394	271 527	224 863	213 625
Transfers and Subsidies - Capital	1	35 780	-					-	-	35 780	37 390	40 386
Interest		-	-					5 217	5 217	5 217	5 733	6 280
Dividends		-	-					-	-	-	-	-
Payments												
Suppliers and employees		(477 768)	-					(80 787)	(80 787)	(558 556)	(494 274)	(495 113)
Finance charges		(1 200)	-					(6 000)	(6 000)	(7 200)	(1 200)	(1 300)
Transfers and Subsidies	1	-	-					-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		50 665	-	-	-	-	-	(6 681)	(6 681)	43 984	39 934	43 613
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE		-	-					-	-	-	-	-
Decrease (increase) in non-current receivables		-	-					-	-	-	-	-
Decrease (increase) in non-current investments		-	-					-	-	-	-	-
Payments												
Capital assets		(52 285)	-					4 848	4 848	(47 437)	(26 352)	(27 564)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(52 285)	-	-	-	-	-	4 848	4 848	(47 437)	(26 352)	(27 564)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans		-	-					-	-	-	-	-
Borrowing long term/refinancing		-	-					-	-	-	-	-
Increase (decrease) in consumer deposits		-	-					-	-	-	-	-
Payments												
Repayment of borrowing		-	-					-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		(1 620)	-	-	-	-	-	(1 832)	(1 832)	(3 452)	13 582	16 049
Cash/cash equivalents at the year begin:	2	8 557	-					(3 684)	(3 684)	4 872	1 420	15 002
Cash/cash equivalents at the year end:	2	6 937	-					(5 517)	(5 517)	1 420	15 002	31 051

- When preparing our original budget an incorrect accounting entry was made which included an amount of R0M in our A4 table.
- Rectifying this, the municipality had to adjust the figure and include it in our B7 table.
- To date the municipality has received R23M, anticipating an amount of R7M for the remaining months.

6. ADJUSTMENTS TO BUDGET FUNDING

6.1 Below follows an explanation as to how the adjustment budget is funded:

No	Description	Amount 'R
1.	Property rates	154 885 000.00
2.	Service Charges – Electricity revenue	110 480 000.00
3.	Service Charges – Refuse revenue	12 114 000.00
4.	Rental of facilities and equipment	2 205 000.00
5.	Interest earned – external Investment	2 192 000.00
6.	Interest earned – outstanding debtors	1 025 000.00
7.	Fines, Penalties and forfeits	600 000.00
8.	Licences and permits	
9.	Transfers and subsidies	253 427 000.00
10.	Other revenue	
Total		536 928 000.00

The adjusted capital expenditure is funded as follows:

No	Description	Amount 'R
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1.	Municipal Infrastructure Grant (MIG)	R44 593 000.00
2.	Internally Generated Funds	

7. ADJUSTMENTS TO EXPENDITURE ON ALLOCATIONS AND GRANTS PROGRAMMES

- Municipal Infrastructure Grant (MIG) has decreased by R7 411 000
- Integrated National Electrification Programme Grant has decreased by R206 000

8. ADJUSTMENTS TO COUNCILLOR ALLOWANCES AND EMPLOYEE'S BENEFITS

- The municipal salary bill has remained the same with only active employees being budgeted for since all vacant posts were frozen
- Councillor's costs has increased by R750 000.00 due to the gazette issued by Minister of Corporative Governance and Traditional Affairs regarding councillor's upper limits.

9. ADJUSTMENT TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

10. ADJUSTMENT TO CAPITAL EXPENDITURE

- The municipality adjusted downwards the capital budget by an amount of R7 411 000.00 this is due to the following.
 - From the original budget some capital projects were falsely inclusive of VAT
 - From the original budget two capital project were erroneously included rectifying the mistake in the adjustment.

MIS Form ID (The 6-digit number)	Prov Project Registration Number (as on the registration letter)	Project Title	r 24/25 March and 100% by June Yearly					Total planned expenditure on MIG funds for 2024/2025
			February-25	March-25	April-25	May-25	June-25	
461770	2022MIGFK266461770	Construction of KwaSentu Community Hall in Ward 1	0.00	0.00	0.00	0.00	0.00	1 227 416.27
461771	2022MIGFK266461771	Construction of Nsukangihlale Community Hall in Ward 3	0.00	0.00	0.00	0.00	0.00	2 614 604.70
461772	2022MIGFK266461772	Construction of Sidakeni Community Hall in Ward 4	0.00	0.00	0.00	0.00	0.00	2 600 315.02
461773	2022MIGFK266461773	Construction of Bhokweni Community Hall in Ward 7	0.00	0.00	0.00	0.00	0.00	2 563 532.49
461774	2022MIGFK266461774	Construction of Vezunyawo Community Hall in Ward 9	0.00	0.00	0.00	0.00	0.00	2 514 545.50
461775	2022MIGFK266461775	Construction of Ndlovana Community Hall in Ward 21	0.00	0.00	0.00	0.00	0.00	2 535 118.32
461776	2022MIGFK266461776	Construction of Sigodiphola Community Hall in Ward 23	0.00	0.00	0.00	0.00	0.00	2 607 503.96
476459	2022MIGFK266476459	Construction of Esigcawini Community Hall in Ward 6	0.00	0.00	0.00	0.00	0.00	2 625 506.13
476649	2023MIGFK266476649	Construction of Ulundi Fitness Centre in Ward 12: Phase 1 Indoor Sports Centre	0.00	0.00	0.00	0.00	0.00	10 617 477.32
461777	2022MIGFK266461777	Construction of Dumakude Creche in Ward 10	0.00	0.00	0.00	0.00	0.00	807 646.12
	\	Upgrade of Ulundi CBD Roads and Stormwater Drainage: Phase 2	965 451.32	958 237.60	0.00	0.00	0.00	3 275 334.17
			965 451.32	958 237.60	0.00	0.00	0.00	33 989 000.00
		VAT						-3 908 965.00
		NET FUNDING						30 080 035.00

11. OTHER DOCUMENTS

12. MUNICIPAL MANAGER'S ADJUSTMENT BUDGET QUALITY CERTIFICATE