

DANNHAUSER LOCAL MUNICIPALITY KZN 254



Draft Budget 2025/26 Financial year

Medium Term Revenue and Expenditure Framework

Part 1 – Draft Annual Budget

Mayor's Speech

Introduction

To the Honourable Speaker, EXCO members, Councillors, Amakhosi, the Municipal Manager, Heads of Departments, municipal officials, and members of the community.

It is my pleasure, in my capacity as Mayor of the Dannhauser Local Municipality, to present the draft medium-term revenue and expenditure framework (MTREF) for the 2025/2026 financial year and ensuing two years. In terms of section 16(1) (2) of the MFMA – when preparing the annual budget, the mayor of a municipality must: In terms of section 16 (1) of the MFMA states that the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. (2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the financial year.

Thus, considering the provision of the MFMA as stated above, I present to you all the draft MTREF for 2025/2026 to 2027/2028. The intention is to bring forth the highlights contained within the draft budget in its current form to facilitate a process of consultation leading to the compilation of a final budget for the 2025/2026 financial year. It is indeed our stated intention, as the Dannhauser Local Municipality, that the final budget for the 2025/2026 financial year be adopted at the end of May 2025 and should be a product of rigorous review and extensive consultation such that the limited resources available are allocated towards satisfying the community's priorities and that the budget preparation process itself complies with relevant legislations.

Thus, considering the legislation that regulates the entire budget preparation and approval processes. Council must, by the end of these proceedings, approve and adopt resolutions, in terms of section 24 of the MFMA, the draft mSCOA budget of the municipality for the financial year 2025/2026 and the multi-year and single-year capital appropriations, the financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets as detailed in the municipality's MTREF document.

The Council of Dannhauser local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000), must also approve and adopt with effect from 1 July 2025, the draft tariffs for property rates, tariffs for solid waste services and tariffs for other services.

The council should note that the municipality is currently transacting on mSCOA version 6.9.in terms of the current circular No 130, Municipal Budget for 2025/26 MTREF.

The main challenges experienced during the compilation of the 2025/2026 Draft MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy. As In terms of circular 130 2025/26 MTREF Budget inflation targets, Consumer inflation is projected to average 4.3 per cent in 2025 and 4.6 per cent in 2026, picking up slightly as the value-added tax (VAT) increase pushes up prices.
- The unemployment in the community that we are serving, having a negative impact on the collection of revenue, and increasing number of indigents. Ageing and poorly maintained of roads and municipality buildings.

➤ The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality.

➤ Non-payment culture by consumer debtors, especially the residential category. However, given the challenges above, the municipality has also considered the institutional strategic objectives and priorities when compiling the draft mSCOA budget to ensure that the limited resources are prioritized to meet the needs of the community and ensure that service delivery is evident by Dannhauser community.

The Draft budget presentation reflects the following summary estimates:

KZN254 Dannhauser local Municipality Revenue and Expenditure 2025/2026

Description	Draft budget year 2025/26	Proposal Budget year 2026/27	Proposal Budget year 2027/28
Revenue			
Municipal Revenue	75,541,733.00	78,052,444.19	80,577,071.09
PROVINCIAL GRANT	3,438,000.00		
NATIONAL GRANTS	160,666,000.00	146,856,000.00	153,351,000.00
TOTAL REVENUE	239,645,733.00	224,908,444.19	233,928,071.09
Expenditure			
Employees related cost	38,784,000	40,568,063.91	42,353,058.72
Councillors Allowances	12,707,039	13,291,562.70	13,876,391.45
General Expenses	58,655,219	61,353,359.57	64,052,907.39
Repairs and maintenance	20,575,000	21,521,450.00	22,468,393.80
Capital	86,600,500	90,584,123.00	94,569,824.41
Provisions	36,723,000	38,412,258.00	40,102,397.35
Total Expenditure	254,044,758	265,730,817.17	277,422,973.12
			-
Deficit/Surplus	- 14,399,025.29	- 490,639,261.36	- 43,494,902.03

Budget Summary, it important that municipality ensures that it tables the budget that is credible and funded.

HIS WORSHIP, THE MAYOR

COUNCILLOR BA RADEBE

Key Focus Areas for 2025/26 Budget Process in Dannhauser Municipality

1. Grants allocation per 2025/26 DORA framework

Grant Allocation 2025/26	Adjustment budget 2025	Budget Year 2025/26
MIG INFRASTRUCTURE GRANT	24,921,000.00	26,095,000.00
FMG GRANT	1,900,000.00	2,000,000.00
EQUITABLE SHARE	120,689,000.00	113,769,000.00
EQUITABLE SHARE - COUNCILOR ALLOWANCES		5,983,000.00
DISASTER GRANT	11,250,000.00	11,250,000.00
EXPANDED PUBLIC WORKS PROGRAMME	1,770,000.00	1,569,000.00
NATIONAL GRANTS	160,530,000.00	160,666,000.00

2. Revenue Budget

The weak economic growth has put pressure on consumers' inability to pay for services, while transfers from national government are growing more slowly than in the past. The municipality finances are not looking good, and the municipality need to improve the collection percentage to avert being in a disastrous situation. The municipality rely on the revenue collected from Rates and Service charges other than the government grants. Our debtor's book has risen to R 81.4 million for property rate and 6.8 million for refuse due to the consumers' inability to pay for services. There is a need that we focus on collecting revenue owed, furthermore as the municipally we need to have revenue strategies on how to improve revenue without only relying on rates and services. The 2025/26 tariffs will decrease from 4.9 % to 4.4%.

3. Employee Related Costs and Councillors remuneration

In terms of the agreement, all employees covered by this agreement shall receive an increase with effect from 01 July 2025 and 01 July 2026 an increase based on the projected average CPI percentages for 2026 (4.3 per cent according to the Reserve Bank's Monetary Committee Statement for January 2026) and 2027 (4.6 per cent according to the Reserve Bank's Monetary Committee Statement for January 2027). The forecasts of the Reserve Bank, in terms of the January 2026 and January 2027, shall be used to determine the projected average CPI. Municipalities are encouraged to perform an annual head count and payroll verification process by undertaking a once-a-year manual salary disbursement, to root out ghost employees. Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance.

4. Conditional Grants Transfers to municipalities

The equitable share release criteria for 2025/26 were set out in MFMA Circular No. 122. To assist with managing this process, a guiding checklist has been developed which municipalities can follow throughout the course of the year to ensure that the required documents are timeously uploaded to the GoMuni platform in line with the prescribed deadlines. In terms of Section 21 of the Division of Revenue Act, 2022 (Act No.5 of 2022)

(DoRA) in conjunction with the Division of Revenue Amendment Act, 2022 (Act No. 15 of 2022) (DoRA), the Act requires that any conditional allocation or a portion thereof that is not spent at the end of the 2025/26 financial year reverts to the National Revenue Fund (NRF), unless the rollover of the allocation is approved in terms of subsection (2). Furthermore, the receiving officer, provincial treasury and national transferring officer is required to prove to National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.

Underlining principles for the Draft Budget

- According to the NT circular inflation has been assumed at 4.3% in 2025/26, 4.6% in 2026/27 and 4.5% in 2027/28 in line with Municipal Budget Circular 130 for the 2025/26 MTREF.
- Realistically anticipated revenues to be collected
- Tariff increases are in accordance with the guidelines which are based on the SA inflation rate;
- Projects and programs must be within affordability limits;
- Only funded projects that are ready for implementation will be prioritized in the 2025/26 financial year;
- The operating expenditure baseline was reduced, and the focus must be on efficiency gains and the principle of value for money (doing more with less, while prioritizing service delivery);
- Some projects are recommended to be multiyear projects to spread the funding amongst to the outer years in order to ensure Dannhauser Municipality submit and approve a funded budget
- The budget must be aligned to the IDP priorities; 2024/25 Adjustment budget priorities and targets as well as the baseline allocations contained in the approved adjustment budget; the grants allocated in DORA for 2024/25 financial year.
- Salary increases have been estimated at 4.3 % in 2025/26 whilst waiting for the Bargaining Committee's approved Salary and Wage Agreement and
- The budget related policies are being reviewed and where any adjustments are required, the revised policies will be attached to the final item for approval.

2025/2026 MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK

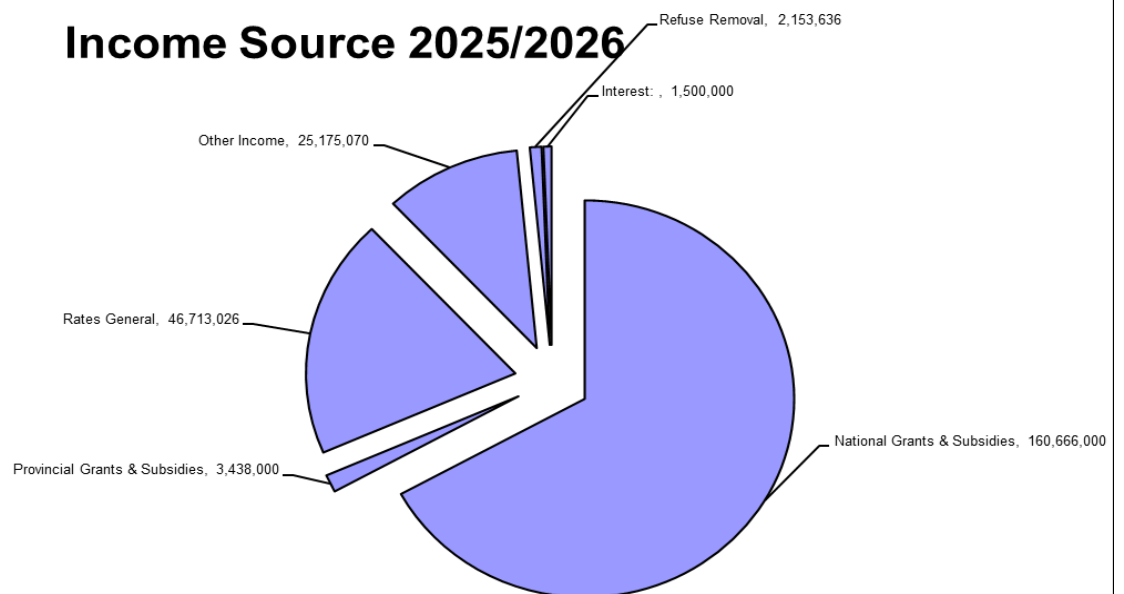
REVENUE DRAFT BUDGET PROPOSAL

Description	Draft budget year 2025/26	Proposal Budget year 2026/27	Proposal Budget year 20227/28
Revenue			
Property rates	46,713,026.00	49,001,964.27	51,305,056.59
Service charges	2,153,636.00	2,252,703.59	2,356,327.96
other income	26,675,071.00	26,797,776.33	26,915,686.54
Municipal Revenue	75,541,733.00	78,052,444.19	80,577,071.09
Provincialisation of library- ARTS & CULTURE	2,005,000.00		
Community library services- ARTS & CULTURE	1,433,000.00		
PROVINCIAL GRANT	3,438,000.00		
MIG INFRASTRUCTURE GRANT	26,095,000.00	28,045,000.00	29,177,000.00
FMG GRANT	2,000,000.00		
EQUITABLE SHARE	119,752,000.00	118,811,000.00	124,174,000.00
DISASTER GRANT	11,250,000.00		
EXPANDED PUBLIC WORKS PROGRAMME	1,569,000.00		
NATIONAL GRANTS	160,666,000.00	146,856,000.00	153,351,000.00
TOTAL REVENUE	239,645,733.00	224,908,444.19	233,928,071.09

REVENUE DETAILING DIAGRAM:

National Grants & Subsidies	160,666,000
Provincial Grants & Subsidies	3,438,000
Rates General	46,713,026
Other Income	25,175,070
Refuse Removal	2,153,636
Interest:	1,500,000
	239,645,733

Income Source 2025/2026



Analysis of Revenue

Assessment rates

The estimated budget for the assessment rates were calculated based on the existing Valuation Roll. Rates assessment will increase by 4.4% which in accordance with CPI circular 122.

Service charges

The Dannhauser municipality only have one service charges, the Refuse removal. The budget has been based on current years billing.

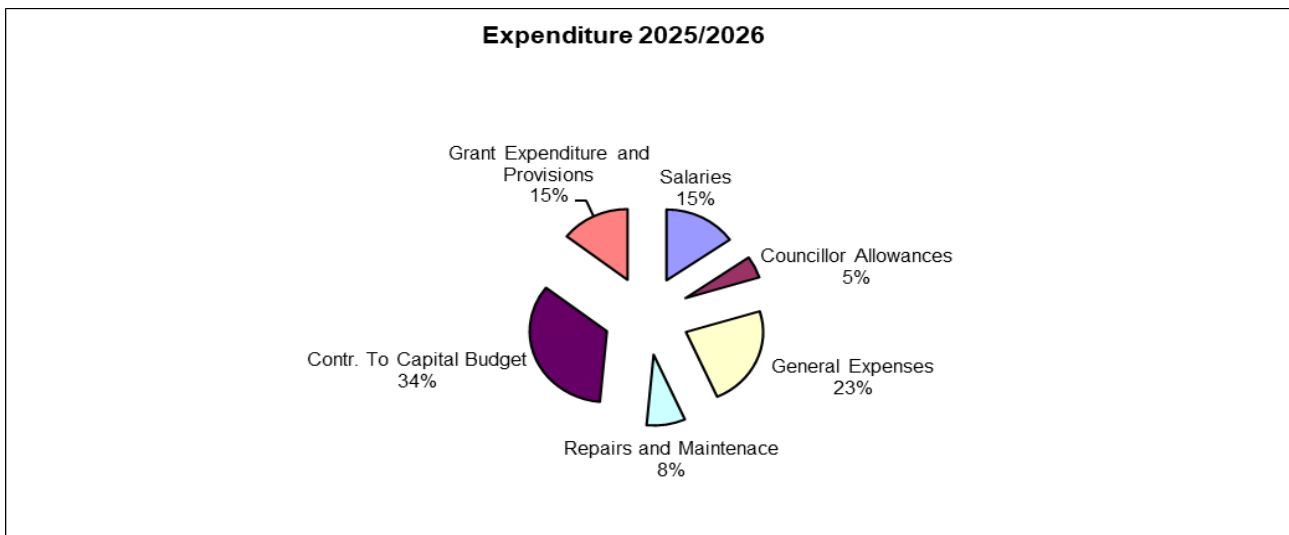
Interest on Investment income

Interest on investment was underbudgeted in the current year by R 1. 3 million then during the adjustment budget it was increased to R 2.2 million. This was encouraged by the interest received which was the doubled the budgeted amount in the mid-year review. The proposed budget for interest has been slightly decrease to R 1.5 million as result of the decrease in investments.

EXPENDITURE DRAFT BUDGET PROPOSAL

Description	Draft budget year 2025/26	Proposal Budget year 2026/27	Proposal Budget year 2027/28
Expenditure			
Employees related cost	38,783,999.91	40,568,063.91	42,353,058.72
Councillors Allowances	12,707,038.91	13,291,562.70	13,876,391.45
General Expenses	58,655,219.47	61,353,359.57	64,052,907.39
Repairs and maintenance	20,575,000.00	21,521,450.00	22,468,393.80
Capital	86,600,500.00	90,584,123.00	94,569,824.41
Provisions	36,723,000.00	38,412,258.00	40,102,397.35
Total Expenditure	254,044,758.29	265,730,817.17	277,422,973.12

EXPENDITURE DETAILING DIAGRAM



Analysis of Expenditure

Employee Related Costs

The employee related cost for the municipality is determined by the Bargaining council. The Salary and Wage Collective Agreement for this period has not been issued yet. The guidelines per the national treasury circular is to use the projected average CPI percentages for 2026 of 4.3% which is according to the Reserve Bank's Monetary Committee Statement for January 2026.

Councillors Allowance

Councillors Allowance are budgeted based on the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance.

General Expenses and Repairs and Maintenance

This group of expenditure comprises of general related expenditure which includes amongst others contracted services, audit fees, subsistence & travel, municipal services, annual insurance, financial system costs, plant hire, fuel and licenses for vehicles and others. When compared to the 2024/25 adjusted budget has decreased by 3.7 million repairs & maintenance.

Departments allocations

Mayor and Council

The department is allocated a budget of R 23.4 million. In this allocation R 12.7 million is allocated to Councillors Allowance and R 10.7 million on general expenditure, which includes soft projects. The following are some of the projects included under Councillors general expenditure.

Description	Amount
Special Program	650,000.00
Council Ward Committee	2,120,000.00
Burial of Destitutes and Condolatory	400,000.00
Sport and Recreation	200,000.00
Umkhosi womhlanga (Gender)	400,000.00
Promote Public Participation	1,000,000.00
Ward Based	3,000,000.00
Youth	400,000.00
Total	8,170,000.00

Corporate Services Department

The department is allocated an amount of R 22.1 million. Which is divided into Employee Related Cost R 6.2 million, R 12.5 million general expenses and Capital Expenditure R 3.4 million.

Finance Department

The department allocation an amount to R 56.6 million of which R 35 million for non-cash items. Employee Related Cost for this department is R 5,6 million while general expenses R 14 million and Capital expenditure of R 1 million.

Technical Services Department

The highest allocation of the proposed Draft Budget is allocated to Technical Services as the main department providing service delivery through infrastructure improvement. The Department allocation is R 108.4 million. Capital Expenditure projection amount to R 77.7 million, Employee Related Cost of R 7.7 million, general Expenditure R 3 million and Repairs and Maintenance of R 20 million.

Community Services Department

This directorate draft budget proposition amount to R 26.1 million, and R 13 million allocated to employee related cost while R 7 million is for general expenditure, repairs and maintenance of six hundred thousand and R 4.5 million on capital expenditure.

Planning and development Department

The department allocation is R 12.2 million. Employee related cost of R 2.6 million and general expenditure of R 9.6 million.

Municipal Manager's Department

The 2025/26 budget proposal for the department is R 10 million, an amount of R 7.5 million allocated to employee related cost and R 2.4 million to general expenditure.

CAPITAL EXPENDITURE BUDGET

DANNHAUSER MUNICIPALITY (KZ254)				
DRAFT BUDGET & MTREF FOR 2025- 2028				
CAPITAL BUDGET 2025/2026- 2027/2028				
DEPARTMENT & VOTE NO.	DESCRIPTION	DRAFT BUDGET 2025/26	PROJECTED BUDGET 2026/27	PROJECTED BUDGET 2027/28
	CORPORATE SERVICES			
	IMPROVEMENTS- REGISTRY	200,000	209,200	219,242
	FURNITURE & EQUIPMENT (TOOLS OF TRADE)	1,000,000	1,046,000	1,096,208
	MINICIPAL VEHICLES	1,900,000	1,987,400	2,082,795
	COMPUTER EQUIPMENT	60,000	62,760	65,772
	CAMERAS FOR NEW OFFICES AND TRAFFIC CENTRE	200,000	209,200	219,242
	SPECIALIZED CHAIR (I.T OFFICER)	70,000	73,220	76,735
	TOTAL	3,430,000	3,587,780	3,759,993
	FINANCE DEPT			
	COMPUER EQUIPMENT	1,000,000	1,046,000	1,092,024
	FURNITURE EQUIPMENT	5,000	5,230	5,460
	TOTAL	1,005,000	1,051,230	1,097,484
	TECHNICAL DEPART			
	WATER TANTER	2,500,000	2,610,000	2,753,550
	ELECTRIFICATION -WARD 1	2,100,000	2,192,400	2,312,982
	ELECTRIFICATION -WARD 6	2,100,000	2,192,400	2,312,982
	ELECTRIFICATION - WARD 7	2,100,000	2,192,400	2,312,982
	ELECTRIFICATION - WARD 9	2,100,000	2,192,400	2,312,982
	ELECTRIFICATION -WARD 11	2,100,000	2,192,400	2,312,982
	ELECTRIFICATION - WARD 13	2,100,000	2,192,400	2,312,982
	COMMUNITY HALL -MIG (WARD 1)	3,500,000	3,654,000	3,854,970
	COMMUNITY HALL- MIG (WARD 11)	3,500,000	3,654,000	3,854,970
	MAST LIGHTS (WARD 6,7,8,10 AND 13)	300,000	313,200	330,426
	CONSTRUCTION OF FLINT HALL IN WARD 06 (MIG)	6,500,000	6,786,000	7,159,230
	LOWBED	1,000,000	1,044,000	1,101,420
	DISASTER GRANT GRANT	11,250,000	11,745,000	12,390,975
	COMMUNITY HALLS OF HILLTOP WARD 7	6,500,000	6,786,000	7,159,230
	UPGRADING OF DURNACOL URBAN ROADS	9,500,000	9,918,000	10,463,490
	STORM WATER-MANAGEMENT PLAN	300,000	313,200	330,426
	ELECTRIFICATION PROJECT IN WARD 05 (100 CONNECTIONS)	2,100,000	2,192,400	2,312,982
	ELECTRIFICATION PROJECT IN WARD 10 (100 CONNECTIONS)	2,100,000	2,192,400	2,312,982
	OLD ELECTRIFICATION (3,4,8 & 12)	7,000,000	7,308,000	7,709,940
	MAST LIGHT WARD 3	1,000,000	1,044,000	1,101,420
	CHILD CARE FACILITY WARD 5	2,000,000	2,088,000	2,202,840
	CHILD CARE FACILITY -WARD 8	2,000,000	2,088,000	2,202,840
	CHILD CARE FACILITY -WARD 12	2,000,000	2,088,000	2,202,840
	TESTING GROUNG	2,000,000	2,088,000	2,202,840
	TOTAL	77,650,000	81,066,600	85,525,263
Community & Social Services	Waste Services			
	SKIP BINS	150,000	156,600	165,213
	SLASHERS	100,000	104,400	110,142
	BRUSH CUTTERS	80,000	83,520	88,114
	CEMETERY FENCING & TOILETS (ALL WARDS EXCLUDING WARD)	750,000	783,000	826,065
	DURNACOL CEMETERY FENCING	2,500,000	2,610,000	2,753,550
	TOTAL	3,580,000	3,737,520	3,943,084
Protection Services				
	FURNITURE & EQUIPMENT	140,000	146,160	154,199
	COMMUNICATION RADIOS	500,000	522,000	550,710
	FIREARMS AND BULLET PROOF VESTS	100,000	104,400	110,142
	JOJO TANKS	5,500	5,742	6,058
	SOLAR PANEL	190,000	198,360	209,270
	TOTAL	935,500.00	976,662	1,030,378
TOTAL CAPITAL BUDGET		86,600,500	89,368,562	94,258,718

Capital expenditure analysis.

- Capital expenditure projects for the draft 2025/26 budget is funded through MIG, Disaster grant and Internal Funding.
- Most Capital projects are internally funded.

EXTRACT OF DRAFT SCHEDULE A SUMMARY

Choose name from list - Table A1 Budget Summary

Description	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousands										
Financial Performance										
Property rates	28,115	30,853	44,591	45,039	45,039	45,039	45,039	46,713	46,928	47,134
Service charges	1,302	1,345	1,349	2,063	2,063	2,063	2,063	2,154	2,164	2,173
Investment revenue	668	1,150	2,080	1,327	3,490	3,490	3,490	1,500	1,507	1,514
Transfer and subsidies - Operational	103,833	114,744	119,816	126,866	129,280	129,280	129,280	128,259	128,849	129,416
Other own revenue	4,249	6,358	4,460	27,873	4,784	4,784	4,784	3,675	3,692	3,708
Total Revenue (excluding capital transfers and contributions)	138,166	154,451	172,295	203,167	184,655	184,655	184,655	182,301	183,139	183,945
Employee costs	32,778	40,141	40,860	31,034	32,834	32,834	32,834	38,784	39,241	39,692
Remuneration of councillors	9,599	10,806	12,921	12,707	11,000	11,000	11,000	12,707	12,765	12,822
Depreciation and amortisation	31,560	88,091	39,978	41,020	31,020	31,020	31,020	35,000	35,161	35,316
Interest	4,863	3,663	3,231	7,386	5,964	5,964	5,964	5,300	5,544	5,788
Inventory consumed and bulk purchases	6,572	7,544	3,180	210	374	374	374	250	251	252
Transfers and subsidies	-	-	-	-	-	-	-	-	-	-
Other expenditure	62,614	85,734	92,712	80,338	124,142	124,142	124,142	69,403	70,152	69,882
Total Expenditure	147,985	235,977	192,882	172,696	205,333	205,333	205,333	161,444	163,115	163,752
Surplus/(Deficit)	(9,819)	(81,527)	(20,586)	30,471	(20,678)	(20,678)	(20,678)	20,856	20,025	20,194
Transfers and subsidies - capital (monetary allocations)	28,611	28,441	28,629	24,921	36,171	36,171	15,433	37,345	37,517	37,682
Transfers and subsidies - capital (in-kind)	-	102	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	18,792	(52,984)	8,042	55,392	15,493	15,493	(5,245)	58,201	57,541	57,875
Share of Surplus/Deficit attributable to Associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	18,792	(52,984)	8,042	55,392	15,493	15,493	(5,245)	58,201	57,541	57,875
Capital expenditure & funds sources										
Capital expenditure	51,145	41,572	26,035	43,381	56,434	56,434	23,038	86,600	87,004	87,387
Transfers recognised - capital	21,037	-	(0)	24,921	38,171	38,171	13,021	24,750	24,864	24,973
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	24,711	(1,005)	-	11,130	11,933	11,933	9,349	52,345	52,591	52,822
Total sources of capital funds	45,748	(1,005)	(0)	36,051	50,104	50,104	22,371	77,095	77,455	77,795