



Supporting the Community

DOLPHIN COAST RESIDENTS & RATEPAYERS ASSOCIATION

LINDILE NHACA
Mayor
KWADUKUZA MUNICIPALITY
simthembileg@kwadukuza.gov.za

27 April 2023

CC: Nhlanhla Mdakane
Shamir Rajcoomar

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Dear Madam Mayor

RE: **DOCRRA COMMENTS AND QUESTIONS on KWADUKUZA FIRST DRAFT BUDGET FOR 2024**

This letter has the support of the following associations

- Tinley Manor Resident and Ratepayer Association,
- Blythedale Residents and Ratepayer Association,
- Zinkwazi Residents and Ratepayers Association, and
- KwaDukuza Residents Forum.

We have the following comments on the budget pack presented to councillors on 30 March 2023.

1. The detailed budget cannot be found by residents when using the www.kwadukuza.gov.za address. Only the budget summary is available. The full budget pack should be placed on the front page of the website so that residents and ratepayers can have access thereto.
2. The information presented to councillors leaves a lot to be desired, such as, there is no provision of prior year actuals and current year forecast against the values proposed for the new year. The summary of this information is presented in the A schedules but the budget commentary could be more user friendly and informative.
3. Certain important detailed information, such as Contracted Services, is not presented.
4. No information is provided on head count numbers. Remuneration costs make up 25% of the budget.
5. Useful information such as previous CPI used in the budget and actuals for the past 3 years, together with the past increases on rates, electricity, refuse and salary costs would be very useful for councillors in their assessment of the budget.
6. There is excessive and seemingly unnecessary duplication of large parts of the information in the budget pack.



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7. Some examples of different ways to present the budget are in other local municipality websites such as
 - a. <http://www.ndwedwe.gov.za/wp-content/uploads/2022/06/2022-2023-FINAL-BUDGET-DOCUMENT.pdf> (Pages 1-51)
 - b. https://ilembe.gov.za/wp-content/uploads/2023/04/DC29_Draft-Budget-Report_2024.pdf (pages 13-36)
 - c. <https://www.umhlathuze.gov.za/images/175140-1.pdf>
8. Many of the pages presented in your detailed budget pack are unreadable, making them useless to councillors and any other reader.

Based on the lack of certain information, together with the significant duplication of information and difficult to read detail, we believe there is an attempt to hide information from councillors and residents and we are concerned on what the rationale for that is.

The presentation of the budget could be made more user friendly and we offer our assistance in this regard.

We would like to know the value, or percentage, of rates and refuse revenue received from the residents and ratepayers residing in wards 6, 22 and 30. We expect this to be well over half of total revenue earned by KDM.

OPERATIONAL EXPENDITURE

The following table reflects the extent of over budgeting of operational expenditure over the past 3 years. This excludes bulk purchases for electricity (so essentially controllable costs of KDM).

YEAR	BUDGETED OPERATIONAL EXPENDITURE	FINAL OPERATIONAL EXPENDITURE	OVER ESTIMATED	OVERESTIMATED PERCENTAGE
2020	R1 098 248k	R 893 833k	R204 million	18,6
2021	R1 107 117k	R 904 100k	R203 million	18,3
2022	R1 188 466k	R1 059 940k	R128 million	10,8

The above over-estimate of budgeted expenditure results in over increases in revenue requirements which negatively impacts on residents and ratepayers. As a result of this, KDM has accumulated significant cash arising from surpluses due to underspending of budgeted operational and capital expenditure, as well as better than expected revenue collection. This causes significant hardship on residents.



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YEAR	BUDGETED SURPLUS (after capital transfers/contributions)	ACTUAL SURPLUS	VARIANCE
2020	R84 043k	R243 060k	R159 million
2021	R81 412k	R183 934k	R102 million
2022	R90 519k	R156 505k	R65 million

This trend over over-budgeting expenses is unlikely to be different in the 2024 and later years. We do not believe that zero-based budgeting is properly executed.

Similar to overestimated operational expenditure, previous years have also proven to be overly conservative revenue budgets, as per below table. (excludes service revenue)

YEAR	BUDGETED	ACTUAL	EXCESS	PERCENTAGE
2020	R 905 872k	R 826 768k	R-79 million	-8,6
2021	R 890 900k	R 907 920k	R17 million	1,9
2022	R 915 491k	R 967 688	R52 million	5,7

Actual collection rates have generally been higher than the normally conservative 90% used in the budget.

- The 2023 budget collection rate was set at 96% and 2024 budget is 97%. The 2022 collection rate was above 98% for refuse and electricity and over 100% for rates.

There are no revenue/proceeds from insurance accounted for due to asset losses suffered in the April 2022 floods. Please explain why not?

BUDGET POLICY

The current policy does not allow the municipality to budget for a deficit (5.1). It does, however, allow for cash backed accumulated funds to be used for funding purposes (5.5). This is in compliance with the MFMA (Sec 18 (1) (b) which allows uncommitted cash backed accumulated reserves to be used to fund the budget.

We are firmly of the view, and request, that KDM should reduce the revenue budget to allow for R50 million to be funded from the previous surpluses accumulated, as depicted above.

CITY STATUS

The vision, as stated in the IDP, is for KwaDukuza to be a city in 2030. Our questions are

- What are the benefits to residents and ratepayers for KwaDukuza to be declared a city?
- What are the costs to be incurred to become a city, including such costs as increased salaries to employees?
- What costs have been incurred to date on becoming a city, operational and capital, and



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- What costs have been budgeted in 2024 to be incurred on this road to become a city.

RATES

- With the rates set to increase by 7% for all categories, total rates revenue will exceed the amount budgeted due to new properties being occupied and rated during the year. There are substantial new residential and commercial property developments occurring in Ballito which will result in continuous additions to rateable properties and therefore result in additional rates revenue. This alone justifies a reduction in the proposed rates increase from 7% to 4%, as the difference will be made up by the new properties.
- What value of new residential properties have been added to the billing/valuation roll for the June 2023 year to date?
 - Our suggestion is that there is no change to the rates factor and to reduce the rebate percentage granted to all residential properties, in order to achieve an increase in rates cost to the ratepayer of 3-4%. This allows KwaDukuza to appear more attractive to residential investors than other areas in KZN.
 - If the primary rebate of 25% is reduced, is reduced to 20%, and the rates factor remains unchanged from 2023, will result in the cost to the ratepayer increasing by 6.7%.
 - We propose that the rebate be reduced from the current 25% to 22%, which will result in the cost to the residential ratepayer increasing by 4% in 2024, with the balance of income to be made up from new properties added to the valuation roll.
 - Based on table SA11, the number of properties will increase from 46 000 in 2023 to 50 000 in 2024, giving further justification to our reduced rates cost increase above.

ELECTRICITY

- If electricity losses (circa 26%; R250m) were reduced to general norms of 8-10%, KDM would save around R100 to R150 million and be able to afford granting residents a very low or nil increase in electricity tariffs.
- We require KDM to provide us with the detailed costs recovery calculation for domestic users for the 2023 and 2024 financial years.

SALARIES

Salary increases are budgeted at 5,4%, plus a notch increase of 2,4%.

- Does every employee get both increases irrespective of individual performance?
- No headcount numbers are provided (table SA24) to assist councillors and ratepayers with understanding the reason for the significant cost increase which are substantially more than the percentages reflected in the report. Why is this not provided?
- Please advise the estimated employee numbers at June 2023 and June 2024.
- A grading increase is also budgeted at 2%. Please explain which and why employees would receive a grading increase when their job has not changed?



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- Please explain the reasons for the total increase in basic salary costs for staff in light of the above inflationary increases?

Basic salaries history (**staff excluding executives**)- R'000

2021 actual	R234 260	
2022 actual	R248 347	+6.0%
2023 forecast	R275 396	+11.2%
2024 budget	R330 264	+19.9%

- Please explain the reason/s for the gross cost increase for MM and ED's of 14,8%?
- Why is budgeted cost for CFO higher than for MM?

Gross costs history - executives- R'000

2021 actual	R12 819	
2022 actual	R13 625	+6.3%
2023 forecast	R16 447	+20.7%
2024 budget	R18 888	+14.8%

REFUSE COSTS

- Refuse increased by 6% for 2023. The contract with Dolphin Coast Waste (DCWM), a service provider to KDM, is set to escalate at CPI plus 2% annually on 1 November. This escalation is negative to KDM residents if the costs are passed on, and should be renegotiated.
- Please indicate the costs paid to DCWM for October 2022 and November 2022, which is the months before and after the annual increase date of the contract.
- Please explain what additional services will be acquired from DCWM in the 2024 year, and the cost of those services.
- Please confirm what actions are being taken to ensure that all users, in the whole of KwaDukuza, are being billed accurately on a monthly basis.

OTHER COST QUERIES

- Please provide information on the costs of the proposed/discussed Revenue Protection unit which will operate from the MM's office?
- Overall maintenance expenditure is still budgeted at less than 3% on assets, whereas it should be at 6-8%. We request that the maintenance budget, specifically on Electrical Infrastructure, be increased from R31 million to R60 million.
- No detail has been provided on the breakdown of Contracted Services. This is a large expense item. Please provide us with a categorised breakdown for forecast 2023, and budget for 2024 as has previously been provided in the mid-term review.



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- In the mayor's press release on the budget, she referred to the budget as being "pro poor". Please can you detail where and in what way the budget can be seen as such when proposed increases in all costs to residents and ratepayers are in excess of inflation.
 - a. Admittedly, those that get free services will feel no impact so how have poor people been catered for?
 - b. What is Council's definition of "poor"?
 - c. Have free basic services to indigents been changed from the 2022 or 2023 budget, specifically increased free electricity?
- Table A10, basic service delivery measurement, is unpopulated and incomplete.

CAPITAL BUDGET

- Table SA36 is poorly formatted and largely unreadable, making it difficult for readers to understand the exact nature of the asset to be acquired. There are also errors in the table.
- The receipt of original and additional flood disaster relief grants is fantastic for all residents of KDM. We will be creating oversight structures within our wards to ensure work is carried out effectively.

We request formal acknowledgement of the receipt of our inputs, as well as formal written feedback on our questions and proposals.

We look forward to your response.

Kind regards

A handwritten signature in black ink, appearing to read 'Deon Viljoen', written over a light grey grid background.

Deon Viljoen

DOCRRRA CHAIRMAN