



Supporting the Community

## DOLPHIN COAST RESIDENTS & RATEPAYERS ASSOCIATION

Nhlanhla Mdakane  
Municipal Manager  
KwaDukuza Municipality  
[municipalmanager@kwadukuza.gov.za](mailto:municipalmanager@kwadukuza.gov.za)

8 June 2020

CC: Dolly Govender (Acting Mayor) [dollyg@kwadukuza.gov.za](mailto:dollyg@kwadukuza.gov.za)  
Mrs. Zafika Ngubane [ZafikaN@kwadukuza.gov.za](mailto:ZafikaN@kwadukuza.gov.za)  
Councilors:  
Cllr M Ndlela, Cllr T Colley, Cllr N P Dube, Cllr T Du Toit, Cllr P Makhan  
Ms M Ndumo, Director of IDP coordination. [Mbali.ndumo@kzncogta.gov.za](mailto:Mbali.ndumo@kzncogta.gov.za)  
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Mr B Ndlovu, Chief Financial Officer COGTA [busani.ndlovu@kzncogta.gov.za](mailto:busani.ndlovu@kzncogta.gov.za)  
DOCRRA Management Board

Dear Nhlanhla,

**RE : Comment on the draft Capital and Operating budget of the KwaDukuza Municipality KDM for 2020/2021**

We refer to various public notices on the above and your request for stakeholder and public engagement on these draft budgets. Our response is presented to you earlier than the required closing date of the 15 June 2020, in order to facilitate additional engagement and discussion with you with the objective of achieving agreement within the new tight deadlines due to Lockdown.

### DOCRRA

We confirm that the Dolphin Coast Residents and Ratepayers Association (DOCRRA) is recognised by KDM as an interested party on all public and stakeholder matters for KDM. We liaise directly with your office, the office of the Acting Mayor, as well as the director responsible for the IDP and Public Participation, Zafika Ngubane. Despite requests, DOCRRA has not been invited to participate in the formation of any budgets. It is the communities right to be involved, and DOCRRA will persist with these requests.

As a result of this, DOCRRA is unsighted on the current performance of KDM on this years' budget and the forecast for the Financial year 2019/2020. Judging from mid-year reports, much was left to be achieved in the second half of the year. With the State of Disaster, and Lockdown, we assume that much of the current year's goals and planned projects will sadly not have been achieved.

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Reg. No. : 2016 / 114855 / 07

COMMITTEE : D Viljoen (Chairman), K Lever (Vice Chairman, D Both-Richards, H Broerse, A Eichbauer D. Forbes, P Fourie, F Helberg, V Honiball, A Minnaar



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Critical questions that flow from this:

- *What is the forecast on the performance for F2019/2020?*
- *What savings and underspends will there be on both the capital and operating budgets for F2019/2020?*
- *What is the size of the current reserve of KDM, and how is this utilised?*
- *Will the savings and underspends be added to these reserves and/or carried forward to F2020/2021?*

DOCRRRA declared a dispute with the KDM budget engagement process and the erroneous announcement that was made by KDM for stakeholder participation and feedback on 14 and 15 May 2020. We are pleased that this announcement was reversed, and a new date of 15 June 2020 was set. The Lockdown period has seen increased public communication and access from KDM and we trust this will continue in the future.

DOCRRRA accepts that the Lockdown has had an impact on the normal processes of engagement and indeed the activities of KDM, and that new procedures need to be confirmed and implemented. DOCRRRA is ready to assist KDM with this.

DOCRRRA further understands that the original budget for F2020/2021 has already been revised by the Council of KDM, to take cognisance of the Covid-19, the Lockdown and the impact that this will have on the community, the local economy, and the delivery of services by KDM. DOCRRRA was not involved with the original budget and can therefore only comment on the face value of this, the amended draft austerity budget of KDM F2020/2021.

### **The Capital Budget**

We note the austerity capital budget has been reduced by some 33%, or roughly R106M. All the saving comes from Council funds. At first glance this may be seen as good news.

However, DOCRRRA raises the following concerns:

- The savings from the extremely critical areas of Community Services and Public Amenities of R23M, and the more alarming Civil Engineering and Human Settlement Accounts of R68M, come to a total of R91M. We believe this is a travesty, and either Council, or preferably external funding, should be found to reinstate these most critical community requirements. We are all aware that the destitute are erecting illegal accommodation on alien land in desperation while waiting for the Municipality to provide basic services, guidance, and leadership on how to solve this accommodation problem. To remove virtually all of this from the budget is not acceptable to the community and will lead to further hardship and conflict.
- The Capital Budget now only represents 10,3% of the overall budget for KDM. According to guidelines, the minimum maintenance of equipment and assets budget for a Municipality should be around 10%, let alone new capital projects. DOCRRRA believes, to achieve the IDP goals and the KDM Vision, that a Capital Budget of at least 30% of the total budget should be made. This will not be achieved in F2020/2021 and will have to be implemented over the next few years. Reinstating the Capital Budget will amount to 15,5% of the total budget for F2020/2021.





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## The Operating Budget and Tariffs

DOCRRRA appreciates and accepts the increase of refuse removal costs of 4%.

DOCRRRA accepts that both Water and Electricity Tariff increases are prescribed, and that KDM has limited control over these, and therefore these are accepted as well. If possible, the arbitrage could be increased slightly to help balance the budget and reinstate the Capital Budget as mentioned above.

DOCRRRA's position on tariffs versus property rates is that tariffs are consumables and the "user pays" principle applies. Rates, however, are taxes over which the community has little or no control. The taxes are fixed and no amount of austerity by a ratepayer can reduce these. Tariffs on the other hand can be mitigated by decreased usage and affords the consumer some control. In addition, a direct benefit can be measured which is not possible with taxes.

DOCRRRA calculates that the austerity budget proposed by KDM has been increased by R120M or 6,7% (compared to a 33% cut back on the Capital Budget as mentioned above). These increases come largely from making greater provisions for potential nonpayment of rates and services and other accounting adjustments. DOCRRRA believes this to be prudent in the current environment, especially anticipating an increase in indigent peoples due to unemployment.

On the positive side, there is a freeze on vacancies with a current saving of some 16% or around R56M. We trust that this will be managed with diligence and that if that lone Engineer does apply to join KDM, an exception will be made.

It is alarming that some R42M will be cut from operating and contracted services, security, refuse bags, grass cutting, and related services, and we trust that increased productivity and planning will mitigate these cutbacks and an acceptable service will still be delivered.

Property rates are 28% of the revenue of the Council. The 6% increase proposed on Property Rates amounts to around R30M. In turn, this is a mere 1,6% of the total budget. If savings of only R15M could be found, the increase of Property Rates can be limited to below inflation at around 3%. This would send a positive message to the Community in these difficult times and is easy to achieve.

The major concern that DOCCRA has is that according to the Acting Mayor, in her recent explanatory Public Notice, has advised that salary increases for the budget is at an alarming 8,25%. In a time of disaster, increased unemployment, reduction in salaries for all including Government Officials, by request of the President, how can one defend salary increases of 8,25%? Our research has further revealed that the Municipal Workers Bargaining Council recommended only a 6,25% increase for F2020/2021. Even this guideline is not acceptable to DOCRRRA and the community. The additional cash required for this increase is around R34M – incidentally close to the same as the cash amount of the increases proposed on Property Rates.



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### Conclusion and Recommendations:

The austerity draft capital and operating budgets of KDM has some prudent measures (provisions for increased non-payments) but is largely based on cutting into some muscle and critical delivery issues of a capital nature, whilst leaving much fat in the form of excessive salary increases in operating costs. Drastically cutting on critically required Capital Expenditure, and at the same time increasing Operating Expenditure with large salary increases, does not build credibility in the leadership of KDM and underpins a disconnect with the needs of the community in these difficult times.

### **DOCRRRA recommendations**

1. DOCRRRA recommends maximum salary increases of 1% above inflation at around 4,5%, scaled to have bigger increases for those earning entry level wages, and lower increases higher up the ranks. In addition to the already frozen vacancies, DOCRRRA recommends an ongoing freeze on new vacancies within F2020/2021 and increased productivity.
2. Conditional on the point above, DOCRRRA recommends a maximum Property Rates increase of around inflation at 3,5%. This would signal a service and community orientated budget done in partnership with KDM and the constituency it serves. Should the proposed increase in salaries made above, NOT be considered, DOCRRRA withdraws the proposed 3,5% rates increase contribution to the budget and demands a 0% increase in Property Rates for F2020/21.
3. DOCRRRA recommends reinstating the initial Capital Budget and, either finding external funding, drawing from reserves, or revisiting operating expenses to achieve this. For example, savings from new vacancies frozen, larger arbitrage on Tariffs especially Electricity and Water, and/or improved debt collection and reversing those provisions.
4. DOCRRRA accepts the proposed Tariff increases.

We look forward to engaging with KDM on these proposals in good time before final approval dates and processes for F2020/2021. We reserve the right to add or expand on these proposals by the due date of 15 June 2020.

Your acknowledgement of receipt of this letter is appreciated.



Regards

Deon Viljoen

DOCRRRA Chairman

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