28 April 2026

| To: Senele Ngcobo<br>IDP Manager<br>Per email: sanele.ngcobo2@msunduzi.gov.za | From: MARRC |
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| CC | Mr Felani Mndebele<br>Municipal Manager<br>Per email: felani.mndebele@msunduzi.gov.za / Per email: mandyg@msunduzi.gov.za<br><br>Mrs Nelisiwe Ngcobo<br>CFO<br>Per email: Nelisiwe.Ngcobo@msunduzi.gov.za<br><br>Councillor Magubane<br>MPAC Chairperson<br>zwelinjanimagubane@gmail.com<br><br>Mr Ravi Pillay<br>Chairperson: Premier Msunduzi Working Group<br>Per email: ravi.pillaykzn@gmail.com |
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Dear Sanele

**2026/2027 IDP – Budget Comments**

Please find enclosed our submission to the draft 2026/2027 IDP and budget.

We hope that our submission will be acknowledged and responded to according to the Municipal System Act.

Kindly note that our submission to 2025/2026 IDP and budget was not acknowledged and responded to.

We look forward to your reply.

We would appreciate your acknowledgement and response in compliance with Chapter 2, Section 5(1) (b) and Chapter 4, Section 17(2)(a) of the Municipal Systems Act.

Yours faithfully

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**ANTHONY WALDHAUSEN**
**CEO - MARRC**
**Cell: 072 536 2978 Email: info@marrc.org.za**

Msunduzi Association of Residents, Ratepayers and Civics

# *MARRC SUBMISSION*

# *MSUNDUZI MUNICIPALITY DRAFT IDP & BUDGET 2026/2027*

## 1. INTRODUCTION

An analysis of the draft IDP/Budget indicates that ratepayer submissions objecting to the above-inflation and unaffordable 2026/2027 Register of Tariffs and Charges (for electricity, water and sanitation, property rates, and refuse removal) were not meaningfully considered and were not formally tabled before Council for determination by way of a Council resolution. The draft tariffs and associated revenue and expenditure projections accordingly appear to proceed on an unadjusted basis, without due regard to material findings reflected in the audited 2024/2025 Annual Financial Statements, including instances of over-expenditure, expenditure of items not budgeted for, combined electricity and water losses approaching R1 billion, and an audited deficit. The draft IDP/Budget further does not disclose a clear, quantified credit-control and enforcement approach applicable to all categories of non-paying consumers, notwithstanding that improved collection is implicitly relied upon to support the projected financial position.

### 1.1 Starting point: an audited deficit in 2024/25

The audited 2024/25 Annual Financial Statements reflect the following:

- Total revenue: R8,106,570,575
- Total expenditure: R8,227,214,944
- Audited deficit: R120,644,369

This confirms that the municipality **did not break even**, and expenditure exceeded revenue in the most recent audited year.

### 1.2 What the 2026/27 projected budget assumes

The 2026/27 projected budget reflects:

- Projected revenue: R10,283,814,000
- Projected expenditure: R9,377,522,000
- Projected surplus: R906,291,000

This represents:

A **26.8% increase in revenue** from the 2024/25 audited actuals, and

A **13.9% increase in expenditure** over the same base year.

### 1.3 Summary of Increase in Total Projected Revenue

Total Projected Revenue Increase

- 2024/25 audited actual revenue: R8,106,570,575
- 2026/27 projected revenue: R10,283,814,000

**An estimated R2,177,243,425** reflects an approximate **26.8% increase** in projected revenue from the 2024/25 audited actuals to the projected figure for 2026/27.

1.4 **Summary of increase in Total Projected Expenditure**

Total projected Expenditure Increase

- 2024/25 audited actual expenditure: R8,227,214,944
- 2026/27 projected expenditure: R9,377,522,000

**An estimated R1,150,307,056**, reflects an approximate **13.9% growth** in projected expenditure compared to the actual expenditure for 2024/25.

1.5. **Extracted Total Expenses: Water and Electricity Costs**

From the audited financial information from 2024/2025:

- Electricity losses (cost impact): R715,038,054
- Water losses (cost impact): R166,774,733
- Combined water and electricity losses: R881,812,787

These amounts represent significant cost pressures linked to non-revenue services rather than billed and recovered operating expenses.

2. The projected growth in **revenue (+26.8%)** materially exceeds the projected growth in **expenditure (+13.9%)**, while historical losses in electricity and water alone amount to **nearly R882 million**, underscoring the importance of loss-reduction and credit-control measures to sustain the projected financial improvement.

3. Based on the content reviewed in the 2024/25 AFS summary and the associated 2026/27 budget commentary, the report **does not detail concrete, quantified or implementation-ready measures** explaining how the municipality will reduce the **R881 812 787** in combined electricity and water losses recorded in 2024/25.

4. **Reduction in bulk purchases from Eskom and Umgeni-Uthukela Water**

The report discloses the rand value of electricity and water losses (Electricity: R715 038 054; Water: R166 774 733). Disclosure is provided but it

**Does not provide**:

- Baseline vs target reductions in bulk purchases for Electricity and Water,
- Eskom or Umgeni-Uthukela volume reduction targets,
- Timelines, milestones, or accountability for reducing purchases,
- Reconciliation between loss reduction and the projected operating surplus.

5. **Over-consumption of water in flat-rated wards**

The report acknowledges the existence of water losses and over-consumption conceptually. There is no ward-specific, tariff, or metering interventions detailed. There is **no operational or financial pathway** shown from flat-rate over-consumption to reduced losses or reduced bulk water purchases. The problem is acknowledged indirectly.

However, it **does not detail**:

- Identification of flat-rated wards,
- Metering rollout plans or conversion timelines,
- Revised tariff structures or enforcement mechanisms,
- Expected kilolitre reductions or rand value savings.

6. **<u>Monitoring of prepaid electricity sales</u>**

Any reference to electricity loss reduction remains **high-level and aspirational**, without measurable controls or system-based assurances.

The report **does not set out**:

- A monitoring framework for prepaid electricity sales,
- Reconciliation controls between units purchased from Eskom vs prepaid units sold,
- Controls to detect anomalies or leakage.

7. **<u>Tackling bypassing or tampering of prepaid electricity meters</u>**

This is a significant omission given that electricity losses alone account for **over R715 million** of the total losses as detailed in the 2024/2025 Audit Annual Financial Statements. There is no targeted enforcement or prevention strategy detailed

There is **no section** detailing:

- Meter audit programmes,
- Anti-tampering initiatives,
- Enforcement statistics or targets,
- Legal or operational consequence management related to bypassing.

8. **<u>Billing in unbilled wards</u>**

Revenue Loss acknowledged is in aggregate. The report has **no ward-level billing plan** provided. The revenue growth assumption is therefore not supported by evidence of expanded billing coverage. We had *attached* a breakdown of the wards which we submitted to our Objection to the 2026/2027 Register of Tariffs and Charges as well as our Submission to the 2024/2025 Audited Annual Report. Please make use of this attachment as a guide (*See attached*)

While the report recognises **non-revenue services**, it:

- Does not identify unbilled wards,
- Does not quantify unbilled households,
- Does not describe billing system updates or rollout plans,
- Does not link billing coverage expansion to revenue projections.

9. **<u>Updating the General Valuation Roll for unbilled areas</u>**

The report **does not indicate**:

- Whether unbilled wards have been incorporated into the General Valuation Roll,
- Timelines for valuation, objection handling, or implementation,
- The projected rates revenue impact from newly added properties.
- The projection of unbilled wards.

This creates a **material disconnect** between the projected revenue growth and the underlying rates base. There is no Valuation-Roll Update Strategy disclosed.

10. **<u>Why this projection is not realistic on the available evidence</u>**

10.1 <u>The deficit in the 2024/2025 Audit Financials is not explained</u>

The report **does not demonstrate** that the **structural causes of the 2024/25 deficit** have been resolved. In particular:

- The municipality incurred **actual electricity and water losses of R881,812,787** in 2024/25 alone.
- These losses are **not shown to be reduced, reversed, or controlled** in the projected budget narrative.

10.2 <u>Revenue growth assumptions are not substantiated</u>

While a large revenue increase is projected, the report **does not detail**:

- How bulk purchases from **Eskom** and **Umgeni-Uthukela Water** will be reduced,
- How flat-rated wards water over-consumption will be controlled,
- How prepaid electricity bypassing and non-technical losses will be addressed,
- How previously unbilled wards will be billed and incorporated into the General Valuation Roll.

Without these, the projected revenue growth remains an **assumption**, not a demonstrated outcome.

10.3 The surplus relies on optimism, not proven turnaround

10.3.1 The shift from a **R120.6 million audited deficit** to a **R906.3 million projected surplus** implies a swing of **over R1 billion**. The report quantifies the scale of losses but does not explain how those losses will be reduced in operational, financial, or governance terms. This supports a reasonable conclusion that the projected surplus is not underpinned by demonstrable loss-reduction measures, exposing the municipality to continued financial risk.

10.3.2 However, the report **does not provide**:

- The disclosure of the 24/25audited R881.8 million figure of electricity and water losses,
- The 26.8% projected revenue increase is presented,
- The causal link between loss reduction and revenue improvement is not substantiated.
- Quantified loss-reduction targets,
- Implementation timelines,
- Measurable savings linked directly to the surplus,
- Evidence that historic adverse trends have been reversed.

10.3.3 As a result, the surplus appears to be **budget-driven** rather than **performance-driven**.

10.3.4 This is starkly evident in the ongoing, unresolved service delivery failures which continue to frustrate the ratepayers and undermine confidence in management.

10.3.5 Despite optimistic financial projections, the reality on the ground is marked by persistent poor workmanship in pothole repairs, the absence of proactive maintenance plans for essential water and electricity infrastructure—resulting in frequent, prolonged outages—and apparent neglect. There are repeated delays in refuse collection, unresolved operational issues at the Mountain Rise Crematoria, and a chronic lack of timely grass cutting and verge maintenance across the city.

10.3.6 These issues are not isolated incidents but reflect a broader pattern of slack management, ineffective oversight, and a lack of decisive consequence management.

10.3.7 The continued deterioration of service standards, coupled with leadership's failure to address these shortcomings, has led to mounting frustration among residents who see little evidence of meaningful improvement or accountability.

10.3.8 The disconnect between budgetary optimism and actual performance is clear: management's sustained underperformance directly contributes to the city's ongoing operational challenges, making the claimed surplus appear increasingly unsubstantiated and disconnected from practical realities.

## 11. Conclusion

11.1 Given that the municipality recorded an **actual audited deficit in 2024/25**, and the report does not demonstrate how the key drivers of that deficit—particularly electricity and water losses—will be reduced, the **2026/27 projected budget is not realistic on the evidence provided**.

11.2 The 2026/2027 budget projections are therefore **not adequately supported**, as required by the MFMA's funded-budget principle, and must be adjusted on a decreased rating, as rate payers have objected to the above inflation and unaffordable 2026/2025 tariffs for water and sanitation, electricity, rates and refuse removal.

11.3 Given that electricity revenue and losses are a material driver of the operating budget, the NERSA approval report is a legal prerequisite for electricity tariffs, and therefore this report does not demonstrate regulatory grounding for the 2026/27 electricity revenue projections.

- This omission is material
- A NERSA Cost of Supply Study and Application for 2026/27 was not made available for public participation,
- Does the report show clear linkage between a 2026/27 Cost of Supply Study and the projected 2026/27 budget figures.
- The projected budget is not evidenced as being underpinned by an approved or pending NERSA process for that year. the lack of any reference to a 26/27 Cost of Supply Study Application means. The electricity revenue assumptions for 2026/27 are not demonstrably compliant

11.4 In accordance with the Municipal Finance Management Act (MFMA), it is imperative to note that water revenue and associated losses represent a significant and material component of the municipality's operating budget. The report fails to reference the 2026/27 public consultation held in November 2025 with Umgeni-uThukela Water regarding the proposed 2026/2027 water tariffs. Furthermore, Msunduzi Rate Payers were not afforded the opportunity to participate in or access the outcomes of this consultation. Confirmation of the approved tariffs from Umgeni-uThukela Water is a mandatory requirement for credible budget formulation under the MFMA. As Umgeni-uThukela Water is the sole bulk water supplier, the municipality does not have authority to set bulk water tariffs but must instead respond to those determined by the supplier. In the absence of formal confirmation from the supplier, any projections within the budget are predicated on assumptions outside the municipality's control. This approach is inconsistent with the MFMA's principles of credibility and transparency in budgeting. Consequently, any 2026/27 water expenditure projection is *invalid* unless it is substantiated by confirmed tariffs from Umgeni-uThukela Water. This omission constitutes a material governance and disclosure gap.

11.5 The absence of the 2026/2027 NERSA Cost of Supply Study Report and Approval including the Approval from Umgeni-uThukela Water is consistent across:

- The report itself, and the
- Annual Report
- MTREF-related documents and
- The Annual Draft Register of Tariff and Charges Report.

11.6 From a governance and compliance perspective:

- The Municipal Systems Act requires **meaningful public participation**, which includes not only holding consultations but also **demonstrating how inputs were considered**.
- Oversight bodies cannot assess the **credibility or responsiveness** of the IDP and budget process without:
    - Visibility of the issues raised by ratepayers, and
    - Clear evidence of management's consideration and responses.

Merely recording that consultations occurred **does not satisfy** the requirement to demonstrate accountability to the public – public inputs must be considered and captured as part of the Msunduzi Council agenda and resolution of decision.

11.7 Public participation is not a once-off annual ritual. It closes the accountability loop It is part of a **continuous accountability cycle:**

**Public input → Council decisions → Budget implementation → Actual outcomes → Oversight → Adjustment**

If the draft budget report does **not** explain:

- what was raised by the public *last year*, and
- what was done (or not done) in response,

then Council and oversight bodies are being asked to approve a new budget **without learning from the failures that produced the 24/25 deficit**. That is procedurally and substantively unsound.

11.8 It directly affects the credibility of the budget

- Ratepayer submissions warned about risks,
- These warnings were not acted on,
- The risks materialised in the **24/25 audited deficit and losses** as stated in the Annual Report.

11.9 Without a section reflecting on **prior public inputs and the municipality's response**, the draft budget:

- Repeats the same assumptions,
- Avoids confronting why previous assumptions failed,
- Risks being **unfunded or unrealistic** in MFMA terms.

A budget that ignores prior warnings by its very funders being the paying ratepayers while projecting improvement is **not credible**.

11.10 It enables meaningful oversight by MPAC and Council

MPAC and Council **cannot discharge their fiduciary duties** if the draft budget report:

- Starts with a “clean slate” narrative, and
- Omits how external stakeholders’ concerns were previously handled.

The absence of such a section forces MPAC to rely entirely on management’s framing — which, in Msunduzi’s case, is already demonstrably incomplete.

Including a section in the draft budget report for Public Participation is therefore **a governance safeguard**, not a courtesy and ratepayer input must be mandatorily recorded in a Council Agenda and Council Resolution.

11.11 There must be a direct link to affordability and loss-reduction claims. In Msunduzi’s context, this is especially critical because:

- Water losses are extremely high,
- Over-consumption in flat-rated areas remains uncontrolled,
- The budget claims a financial turnaround.

Without confirmed bulk tariffs:

- Claims of affordability cannot be tested,
- Loss-reduction savings cannot be validated,
- The projected surplus may be overstated.

11.12 When prior public submissions are not transparently tracked and responded to, the draft budget reads as though:

“Nothing material was raised last year that affected this year’s decisions.”

That position is **not defensible** against the 24/25 audited actuals.

11.13 The section does **not** need to be argumentative — it needs to be factual, structured, and auditable.

***Recommended section title***

"**Response to Prior Year Public Participation and Oversight Matters (2025/26)**"

Minimum content requirements

The section should include a table or narrative structured as follows:

1. Issue raised by ratepayer associations / ratepayers
   (e.g. billing gaps, affordability, loss reduction, revenue realism)
2. Municipal response at the time
   (accepted / partially accepted / rejected / deferred)
3. Action taken (or not taken)
   With dates, responsible officials, or explanation if no action occurred
4. Outcome reflected in 24/25 actuals
   Acknowledge whether the risk materialised
5. Implication for the 26/27 draft budget
   What has changed *because* of the prior input (or candidly, what has not and why)

This transforms public participation from a complaint register into an evidence-based learning tool, as ratepayers are the primary funders of Msunduzi Municipality.

11.14 When the MPAC has not adequately processed ratepayer submissions, the **draft budget report becomes the last internal document** where accountability can still be restored *before* adoption.

If this section is excluded:

- MPAC's failure is effectively entrenched.
- National oversight bodies will read the budget as institutionally defensive.
- External escalation (Treasury, Public Protector, Parliament) becomes far more likely.

Conversely, including this section:

- Demonstrates at least *institutional awareness* of past failures.
- Provides a factual basis for corrective recommendations.
- Reduces legal and reputational exposure for Council.
- Provides transparent, clean and reliable accountability to funders being the ratepayers.

11.15 Clear, defensible conclusion: The draft 2026/2027 budget report should include a section detailing how recommendations and responses to public comments from the prior year were addressed.

The absence of such a section is a material governance flaw that undermines budget credibility, weakens oversight, and perpetuates the same decision-making failures reflected in the 24/25 actual deficit.

11.16 The **Constitution of the Republic of South Africa, 1996** requires municipalities to *encourage the involvement of communities and community organisations in matters of local government*, including planning and budgeting (section 152(1)(e)). Public participation is therefore not optional, and **inputs received must meaningfully inform decision-making**; they cannot be treated as background information only.

11.17 **Municipal Systems Act (MSA): legal duty to receive, consider, and respond**

(a) Obligation to create mechanisms and processes

Chapter 4 of the Municipal Systems Act, 32 of 2000 places a duty on municipalities to:

- receive petitions, representations, and submissions from ratepayers;
- ensure those submissions are considered; and
- provide report-backs to the rate payers which is lacking.

Section 16 specifically emphasizes that participatory governance must complement formal representative government, not operate in parallel or isolation.

11.18 **Meaning of "considered" in law**

In governance and administrative-law terms, *considering* submissions means:

- applying the mind to them;
- evaluating their relevance and merits; and
- making a decision with reasons.

Consideration that does not result in a recorded decision—or that bypasses the Council—is legally deficient.

11.19 Comments and submissions by ratepayer associations and ratepayers on the draft IDP that may influence policy priorities, projects, or budget allocations must be formally processed, tabled before Council, and concluded through a Council resolution where they have material policy or financial implications.

Anything short of this is procedurally defective and inconsistent with the Constitution, the Municipal Systems Act, and the MFMA. Failure to do so undermines Council's constitutional role as the supreme decision-making body of the municipality.

11.20 The Draft 2026-2027 IDP Budget Review contains high-level narrative (vision, objectives, participation processes), but **it does not disclose**:

- the number of billed ratepayer accounts, nor
- the number of paying ratepayers
- The draft budget conflates "revenue enhancement" with arrears enforcement. There is no clear, stand-alone articulation or progress report on revenue enhancement strategies outside Operation Qoqimali.
- diagnose which cost drivers caused the 2024/25 over-expenditure.
- set out a targeted cost-containment programme linked to those drivers.
- show baseline vs corrective reductions in specific expenditure items (e.g. legal costs, consultants, overtime, contract services); or
- provide measurable savings targets for 2026/27 arising from cost containment

Implication: Decision-makers are asked to approve tariffs and revenue projections without a disclosed paying base. Financial risk is acknowledged, but the size of the compliant paying base is not disclosed thereby continuing the trend of a deficit in its annual financials.

The draft 2026/27 budget does not adequately detail progress on revenue enhancement strategies beyond Operation Qoqimali which focuses on debt collection and other arrears-focused measures, nor does it present a clear, quantified cost-containment strategy aimed at addressing the expenditure overruns that contributed to the 2024/25 audited deficit. References to revenue enhancement and cost containment remain high-level and policy-driven, without measurable outcomes, targets, or linkage to the prior year's financial underperformance.

11.21 **Legal, Fiduciary, and Accountability**

11.21.1 It is concluded that the Annual Budget and Medium-Term Revenue and Expenditure Framework are fundamentally financed from ratepayer monies, derived primarily from property rates, service charges, tariffs, and other compulsory municipal levies imposed on residents and businesses.

11.21.2 These revenues constitute public funds, collected from compliant and paying ratepayers in terms of constitutional and legislative authority, and must therefore be applied strictly in accordance with the principles of legality, transparency, accountability, and responsiveness.

11.21.3 In this regard, it is further concluded that ratepayer association submissions and representations are not being formally submitted to Council for consideration and resolution by the Municipal Manager, despite such submissions relating directly to budget assumptions, affordability, revenue realism, service delivery risks, and governance failures. As a result, Council is not afforded the opportunity to apply its collective mind, adopt resolutions, or direct corrective action in respect of matters formally raised by paying ratepayers.

11.21.4 This omission has the effect that ratepayer monies continue to be appropriated, committed, and expended through Council-approved budgets and decisions that are not supported by, and in many instances are expressly opposed by, paying ratepayers, without those objections being transparently tabled, debated, or resolved through Council. Such a practice undermines the constitutional role of Council as the supreme decision-making body of the municipality and circumvents the democratic accountability framework envisaged by local government legislation.

11.21.5 The failure to submit ratepayer association inputs to Council for resolution also negates the purpose of public participation, reduces engagement to a procedural formality, and severs the link between public contributions and institutional decision-making, notwithstanding the fact that the financial consequences of those decisions are borne almost exclusively by ratepayers.

11.21.6 This governance failure is rendered more serious when viewed against the adverse actual outcomes reflected in the 2024/25 audited Annual Financial Statements, which demonstrate that material risks raised by ratepayers were not adequately addressed and have resulted in financial loss, inefficiency, and erosion of public trust.

11.21.7 It is therefore concluded that the continued expenditure of ratepayer monies on decisions taken without Council's formal consideration of ratepayer submissions represents a material accountability failure, exposes the Municipality to ongoing financial and legal risk, and is inconsistent with the fiduciary duties imposed on Council, MPAC, and the Accounting Officer.

11.21.8 Accordingly, and in recognition that internal accountability mechanisms have failed to adequately safeguard the interests of paying ratepayers, this report records that copies of this report and other ratepayer association submissions are being formally submitted to the National Department of Cooperative Governance and Traditional Affairs (COGTA) and the relevant National Parliamentary Committee for purposes of national oversight, intervention, and consideration. This step is taken on the basis that the budget is financed by public funds, that ratepayer interests are not being institutionally protected, and that national oversight is warranted where local and provincial processes have demonstrably failed.

## 12. RECOMMENDATIONS

12.1 It is recommended that the 2026/2027 Budget and IDP be approved on reduced revenue and expenditure projections, as set out in the objections submitted by Msunduzi ratepayers in respect of the proposed above-inflation 2026/2027 Register of Tariffs and Charges (including electricity, water and sanitation, refuse removal, and property rates). It is recommended that such approval be subject to and/or aligned with the finalisation and implementation of any remedies arising from the pending High Court proceedings concerning the redetermination of the 2024/2025 electricity tariffs.

12.2 It is further recommended that the 2026/2027 Budget and IDP be recalculated and/or revised based on adjusted, evidence-based projections for electricity and water losses and any other material items of over-expenditure, as reflected in the audited 2024/2025 Annual Financial Statements.

12.3 It is further recommended that the ratepayer submission in respect of the 2026/2027 Budget and IDP be formally tabled before the Msunduzi Municipal Council for consideration and determination, and that Council's decision thereon be recorded by way of a duly adopted Council resolution.

12.4 We recommend that Msunduzi municipality adopt the recommendations of the research on public participation and to engage with the author of the research on the implementation of the recommendations. This includes engaging with Gauteng COGTA to pilot the ABCD methodology as part of public participation.