



DOLPHIN COAST RESIDENTS & RATEPAYERS ASSOCIATION

Nhlanhla Mdakane
Municipal Manager
KWADUKUZA MUNICIPALITY
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26 April 2024

CC: Lindile Nhaca simthembileg@kwadukuza.gov.za
Mthandeni Nene Mthandenin@kwadukuza.gov.za

Dear Municipal Manager, Madam Mayor, Acting CFO

Sent by email

KORA QUESTIONS/COMMENTS ON 1ST DRAFT KDM BUDGET FOR 2025

This letter has the support of the following associations:

- Dolphin Coast Residents and Ratepayer's Association,
- Tinley Manor Residents and Ratepayer's Association,
- Blythedale Residents and Ratepayer's Association,
- Zinkwazi Residents and Ratepayer's Association,
- KwaDukuza Residents Forum, and
- iLembe Community Action Movement.

While this submission formally represents the above, we believe that the insights apply to all residents of KwaDukuza Local Municipality.

We have pleasure in responding to your invite to submit questions to yourself on our views of the draft 2024/25 IDP and financial budget. While we submit these questions, we want to bring to your attention that we never received a formal response to our submission on the 2024 budget. We also did not receive a formal response (as promised) to our questions submitted at the imbizo held for Ratepayer organisations at the Ballito library on 7th November 2023. Both of these can be provided if needed.

Comments on the presentation of the budget to Council on 26 March 2024

The budget pack was contained in pages 463 to 828 of the pack, some 366 pages. Once again, we find that there is:

- excessive duplication of information in these pages. We acknowledge that regulations require certain minimum and required items to be presented to Council, but it could be streamlined in order to make it more user friendly.



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- insufficient comparative information in the Executive summary to allow councillors and residents/ratepayers to undertake an informed analysis of the budget, as no prior comparatives of significant or presented information is provided,
- In our submission on the 2024 budget, we encouraged KDM to review the budget submissions of iLembe and uMhlatuze as these provide succinct and appropriate comparative information. Copies of these can be found at these below links (for 2024). We repeat our offer of working with the Acting CFO in updating the presentation of the annual budget to make it more user friendly.
 - <http://www.ndwedwe.gov.za/wp-content/uploads/2022/06/2022-2023-FINAL-BUDGET-DOCUMENT.pdf> (Pages 1-51)
 - https://ilembe.gov.za/wp-content/uploads/2023/04/DC29_Draft-Budget-Report_2024.pdf (pages 13-36)
 - <https://www.umhlathuze.gov.za/images/175140-1.pdf>
- Further, your pdf document does not allow searching for words within the document (Ctrl F), which further limits its usefulness to residents.

SPECIFIC COMMENTS AND QUESTIONS ON THE 2025 OPERATIONAL FINANCIAL BUDGET

Rates

1. The formula will increase rates charges by 5% for all ratepayers (residents and business) which is slightly below the current and expected inflation rate of 5,4% for the forthcoming year. This is acceptable against a 2023/24 increase of 6,5%, which was in excess of the projected inflation to June 2024 of 5,5%.
2. We repeat our comments to review the general rebate of 25% granted to each ratepayer, which was introduced at the last property revaluation. We believe that those seeking to invest in our area may not be aware of this general rebate and may see KwaDukuza as expensive when comparing our rates formula to other municipalities in KZN.

Refuse

Refuse proposed increase for residents is set at 7%, which is over 27% more than projected inflation of 5,5%. For 2024 this was increased by 9,5% which was also well above inflation.

Our main concern is with ensuring that all residents who receive the service, are billed for that service. In the February 2024 council meeting, at page 21, it was noted that billings were done to residents in Groutville who were recipients of a service, but that the billings had to be reversed. This lack of billing, together with escalating costs, will or already has made the revenue section a loss function.



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The table below presents the scenario over the last four years.

		2024/25 budget	2023/24 forecast	2022/23 audited	2021/22 audited
FUNCTIONAL ANALYSIS					
	Revenue- solid waste	143 950	126 331	115 942	99 182
	Expenditure	174 592	170 345	136 365	103 727
	LOSS	- 30 642	- 44 014	- 20 423	- 4 545
Increase in revenue - %					
		13,9	9,0	16,9	
Increase in costs -%					
		2,5	24,9	31,5	

Electricity

As expected, this is our main area of concern. While we acknowledge that tariffs are proposed to increase by less than the cost KDM will be paying to Eskom, i.e., 10,5% to 12,7%, we highlight the following

1. That electricity sales (in units sold) are decreasing due to increased load shedding which results in less units available for sale,
2. Increased implementation of own generation by residents, such as roof-top solar panels, and
3. Increased electricity losses which have not been able to be curtailed over the last 5 years, including the current 2024 year.
4. We encourage council to set a specific rand value (budget) for electricity losses for 2025 which can then be monitored monthly as with other expenditures (similar to how iLembe reflect water losses).

Below is our extract of the revenue, costs and losses position on Electricity from your records.

		2024/25 budget	2023/24 forecast	2022/23 audited	2021/22 audited
Presented in R'000					
	Electricity revenue	1 398 776	1 256 786	1 047 114	1 026 249
	Bulk purchases	1 238 436	1 197 031	1 020 714	943 600
	Gross profit(loss)	160 340	59 755	26 400	82 649
	% Margin	12,9%	5,0%	2,6%	8,8%
Increase in revenue- %					
		11,3%	20,0%	2,0%	
Increase in purchases -%					
		3,5%	17,3%	8,2%	
Eskom annual increase					
		12,70%	18,00%	15,00%	
Electricity losses - R					
			350 748	262 542	237 728
Electricity losses - %					
			26,5%	25,7%	25,2%

Below is the position of the Electricity function

ELECTRICITY BY FUNCTION (table A2)					
Presented in R'000		2024/25 budget	2023/24 forecast	2022/23 audited	2021/22 audited
	Revenue	1 469 919	1 334 283	1 111 995	1 111 585
	Expenditure	1 471 862	1 424 171	1 188 694	1 104 454
	LOSS	- 1 943	- 89 888	- 76 699	7 131

As can be noted, the function has turned into a negative (loss) position. The chance of this situation being reversed in 2025 is unlikely based on the fact that electricity losses have not been stemmed over the last 3-5 years. This is going to severely impact the future financial viability of KDM and will likely result in above inflationary increases, even above those of NERSA increases to residents in the future.

We also note that in the 2024-year, free electricity to indigents was increased from 75 to 100 kwh per month. This equated to a 33% increase, probably which wasn't fully recovered from the Equitable Share grant. This meant that other residents and/or other revenue was used to subsidise this additional cost.

For 2025 a further increase of electricity to indigents is proposed, again unlikely to be recovered from the Equitable Share grant for 2025. Council should properly cost this in order to measure its impact on the financial result.

Employment costs

These are budgeted to increase by 6,7% over 2024 which is above the current and expected CPI of 5,4%. We object to these above inflation increases when there is no demonstrable increase in employee performance. Above inflation increases to only be granted where performance of the individual has been above average.

According to your table SA24 there is no planned increase in employee numbers for 2024 to 2025. We are aware of certain critical positions in Finance, Community Safety and Corporate Services that need filling and encourage council to review this situation.

Expenditure

Overall expenditure has been budgeted to increase by approximately 4% which we commend. However, we do note that substantial surpluses have been built up over the years due to actual expenditure being lower than budget but revenue being above budget.

We believe additional expenditure could be budgeted on maintenance as generally the amount previously budgeted for maintenance have not been spent. While the 2024 original budget of R85m has been increased to R90m, for 2025 the budgeted amount has again been reduced to R85m (your table SA34c). Based on the significant increase in electricity outages, excluding load shedding, we believe that there should be a substantial increase in electricity maintenance, which is budgeted to reduce from R31m in 2024 to R29m in 2025.



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CAPITAL BUDGET

We note that the capital budget has been “normalised” to expenditures prior to those incurred on flood damages in 2023 and 2024, to R286m. In light of the comments above it is pleasing to see that R125m thereof is budgeted to expand and renew the electricity system.

As always, we remain open to discuss this budget submission with you and work with you and the management team of KDM to ensure the future financial viability of our municipality.

Yours sincerely

Brian Botes, on behalf of all associations listed on page 1

Dolphin Coast Residents & Ratepayers Association (DOC RRA)