

**SPEECH BY THE MAYOR OF KWADUKUZA MUNICIPALITY,  
COUNCILLOR DOLLY GOVENDER ON THE OCCASION OF  
THE TABLING OF THE 2020/2021 ADJUSTMENTS BUDGET**

Thursday, 25 February 2021

**MADAM SPEAKER, CLLR. R.P.Z. ZULU  
CHIEF WHIP OF COUNCIL, CLLR. D. NDI MANDE  
FELLOW COUNCILLORS  
AMAKHOSI OF KWADUKUZA TRADITIONAL LOCAL  
COUNCIL  
MUNICIPAL MANAGER AND THE MANAGEMENT TEAM  
MEMBERS OF THE MEDIA  
LADIES AND GENTLEMEN:**

I address you today in terms of in accordance with S28 (4) of the MFMA to table the adjustments budget for the 2020/2021 financial year.

There were no major revisions to our budget assumptions during this 2020/2021 adjustment budget process, below are influencing factors we considered and reviewed:

- Normal inflationary increases and economic pressures
- Zero-based and incremental budgeting for 2020/2021

- Property rates randage increase of 3% in 2020/21 financial year
- Electricity tariff – various as per tariff of charges, ranging from 0% to a maximum of 6%, 9% depending on the consumer category
- Bulk purchases tariff's for electricity has increased by 6,9% in 2020/2021 due to Eskom's tariff increase.
- Supply and distribution of electricity continues under the municipal licence over duration of the MTREF
- Refuse removal tariff increased by 4% in 2020/21
- The budgeted figure includes the normal increase of 6,25% in terms of existing salary agreement for (filled and vacant posts) plus 2.5% in relation to notch for those employees who still qualify for notch increases.
- Partnership programmes with the National and Provincial Government.
- There have been no changes made to the present powers and functions of the KDM during the budget year.
- The average long-term cost of borrowings is 12%

**Significant External Factors and factors relating to the COVID-19 Pandemic includes:**

- The country will not reduce lower than level 3 lockdown for the 2020/2021 financial year
- Consumer's ability to pay municipal accounts will be restricted for the upcoming year
- Debt recovery FROM 2020/2021 BILLINGS will be adjusted to 90%, however this is subject to revision
- Should consumer debt payments in respect of 2020/2021 billings be higher than above this may be appropriated in the adjustments budget.
- The national GDP outlook will not improve for the 2020/2021 financial year
- The ratings outlook for South Africa will not significantly improve for the 2020/2021 financial year
- Increase in fuel prices
- Household consumption of Electricity for the duration of the MTREF will remain consistent.

- The municipal indigent base may also increase as a direct result of the pandemic which will lead to a higher provision towards indigent support. The impact of this will be evaluated monthly.

Based on the above factors, kindly note these changes in terms of the Adjustments Budget for the 2020/2021 Financial Year, these will show how much the ANC led government cares about the people of KwaDukuza and how it is willing to always put them first.

## REVENUE

**Property Rates:** No adjustment was considered on this revenue stream, looking at the six months reports for the 2020/2021 financial year.

**Service Charges:** This revenue stream consists of Refuse and Electricity charges. No increase was considered for the Refuse Revenue Stream.

Taking into consideration the actuals for the past seven months, the Electricity Revenue Stream has been decreased by R25,4 million due to the decrease in billing on private consumers. Electricity revenue received from private consumer SAPPI has

decreased by R14,065 million, due to this consumer slowing down normal operations during lockdown causing a decrease in electricity consumption. We're expecting normal operations in this organisation will be restored by end of April 2021.

Also, an analysis of faulty meters indicated that there were approximately 202 faulty bulk meters not replaced to date. If the potential income from these is generalised for the financial year between April and June, this would result in an additional R21 million. This increased revenue has been added onto the budget with the firm commitment from the Electrical Business Unit that the replacement programme of meters will be intensified with immediate effect.

The municipality is anticipating revenue of approximately R21 million through the replacement of faulty bulk meters for the remainder of the current financial year.

**Interest Earned – External Investments:** The budget on interest from investments has decreased by R7,6 million, taking the variance highlighted in the S72 Mid-Year Budget and Performance Assessment Report into account. The reduced interest income is a result of the current reduced interest rates of the country which has created lower than anticipated interest revenue on investments.

Provincial Treasury in their Mid-Year assessment also noted the decline in the interest income revenue stream with advice being given to re-visit budget allocations for the revenue category.

**Interest Earned – Debtors:** The budget decrease on the interest earned on debtors is due to the implementation of the COVID-19 Debt Relief Scheme that was approved by Council from 1st July 2020 to 17th June 2021 to assist customers who were in arrears with the settlement of their debts in full or in instalments so that they could qualify for the write off the outstanding administration charges and accumulating interest until 17th June 2021.

The budget for this revenue category has been reassessed taking into consideration the level of debtors as at 30th December 2020. The adjusted budget for interest earned debtors has been referenced to the municipal credit control policy.

**Fines and penalties:** The budget for fines and penalties is reduced by R8,5 million. There was a R10 million decrease in Fines Revenue with an equal reduction in the impairment for fines. This has been considered after analysing the actual fines written for the financial year.

The budget for Tampering Fees on Illegal connections was increased by R1,5 million which is line with the outcomes of the weekly energy task team inspections and revenue generation.

**Other Revenue:** After considering the actuals for the past seven months on other revenue streams the budget has been adjusted upwards by R7 million. Town Planning Fees have exceeded budget expectations, so too has Roads Master Plan and Legal Fees Recovered. Based on comments received by Provincial Treasury on the Other Revenue category, all sources of revenue have been correctly classified and estimated levels of demand have been considered.

## EXPENDITURE

**Salaries and Allowances:** The municipality has considered the employee related costs and decreased the category by R2,8 million. The critical posts have been re-evaluated and the recruitment and selection processes are under way with vacant positions to be addressed prior to year-end.

Although Provincial Treasury during its Mid-Year Budget and Performance Assessment Report advised the Municipalities to review and ensure the Overtime budget is sufficient, the Management of this Municipality has taken a firm decision to

further reduce the overtime budget by R847 thousand. With lockdown levels still being adhered to, festivals and coastal activities have been cancelled which will result in savings to overtime and standby costs. This reduction has been factored into the Adjusted Budget.

**Debt Impairment:** The provision for fines revenue (trade & receivables non-exchange) has been reduced by R10 million to account for the decrease in billing for fines revenue. In terms of Provisions for Trade & Other Receivables Exchange Transactions, there have been no amendments to the provision although there has been revisions to the electricity revenue billing. No change to the provision was considered after intensive review was conducted by the revenue section.

**Finance Charges:** The budget for finance charges has been adjusted downwards to cater for the rollover of the R27 million Electrical Loan Project under the Capital Budget. The user Business Unit has provided cash flows for the tender in January 2021. The SCM process is currently underway. The project and the associated loan funding will be carried forward into the 2021/2022 financial year. The reduced budget is also due to timing of interest payments as the R15 million loan for the Office Space has not yet being taken up.



**Bulk Purchases:** The budget in this revenue category is reduced by R21,9 million, due to the decrease in electricity billing in private consumers, the reduction of approximately 3% is anticipated in bulk purchases. The municipality indicated that the Electrical Business Unit has in consultation with the Vuthela embarked on an exercise of assisting the municipality to accurately analyse technical losses. Furthermore, the municipality has formed an energy loss task team which has resulted in the disconnection of 370 meters to date.

**Contracted Services:** The budget for the contracted services expenditure category has been adjusted by R13,6 million. The main lines items requiring adjustments were Legal Fees – R4,2 million, Security Services – R5,4 million and Waste Management Services – R6 million.

**General Expenditure:** The budget is reduced by R4,9 million in this expenditure item due to various reductions in line items across the category. Programmes and projects identified that will not take place due to COVID restrictions were removed from the budget. Travel and subsistence, conference and workshops and certain sporting events were either reduced or re-prioritized from the budget.

Also, municipal running costs and hire of plant and equipment were reduced in line with expenditure patterns for the financial year. The municipality has considered Provincial Treasury comments and investigated the performance of all expenditure items that constitute other

## **CAPITAL ADJUSTMENTS BUDGET**

The KwaDukuza Municipality's mission is to achieve the highest economic status through:

- Driving Local Economic Development
- Delivering a high standard of essential services
- Encouraging public participation
- Overcoming debt and achieving cost recovery on services provided

The municipality originally approved R295,3 million capital budget in the current financial year, during the special adjustment budget it was adjusted to R294,7 million, with much of the funding being allocated towards the Electrical Network Upgrade and Roads Infrastructure. The budget has since been amended to R235,8 million showing a net decrease of R58,9 million on the Capital Budget. A summary of the decreased budget per business unit is reflected on the Councillor packs.

## CONCLUSION

Madam Speaker, with the powers vested in me I to invite members of the house to engage on this item and to support its recommendations.