RICHMOND

MUNICIPALITY

ADJUSTMENT BUDGET 2025/2026

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PART 1

ADJUSTMENTS BUDGETS

1.1 MAYOR'S REPORT

Honourable Councillors,

Richmond Municipality operates within a unique institutional framework in which certain key services, such as water and electricity, are not directly provided by the municipality but rather through other spheres or service authorities, namely uMgungundlovu District Municipality and Eskom. While this reduces some operational pressures, it also limits our revenue-generating capacity and makes us heavily reliant on intergovernmental transfers, such as the Equitable Share and conditional grants.

Reforms to the Municipal Infrastructure Grant (MIG) and other conditional grants have also been introduced to address challenges related to underspending and limited technical capacity in smaller municipalities. Richmond is amongst the first municipalities to purchase a plant (grader, excavator, trucks) using MIG to focus on the outcries of Richmond communities based on community engagements that took place during November 2025

Honourable Speaker,

Within Richmond itself, we continue to face several social and economic challenges that shape the priorities of this adjustment budget.

High levels of unemployment and poverty remain prevalent in our communities, particularly among the youth. Many households continue to rely on social grants and municipal support services. As a municipality, we remain committed to supporting national programmes such as the Expanded Public Works Programme (EPWP), which provides short-term employment opportunities while contributing to the development and maintenance of community infrastructure. The municipality has further introduced the internship program, which has afforded about 80 graduates an employment opportunity

Furthermore, the municipality continues to experience pressures relating to the maintenance of infrastructure, the rising cost of municipal operations, the need to sustain essential community services, to protect our municipal assets, the increasing costs of goods and services, coupled with limited revenue growth, require us to exercise strict financial discipline and prudent management of public resources.

Honourable Councillors,

The adjustment budget process provides Council with an opportunity to review the implementation of the budget for the first half of the financial year and to make the necessary adjustments to ensure that municipal programmes remain aligned with our strategic priorities and financial realities.

We have therefore undertaken a comprehensive review of our budget performance to ensure that available resources are redirected towards priority programmes that support service delivery, infrastructure protection, and maintenance.

In line with national and provincial directives on cost containment and fiscal prudence, the municipality continues to implement measures aimed at improving efficiency and reducing unnecessary expenditure. These include enhanced monitoring of operational costs.
At the same time, we remain mindful that fiscal discipline must not come at the expense of service delivery to our communities.

Honourable Speaker,

Detailed information regarding these adjustments is reflected in the Executive Summary and supporting schedules of the Adjustment Budget.

Honourable Councillors,

As we move forward, we must continue to strengthen our institutional capacity, improve financial management, and ensure that every rand spent by this municipality delivers value to our communities.

The challenges facing municipalities across the country are significant, but they also present an opportunity for us to reaffirm our commitment to transparency, accountability, and responsible governance.

With the dedication of our officials, the leadership of this Council, and the support of our communities, Richmond Municipality will continue striving to improve service delivery and promote sustainable development within our jurisdiction.

Let us therefore approach the remainder of the financial year with renewed commitment to sound financial management and responsible governance.

I hereby table the Richmond Municipality Adjustment Budget for consideration and approval by Council.

Thank you.

……………………………………
His Worship the Mayor
Richmond Local Municipality

1.2 RESOLUTIONS

The Council of Richmond Municipality, acting in terms of section 23 (1) of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

1.2.1 The Adjustment budget of the municipality for the financial year 2025/26 as set out in the following tables:

a) Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table B2;
b) Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table B3;
c) Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table B4; and
d) Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table B5.

1.2.2 The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

a) Budgeted Financial Position as contained in Table B6;
b) Budgeted Cash Flows as contained in Table B7;
c) Cash backed reserves and accumulated surplus reconciliation as contained in Table B8;
d) Asset management as contained in Table B9; and
e) Basic service delivery measurement as contained in Table B10.

1.2.3 Council notes and approved the adjusted Service Delivery and Budget Implementation Plan (SDBIP), the amended Performance plans and amended Organisational Score Card.

1.2.4 Council notes 2025/26 MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT AND IMPACT ON THE 2025/26 ADJUSTMENTS BUDGET BY KZNPT

1.3 EXECUTIVE SUMMARY

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

The municipality's business and service delivery priorities were reviewed as part of the Adjustment Budget process. Where appropriate, funds were reprioritised and transferred from lower-priority programmes to higher-priority programmes to ensure effective service delivery and maintain sound financial stewardship.

Management has therefore revised the approved budget in areas where there has been over-generation of revenue and under-performance in expenditure. Furthermore, MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT AND IMPACT ON THE 2025/26 ADJUSTMENTS BUDGET BY KZNPT and the municipality Mid-Year Assessment underpinned by the MFMA section 72 has been incorporated into the adjustment budget.

The main challenges experienced during the Adjustment budget 2025/2026 can be summarised as follows: -

- The ongoing difficulties in the national and local economy;
- Infrastructure Backlogs;
- Aging and poorly maintained infrastructure.
- Increase in the security costs to safeguard municipality assets

Table 1: Consolidated overview of the 2025/2026 Adjusted Budget

R thousand	Budget Year 2025/2026	Adjustment	Adjustment Budget
Total Operating Revenue	153,507	910	154,417
Total Operating Expenditure	172,483	9,219	181,702
Surplus / (Deficit) for the year	**-18,976**	**-8,309**	**-27,285**
Total Capital Expenditure	23,780	14,154	37,935

The overall budget adjustments for the 2025/2026 financial year resulted in a **net increase in the deficit of R8.2 million**, representing a **43% increase in the projected deficit for the year**. The primary contributors to this increase in the municipality's deficit relate mainly to **contracted services and finance costs**, which are explained in detail below.

1.4 BUDGET FUNDING

Richmond Local Municipality must generate revenue from its various services to continue improving and sustaining the quality of services provided to its residents. In the current challenging economic environment, strong revenue management remains fundamental to the financial sustainability of every municipality.

The municipality is faced with significant development backlogs and high levels of poverty within its communities. The expenditure required to address these challenges will inevitably exceed the funding available; therefore, difficult decisions must be made regarding tariff increases and the balancing of expenditures against realistically anticipated revenues.

In recognition of these challenges, the municipality has utilized a combination of internally generated revenue, grant funding, and available reserves to finance the total expenditure for the 2026 budget year.

1.5 Operating Revenue Framework

Table 2: Summary of revenue classified by main revenue source

Revenue	Original Budget	Adjustments	Adjustment Budget
Exchange Revenue	**8,214,072.00**	**(239,390.00)**	**7,974,682.00**
Interest Dividend and Rent on Land	4,206,564.00	(279,710.00)	3,926,854.00
Operational Revenue	1,264,548.00	(159,765.00)	1,104,783.00
Rental from Fixed Assets	1,053,732.00	488,150.00	1,541,882.00
Service Charges	1,126,056.00	(169,010.00)	957,046.00
Licences or Permits	38,700.00	-	38,700.00
Sales of Goods and Rendering of Servi(	524,472.00	(119,055.00)	405,417.00
Non-exchange Revenue	**145,293,072.00**	**1,149,205.00**	**146,442,277.00**
Fines Penalties and Forfeits	31,560.00	(21,325.00)	10,235.00
Interest	2,744,436.00	24,790.00	2,769,226.00
Licences or Permits	2,849,508.00	774,490.00	3,623,998.00
Property Rates by Usage	31,091,808.00	-	31,091,808.00
Operational Grants	108,575,760.00	371,250.00	108,947,010.00
Operational Revenue	**153,507,144.00**	**909,815.00**	**154,416,959.00**
Capital Grants	22,210,260.00	33,434,120.00	55,644,380.00
Total Revenue	**175,717,404.00**	**34,343,935.00**	**210,061,339.00**

- ***Interest revenue***

The mid-year performance assessment indicated a 25% underperformance in respect of interest revenue. Based on the current revenue trends and anticipated performance for the remainder of the financial year, the interest revenue budget has been reduced by R279 710. This adjustment is intended to align the budget with the projected year-end performance on this revenue item.

- ***Operational Revenue***

The mid-year performance assessment reflected a 47% underperformance in respect of operational revenue. In order to align the budget with the anticipated collection trends for the remainder of the financial year, the municipality has processed a downward adjustment of R159 765 on this item.

- ***Rental income from fixed assets***

The mid-year performance assessment reflected 31% performance in respect of rental income from fixed assets. Taking into account the expected improvement in revenue collection for the remainder of the financial year, an upward adjustment of R488 150 has been proposed to align the budget with the anticipated performance trends.

- ***Service Charges***

The mid-year performance assessment reflected a 15% underperformance in respect of service charges. Based on the current billing and collection trends, the municipality has proposed a downward adjustment of R169 010 to better reflect the expected revenue performance for the remainder of the financial year.

- ***Penalties and traffic fines***

The mid-year performance assessment reflected a 64% underperformance in respect of penalties and traffic fines. In light of the lower-than-anticipated collection levels, the municipality has proposed a downward adjustment of R21 325 to align the budget with the projected year-end performance.

- ***Interest on outstanding receivables***

The mid-year performance assessment reflected 6% performance in respect of interest earned on outstanding receivables. Based on revised projections and anticipated collections for the remainder of the financial year, the municipality has proposed an upward adjustment of R24 790 to better reflect expected revenue performance.

- ***Licenses***

The mid-year performance assessment reflected 16% performance in respect of licences revenue. Despite the relatively low performance recorded at mid-year, the municipality anticipates improved revenue generation during the remainder of the financial year based on historical collection patterns. Consequently, an upward adjustment of R774 490 has been processed to align the budget with the expected performance on this item.

- ***Property Rates***

No adjustment has been proposed for property rates in the 2025/26 Adjustment Budget. The mid-year performance assessment reflected 41% performance in respect of property rates revenue. The higher level of performance is primarily attributable to the annual billing of property rates to government departments and other customer categories. Historical trends indicate that property rates revenue targets are generally achieved by year-end, and the municipality expects the same outcome for the current financial year.

- ***Transfers and Subsidies***

Transfers and subsidies have been adjusted upwards in accordance with the Provincial Treasury Gazette and the 2025/26 Provincial Adjusted Allocations to Municipalities, as well as the recently approved spending relating to the housing grant.

In addition, the municipality received a library facility as a donation from the Department of Sport, Arts and Culture during December. In line with mSCOA requirements, the donated asset is recognised as a capital transfer (donation). An adjustment has therefore been included in the Adjustment Budget to account for this transaction.

1.6 Expenditure on allocations and grant programmes

Table 3: Operating Expenditure

Expenditure	Original Budget	Adjustments	Adjustment Budget
Employee Related Cost	78,360,792.00	1,486,360.00	79,847,155.00
Remuneration of Councillors	7,590,300.00	-	7,590,300.00
Contracted Services	37,479,596.00	5,869,254.00	43,348,850.00
Operational Cost	21,688,132.00	(407,658.00)	21,280,474.00
Operating Leases	371,760.00	989,535.00	1,361,295.00
Depreciation and Amortisation	21,358,380.00	40.00	21,358,420.00
Interest Dividends and Rent on Land	1,159,128.00	1,919,115.00	3,078,243.00
Inventory Consumed	4,475,200.00	(807,837.00)	3,667,363.00
Irrecoverable Debts Written Off	-	169,890.00	169,890.00
Total Opex expenditure	**172,483,288.00**	**7,732,339.00**	**101,854,835.00**
Gains and Losses	4,468,012.00	-	4,468,012.00
	176,951,300.00	**7,732,339.00**	**106,322,847.00**

- ***Employee Related Costs***

The mid-year performance assessment reflected a 10% underperformance in respect of employee-related costs. The budget for employee costs has been adjusted upwards by R1 486 363 in order to correct the under-budgeting identified in the original budget.

Despite the overall increase in the adjustment budget, the overtime budget has been reduced by R648 000 in line with the municipality's cost containment measures and improved monitoring of overtime expenditure.

- ***Remuneration of Councillors***

The mid-year performance assessment reflected 7% performance in respect of councillors' remuneration. No adjustments have been made to this budget item as the current allocation is considered sufficient to cover the anticipated expenditure for the remainder of the financial year.

- ***Contracted Services***

The mid-year performance assessment reflected a 13% underperformance in respect of contracted services. The budget for contracted services has been increased by R 5 869 254.

The increase is primarily attributable to the security services contract, which has expanded due to the increase in municipal infrastructure and facilities requiring protection, including the new library facility donated by the Department of Sport, Arts and Culture. In addition, the security services contract is subject to an annual escalation of 3.25% effective from March, which has also been provided for in the adjustment.

- ***Operational Cost***

The mid-year performance assessment reflected a 3% underperformance in respect of operational costs. The operational cost budget has been reduced by R 407 658 in line with the municipality's cost containment measures, particularly in expenditure items such as accommodation and catering.

- ***Operating lease***

The mid-year performance assessment reflected significant over-expenditure (-610% variance) in respect of operating leases. The operating lease budget has therefore been increased by R989 535 to accommodate expenditure incurred as a result of the delayed finalisation of the finance lease contract for the procurement of municipal vehicles, which resulted in interim operating lease costs.

- ***Depreciation & asset impairment***

The mid-year performance assessment reflected 20% performance in respect of depreciation and asset impairment. The underperformance is mainly attributable to the asset impairment component, which has not yet been processed in the financial system.

Asset impairment assessments are typically conducted at year-end during the annual financial statement preparation process. As a result, no adjustment has been processed for this budget item at this stage.

- ***Finance Charges***

The mid-year performance assessment reflected 55% performance in respect of finance charges. The finance charges budget has been increased by R1 919 155 to provide for costs associated with the recently concluded finance lease agreement for the procurement of municipal vehicles.

- ***Inventory Consumed***

The mid-year performance assessment reflected 22% performance in respect of inventory consumed. Based on the current expenditure trends and projected spending patterns confirmed during the mid-year assessment, the inventory consumed budget has been reduced by R 807 837 to align the budget with expected year-end expenditure better.

1.7 Capital Expenditure - Grants allocated in 2025/2026

MIG Funded Capital Project

Projects	Original budget	Adjustments	Final budget
PMU	1,126,200.00	(119,973.00)	1,006,227.00
Khetho and Mjintini Stormwater	5,306,040.00	(375,972.42)	4,930,067.58
Upgrading of Slahla Access road	5,057,400.00	(2,005,736.45)	3,051,663.55
MIG Purchase Grader	6,455,820.00	(3,294,125.00)	3,161,695.00
MIG Purchase Excavator	3,999,996.00	(1,944,785.00)	2,055,211.00
Refuse Compactor Truck		3,295,200.23	3,295,200.23
Isuzu- Dropside Truck		700,000.00	700,000.00
Siyathuthuka/Magoda Phase 3		3,715,411.60	3,715,411.60
Total	**21,945,456.00**	**-29,980.04**	**21,915,475.96**

1.8 ADJUSTMENTS BUDGET TABLES

(B schedule)