

2025/26 DRAFT BUDGET STATEMENT BY ETHEKWINI MUNICIPALITY

MAYOR, CLLR CYRIL XABA, 31 MARCH 2025

- The Deputy Mayor, Cllr Zandile Myeni,
- The Speaker of Council, Cllr Thabani Nyawose,
- Whip of Council
- Chairpersons of Portfolio Committees
- Members of the Executive Committee
- Honourable Councillors
- The City Manager
- The Chief Financial Officer,
- The Senior Management of the City,
- Members of the Media
- Fellow residents of eThekwini

Sanibonani

It is a great honour and privilege for me to present the draft budget for the 2025/26 financial year. This budget reflects our commitment to inclusive growth, improved service delivery, and economic resilience.

From the outset, I must indicate that this was a very difficult budget to balance, considering the current challenging economic climate. However, we remain committed to our mission of building a city that is financially sustainable and responsive to the needs of its people. We will achieve this notwithstanding the ongoing climate-related disasters such as floods and heatwaves that continue to damage our infrastructure.

We want to assure the residents of eThekweni that this budget is not merely a financial plan, but it is a blueprint for progress - prioritizing infrastructure development, job creation, and social upliftment.

This budget also focuses on driving economic growth by investing in catalytic projects that stimulate business activity, particularly in sectors that create jobs. At this point, let me congratulate the Economic Development Cluster, led by Councillor Thembo Ntuli for delivering the first phase of the much-awaited Shongweni Development, the Westown Square which opened its doors to the public last week Thursday. We are looking forward to unveiling more catalytic projects of this nature in the city as they contribute to economic growth and job creation.

With this draft budget, we also commit to upgrading infrastructure, expanding public transport networks, and strengthening our support for small businesses. Furthermore, we will continue to invest in social services, ensuring that people have access to decent human settlements.

Honourable Councilors, the recurring floods have caused extensive damage to our electricity, water and sanitation infrastructure. This has adversely affected the provision of basic services, resulting in increased water and electricity losses and decreasing of sales. Furthermore, we are facing rapid urbanisation which continues to place new demands on our infrastructure.

One of the key national policy developments that will impact on this budget is the National Treasury's Trading Services Reform which seeks to enhance the financial sustainability of our utilities such as water & sanitation, and electricity. As part of this reform, municipalities must improve cost recovery mechanisms, reduce inefficiencies, and ensure that tariffs reflect the true cost of service provision while remaining affordable to vulnerable communities.

In line with these reforms, our city will implement measures to improve revenue collection, reduce non-technical losses, and enhance transparency in how we manage and allocate resources. These changes are essential for strengthening our municipality's financial position and ensuring uninterrupted, high-quality services for all residents.

We are pleased to report that the turnaround strategies for electricity, water and sanitations which were adopted by this council and approved by National Treasury are currently being implemented.

The National Treasury has put performance-based incentives for achieving the goals and targets of the turnaround strategies. In this regard the Municipality will be receiving R3.3 billion for Trading Services reforms in the 2025/2026 Medium-Term Revenue and Expenditure Framework (MTREF). This will be utilized to ensure sustainability of our trading services by focusing on infrastructure replacement.

It is in this context that we are calling this budget the ***“Infrastructure Building and Service Delivery Budget”*** because it is firmly focused on

service delivery, rehabilitation, and replacement of infrastructure as well as economic development. We strongly believe that investing in infrastructure is essential for achieving a sustainable economic recovery and inclusive growth.

Therefore, I want to call upon you to put your shoulder to the wheel as we work towards turning eThekweni Municipality into a construction site. We want to capitalize on the business confidence which is on an upward trajectory to become the most caring and liveable city. I want to reiterate that going forward, we will focus on infrastructure-led economic growth that will ignite job creation throughout the city and improve the quality of lives of all our people.

BUDGET OVERVIEW

Honourable Speaker, the total proposed budget for 2025/2026 is R71.3 billion (including our entities) which is made up of an operating budget of R64.2 billion and a capital budget of R7.1 billion.

I will now present the budget per service.

ELECTRICITY

The proposed Electricity tariff increase is 12.72% for business and residential consumers. The Eskom increase was 11.32%, which translate to 1.4% increase by the municipality. The total operating budget for Electricity is R23.3 billion of which R18.7 billion is for bulk purchases from Eskom, and R 1.4 billion is for repairs and maintenance. This budget will also be used to supply over 760 000 consumers with electricity, public lighting and other energy services to promote economic development and business growth. It also covers the electrification of rural and informal settlements and the rollout of smart and prepaid meters.

Currently, the electricity backlog in the city is sitting at 345 825 households due to rapid urbanization.

The total capital budget for Electricity is R859 million and this will fund the ongoing extension and reinforcement of existing electricity networks, as well as 17 new substations that are being commissioned.

WATER

The proposed Water tariff increase is 15% for residential consumers and 16% for business. The proposed uMngeni-uThukela Water Board increase is 13.5% which translates to an increase of 1.5% for residential consumers and 2.5% for business by the municipality. The total operating budget for Water is R9.98 billion which includes R5.8 bn for Bulk Water Purchases, R1.9bn for Free Basic Water and R583 million for Repairs & Maintenance.

This budget will be utilized to fund the provision of acceptable quality of water to consumers over a network that spans 14 533km and includes 470 storage facilities, 37 pump stations and 10 purification works which services over 980 000 households.

Currently, we have a water backlog of an estimated 258 893 households which is growing due to rapid urbanization.

Our capital budget is R1.15 billion and will be spent mainly on the water loss intervention programme and the replacement of water pipes.

SANITATION

The proposed Sanitation tariff increase is 13% for residential customers and 14% for business consumers. This is in line with the proposed uMngeni-uThukela Water Board increase of 13.5%.

The total operating budget for Sanitation is R2.4 billion which will be used to manage our sewer network, pump stations, and wastewater treatment works.

R374 million of the operating budget will be spent on repairs and maintenance, R876 million on Free Basic Sanitation, and R504 million on ablution facilities.

The sanitation backlog in the city is estimated at 362 092 households and we believe that this budget will go along way in reducing this backlog.

The total capital budget for Sanitation is R550 million which will be used to upgrade various wastewater treatment works and explore alternative sanitation technologies.

CLEANSING AND SOLID WASTE

The proposed tariff increase for Refuse is 9.9% for residential customers and 9% for business consumers.

The total operating budget for Cleansing and Solid Waste is R2.4 billion which includes R454 million for community-based contractors, R85 million for refuse bags and R149 million for repairs and maintenance.

The budget will also be used to manage the entire waste management function in the city. The capital budget is R375 million and will be spent on transport assets and landfill sites.

I must indicate that as the leadership of the city, we are concerned about some of these tariff increases, particularly on electricity and water because they will adversely affect our consumers who are already struggling to meet their monthly financial obligations. For this reason, we are directing the City Manager to engage Umgeni-uThukela Water Board to revise their tariffs.

ENGINEERING

The total operating budget for Engineering Services is R2.67 billion which funds, inter alia, repairs and maintenance and the hire of plant and vehicles.

The budget will also be utilized for the maintenance of roads, sidewalks and stormwater drainage systems. It will also cover the design and construction of roads, bridges, stormwater and catchment systems. It is important to indicate that during disasters, the city handles unplanned emergency repairs to infrastructure.

The capital budget for engineering services is R482 million to implement major capital projects such as road rehabilitation and reconstruction, as well as construction of new access roads.

HUMAN SETTLEMENTS

Honourable Speaker, the total Human Settlements operating budget is R971.8 million. The Human Settlements Unit is responsible for the delivery of new housing units and the management of hostels and rental stock.

As a city, we currently have a housing backlog of over 474 000 households which is growing due to rural-urban migration. We also have the largest number of informal settlements in the country. There are over 580 informal settlements with approximately 314 000 households. At a rate of 4 000 new houses per year, it will take us over 90 years to eradicate the backlog with an investment of R1 billion per annum.

The capital budget of R749 million will be spent on the building of new low-cost houses in 2025/2026, infrastructure development, as well as the provision of interim services to prioritized informal settlement dwellings.

COMMUNITY AND EMERGENCY SERVICES

The total operating budget for Community & Emergency Services is R7.18 billion which funds repairs and maintenance of R153 million, R303 million for safety and security, and R159 million for verge maintenance.

This includes the management of sport fields, community halls, parks, cemeteries, libraries, museums, and swimming pools. The budget also

caters for fire and emergencies, Metro Police, disaster management and the provision of health care services.

The capital budget for this cluster is R590 million which will be used to reduce the community services backlogs.

ETHEKWINI TRANSPORT AUTHORITY (ETA)

Honourable Speaker, for eThekwini Transport Authority (ETA), we are allocating the total operating budget of R1.63 billion. The ETA is responsible for public transport in the City. This includes 69 taxi ranks, and 11 bus stations. Provision is also made for Durban Transport, and the People Mover system.

The capital budget for this service is R747 million and will be spent mainly on the Integrated Rapid Public Transport Network project. The Public Transport Infrastructure Systems Grant is the major funding source for this project. As a city, we need to improve the spending on this grant, and we have developed a plan to address this challenge and it is now with National Treasury.

PROPERTY RATES

Honourable Councillors, the proposed property rates increase is 6.5%. These rates contribute to various municipal functions – including but not limited to – engineering services, public safety services, transport services, community and emergency services, human settlements, and economic development.

Rates Rebates

Honourable Speaker, with regards to rates rebates, we are proposing the following:

- Residential properties valued up to R 350 000 will be exempt from paying rates. All other properties valued above R 350 000, there will be no rates charged on the first R 120 000.
- A further allowance will be afforded on application to all residential property owners with a total household income of R 4 220 or less and with a property value of more than R 350 000 and up to R 650 000.
- Pensioners, child-headed households, disability grant recipients and medically boarded properties are exempt from paying rates, where

their annual rates do not exceed the maximum rebate of R 5 290. A maximum limit of R 2.5 million in property value applies to the Pensioners rebate. All other properties will be liable for tax less the rebate.

- A R30 000 reduction on the market value of Vacant Land as defined.
- On application and approval, property categorised as vacant land, may be granted a rebate of 30% which has increased from 10% in the prior year.
- On application and approval, the developer of a property previously categorised as Agriculture as at 1 July 2025 then recategorized to vacant land for the purposes of development qualifies for a rebate of 50%. This rebate will remain valid for the maximum period of 36 months, as a once-off relief to qualifying developers of agriculture land. It will be applicable for agricultural properties that will be rezoned or subdivided from 1 July 2025 and that do not qualify for any other rebate or incentive. This is a new rebate to stimulate economic growth in the city.
- Other economic incentives are also provided via the City's Economic Incentive Policy which aims to promote the development of vacant land & expansion or redevelopment of existing industrial, commercial

or mixed-use developments. There are qualifying criteria and targeted sectors.

SOCIAL WELFARE PACKAGE: LIFELINE TARIFFS

The following package of lifeline tariffs will be funded from the budget to cushion poor residents:

- The first 6kl of water is free to households with property values under R 350 000.
- The first 50kwh of electricity is free to residents using less than 150kwh per month in Eskom reticulated areas
- The first 65kwh of electricity is free to residents using less than 150kwh per month in eThekweni reticulated areas.
- Residential property valued up to R 350 000 is exempt from the domestic refuse removal tariff. In addition, a free basic refuse removal service is also available to indigent consumer units living in rural areas, informal settlements and non-curb-side residents.
- The first 6kl of effluent disposal is exempt for all properties with values under R 350 000. In addition, a free basic service is also available to indigent consumer units with VIP's, urine diversion toilets

and in informal settlements serviced by means of a toilet/ablution block within 200 metres.

MAJOR CAPITAL PROGRAMMES OVER MTREF

Honourable Speaker, the capital budget of the city projects a spending plan of approximately R 20.2 billion over the next three years. The capital budget for the 2025/26 financial year is R 7.2 billion. This budget continues to reflect consistent efforts to address service delivery backlogs and the renewal of existing water and sanitation infrastructure.

The major capital projects over the 2025/2026 MTREF are:

| PROJECT / ITEM | <u>FUNDING</u> |
|--|-----------------------|
| Wastewater Treatment Works: Upgrades/Expansion | R2.37 billion |
| Low-cost Housing and Infrastructure | R2.57 billion |
| EThekweni Transport Authority | R2.35 billion |
| Replacement of Bus Fleet | R549 million |
| Electricity Infrastructure | R2.10 billion |

| | |
|--|---------------|
| Addressing Community Service Backlogs | R1.36 billion |
| Roads Rehabilitation and Reconstruction, and New Access roads | R727 million |
| Zonal Planning | R999 million |
| Water loss Intervention Programme & Replacement of water pipes | R2.2 billion |
| Catalytic Projects | R588 million |

As demonstrated above, the key focus is clearly on service delivery, building an environment that is conducive for economic development, and rehabilitation of existing infrastructure.

Honourable Councillors, the success of our city lies in us working together using our collective strength to build a City that we are all shareholders of. We are embarking on a new path to build partnerships with stakeholders and business to invest in our bankable infrastructure projects. With this relentless effort, we intend to turn eThekweni into a construction site.

To achieve this goal, we have developed a plan to address the following challenges that impede development:

- Disruption and hijacking of construction sites
- Projects not being completed on time and within budget
- Fraud and corruption
- Poor planning
- Poor project management and performance management of contractors.

These issues were also discussed extensively at our last quarterly review session.

ECONOMIC DEVELOPMENT & JOB CREATION

Honourable Speaker, the increased investment in infrastructure will help build a positive investor climate in the city. Therefore, we are going to use the Neighborhood Development Partnership Grant to create economic infrastructure in undeveloped areas that attracts private sector investment. We are also placing a strong emphasis on strategic township development, town centre renewals, industrial renewals, upgrading of tourism nodes and corridors.

R588 million will be spent on catalytic projects over the MTREF 2025/2026. This includes projects such as the Oceans Umhlanga, Brickworks, Ntshongweni / Westtown, Giba Business Park, Durban Film City and Durban Waterfront.

The 2025/26 budget will also fund several job-creation projects with a focus on youth development. This includes:

- The Sihlanzimvelo Stream Cleaning Programme with about 840 jobs created through 107 cooperatives
- The Zibambele Programme with over 7 300 jobs created
- 264 cooperatives for grass cutting of verges
- 1 607 caretakers employed at ablution facilities
- 1 584 plumbers used on a rotational basis
- 466 community-based contractors employing 1 398 people
- 475 community-based contractors to roll out rural water and sanitation projects
- 887 people employed by DSW using EPWP grant

It is through these initiatives that eThekweni continues to be the leading Metro in the country on job creation, according to the Stats SA Quarterly Labour Force Survey for the fourth quarter in 2024. From Q3 to Q4 in 2024 the number of jobs increased by 69 000 new jobs and from 2023 to 2024 the number of new jobs increased by 102 000.

The latest Business Confidence Index report also indicates business confidence in the city has improved significantly to above 60%.

We will continue to work hard to make Durban the premier destination for investment and tourism. However, we are aware that this requires a collective effort. For this reason, we will continue to maintain and grow the relationship we have with our social partners.

YOUTH DEVELOPMENT

Honourable Speaker, our city has a youthful population and through our Youth Development Office, we will continue to fund educational and skills development programmes through bursaries and the Student Relief Fund.

The city will also strengthen partnership with tertiary institutions to equip young people with information technology skills including robotics and Artificial Intelligence.

SOUP KITCHENS

As part of our effort to alleviate poverty and hunger in the city, we will continue to drive our nutrition programme (Soup Kitchens) which benefits more than 500 people per day per site. There are currently 94 functional soup kitchen sites in the city. The operating budget for this programme is R144 million in 2025/2026.

REVENUE ENHANCEMENT

Increasing revenue collection is critical to improving service delivery in the City. In the past few months, we have introduced impactful revenue enhancement strategies. These include, among others, migrating meter reading from water and electricity to revenue, introduction of the deceased estate debt write-off programme. We have also simplified our bills and

digitized our revenue management services through the introduction of the e-Services platform.

SAFER CITY

Honourable Speaker, crime continues to be a huge challenge in the city, and we are implementing tough measures to ensure that our city is safe. In the current financial year, Metro Police recruited 450 additional police officers. In the next financial year, we will be rolling out the Smart Policing programme at cost of over R300 million. These interventions will bolster Metro Police efforts of crime prevention, bylaw enforcement and traffic management in the city.

CONCLUSION

Honourable Speaker, we want to reiterate that this budget will focus on the provision of uninterrupted supply of basic services by improving the city's infrastructure. Asset management plans are being implemented for repairing, rehabilitating and replacing our infrastructure over the short, medium and long term.

Most importantly, we want to assure the residents of eThekweni that there will be transparency on how this budget is utilized and that there is value for all on everything we spend on.

Allow me to thank the Executive Committee, the City Manager, CFO and your support team for putting together this budget which was very difficult to balance.

I hereby table the Annual Budget for the 2025/2026 Medium-Term Revenue and Expenditure Framework of the eThekweni Municipality for consultation.

I thank you.