

**PRESENTATION OF 2019/2020 ANNUAL REPORT AND
2020/2021 SECTION 72 MID-YEAR BUDGET AND
PERFORMANCE ASSESSMENT REPORT BY MAYOR OF
KWADUKUZA MUNICIPALITY CLLR DOLLY GOVENDER**

Thursday, 28 January 2021

**MADAM SPEAKER, CLLR. R.P.Z. ZULU
CHIEF WHIP OF COUNCIL, CLLR. D. NDIMANDE
FELLOW COUNCILLORS
AMAKHOSI
MUNICIPAL MANAGER AND MANAGEMENT TEAM
RESIDENTS AND STAKEHOLDERS
MEMBERS OF THE MEDIA**

I greet you all,

MOMENT OF SILENCE

May I request the house to bow our heads and observe a moment of silence in honour of all fallen frontline workers, residents, staff, and fellow councillors that have succumbed to COVID-19.

[Let us bow our heads and observe a moment of silence prayer]

INTRODUCTION AND SCENE SETTING

Ladies and Gentlemen: It is an honour to address the first sitting of Council for 2021, a year that serves as a final chapter for the current tenure of Council, leaving us with only seven months to fulfil our 2016 Drakensburg Resolutions and I hope that we are all vehement to do so.

Indeed, the past and the current year, which are the axis of today's discussions, have proven to be challenging in many fronts, we are fighting a war against an enemy that has cornered governments across the globe to commit decisions that further the class gap, in attempts to put life before profit, which is hindering on our gains in fighting inequality, poverty, and unemployment. However, we are confident that our government will steer us out of this turbulent road in due time.

JOE BIDEN INAUGURATION AS U.S.A PRESIDENT

As a member of ICLEI, I wish to take this opportunity to congratulate Mr Joe Biden on his inauguration as the 46th President of the United States of America. We are delighted that Biden has been sound on the U.S.A re-joining global climate accord. He has called climate change an existential threat and says he will rally the rest of the world to act more quickly on curbing emissions by re-joining the Paris Climate Accord.

ECONOMIC OVERVIEW SUMMARY

Fellow councillors, as I prepared this report, I took time to learn about what is happening in other secondary cities around the world during the time of Covid-19, particularly with their economies, with a hope of identifying commonalities between these secondary cities and KwaDukuza. The summary of my reading is best encapsulated as follows:

The pandemic and its aftermath will continue to dominate socio-economic conditions in 2021. The recent vaccine developments offer a clear route out of the acute phase of the crisis. The central assumption remains that COVID-19 will come under control very gradually through a combination of vaccines, medical treatments, and testing starting from Q2 in developed economies, but more broadly only in the second half of the year. This should allow for many social-distancing measures to be lifted. At that point, governments may be able to gradually phase out extraordinary fiscal support.

BUSINESS OF THE DAY

Speaker, I would like to put it on record that will deliver the presentations for the 2019/2020 Annual Report and 2020/2021 Section 72 Mid-Year Budget and Performance Assessment Report simultaneously to cushion time given that we are meeting virtually.

2019/2020 ANNUAL REPORT OVERVIEW

In as far as the 2019/2020 Annual Report is concerned, a broad overview reflects that municipal performance decreased by 17% when compared to the previous financial year where it stood 64%. However, there has been a significant increase of 11% in Basic Service Delivery to 47% from 36% achieved in the previous financial year.

Some of the factors that have influenced our performance include COVID-19 and the National Lockdown, a lot of planned projects were delayed as most of the budgets was transferred to COVID-19 Disaster Projects, if it wasn't for the National State of Disaster, it is evident there would have been a much higher increase in Basic Service Delivery.

In response to the increase in energy losses, the municipality has established a Debt Reduction Steering Committee to intensify measures to reduce energy losses by conducting inspections on bigger consumers every Thursdays monthly. I will be reporting on this aspect in greater detail in the Mid-Year Budget and Performance Assessment Report.

We have also dealt with repeated findings on irregular expenditure. The Solid Waste PPP has been finalised and is being implemented in the current financial year and this has

eliminated the conducting of this service as irregular expenditure. Other focus areas included the grass cutting tenders which are hoping to finalise within Q1 of 2020/2021 and this will eliminate irregular expenditure related to this service. Also, the security tender is in the process of evaluation we have unfortunately missed our target to appoint by October 2020.

The Electrical Business Unit has embarked upon various tender processes for the appointment of various service providers onto a panel and this will eliminate the need for Section 36 appointments which were deemed to be irregular.

Worryingly, the annual overview indicates that almost half (47) of the strategic objectives have not been met. The executive team should immediately set specific targets for improvement in 2020/2021.

The overall budget spending at 87% is in line with the prior year at 86%. A workplace skills rollout plan must be put in place to ensure that at least 25% of the training is rolled out quarterly. This would yield a 75% achievement of the target as opposed to 57% achieved for 2019/2020.

Revenue shortfalls were apparent in licensing as well as rates due to the National Lockdown and the subsequent economic

distress. It is recommended that collection risk modelling be undertaken to mitigate revenue shortfalls. It is, therefore, recommended that a Task Team be assembled to look at the following:

1. THE UNLOCKING OF SCM PROCESSES

To monitor spending and report quarterly so that corrective action is implemented earlier as opposed to waiting till the end of the year and for consequences to be faced by Executive directors who are defaulting.

2. STREETLIGHTS

Streetlight repairs are going well, to strengthen this programme it may be beneficial for the Municipality to invest in the installation of daylight sensors to curb the loss of electricity during daytime. This should be looked at as part of a strategy to reduce energy losses.

3. PERFORMANCE MANAGEMENT

The Audit Committee recommends that the performance scorecards be reviewed quarterly by the Committee to monitor progress and to ensure that action plans are addressed. During the planning stage, all targets should also reflect Risk factors associated with the achievement of those targets to ensure that Risk mitigation plans are put in

place to deal with those risks continuously. Business Units should also ensure that the Assessment of the service providers forms part of their quarterly reporting to put the service providers on terms should there be a need to do that.

2020/2021 MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT

In as far as the Section 72 Mid-Year Budget and Performance Assessment Report is concerned:

REVENUE

The actual revenue billed and/or collected to date is R877,507 million. The negative variance of approximately R39,698 million or -4% is realised at the end of December 2020.

EXPENDITURE

The Mid-Year Budgeted Operating Expenditure for the 2020/2021 financial year was R887,254 million. The actual expenditure recognised as of 30 December 2020 was R736,896 million which implies that the municipality has realised a negative variance of approximately R150,358 million in expenditure.

CAPITAL BUDGET

The Municipality approved R295,382 million as a capital budget in the current financial year, with most of the funding being allocated towards electrical upgrades, road infrastructure projects and community recreational facilities. The budget was since reduced to R294,763 million during the Special Adjustments Budget Process.

With regards to the capital budget, I request that the Municipal Manager to unlocks bottlenecks at the various tender committees, it is acknowledged that work has been done to improve these committees however it shall be noted that many projects are still lying in these committees with no sense of clarity.

For an example, Construction of Museum Project – In terms of the SDBIP, R3 million should have been spent by December 2020, but as mentioned in the item before councillors, the project has only been approved by TSC in December 2020.

CASH FLOWS

In terms of the Cash Flow, the municipality reflected R799,6 million Cash and R105,2 million Investments for December 2020.

CONSUMER & SUNDRY DEBTORS ANALYSIS

At the end of December 2020, Consumer Debtors reflected R240,227,663 million. This indicates an increase of R22,689,494 million from December 2019 in which the debt was R217,538,169 million, highlighting an approximate 10% increase from the previous financial year.

Most of the debt under this category is over 120 days. The effects of the National Lockdown and the loss of income faced by consumers during July, August and September 2020 has resulted in a huge rise in debt in the over 120 days category. Although the debt has risen from the previous financial years, the debt decreased by R31,232,944 million from the 1st quarter review which reflected Consumer & Sundry Debt as R338,645,404 million.

Colleagues to circumvent the above situation, these are measures we have adopted as a collective to reduce the outstanding debts:

- Council had approved the implementation of the COVID 19 debt relief scheme from 1st July 2020 to 17 December 2020, which aimed to assist debtors who are in arrears to settle their capital debts in full or in instalments so they could qualify for the write-off of outstanding admin charges and accumulating interest until 17 December 2020.
- Debtors were handed over to the new debt collection panel of attorneys.

- Council appointed a service provider to undertake the disconnections to speed up debt recovery.
- Continuous 40% partial blocking of debtors that utilize the prepaid electricity meters.

IMPACT OF DISCONNECTIONS AND HANDING OVER ACCOUNTS:

Fellow councillors, I also wish to bring to your attention that our work is yielding results since we ensued with disconnecting debtors and those stealing electricity, we have seen results. Please receive this report:

819 consumers with a total outstanding debt of R21,000,855.21 million were disconnected and this brought in additional revenues of R9,129,151.63 million.

Our on the ground operations led by the Revenue and Debt Steering Committee (RDSC) have given these results:

- 317 tamper fines have been issued and the total value of these fines is R 3 684 378.87 million
- 181 of the 317 tamper fines to the value of R 2 535 138.18 million relates to business properties
- 136 of the 317 tamper fines to the value of R 1 149 240.69 million relates to domestic properties

- 87 of the 181 Business Customers have paid their fines, amounting to R 1 183 173.05 million
- 63 of the 136 Domestic Customers have paid their fines, amounting to R527 722.65 thousand

Therefore 150 of the 317 Customers issued with fines have come forward and a total of R 1 710 895.70 million was recovered from payment of these fines

SECTION 72 MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT RESOLUTIONS IN TERMS OF THE MUNICIPAL BUDGET AND REPORTING REGULATIONS WHICH ARE REQUIRED TO BE CONSIDERED BY COUNCIL

As I close, Council is hereby requested to consider these resolutions:

1. THAT the Mid Term Budget Assessment as required in terms of Section 72 of the MFMA be noted.
2. THAT acting under S72 (3) (a) the Accounting Officer hereby recommends to Council that an Adjustments Budget in terms of S28 of the MFMA is necessary.
3. THAT the findings and recommendations as outlined in the executive summary of this report be dealt with during the Adjustments Budget process.
4. THAT the Adjustments Budget referred to above be tabled to full Council by no later than 25th February 2021.

5. THAT the Budget and Treasury Office appreciates the support received from all Business Units during the compilation of the mid-year budget assessment report.
6. THAT Council notes the withdrawals from bank accounts, attached under 'Supporting Documents' in the report, in terms of Municipal Finance Management Act, Sec 11 (4).
7. THAT Council notes the attached ratios in terms of Provincial Treasury Circular PT/MF 7 of 2018/19 and 2019/20 financial years.

In the words of the late Samora Machel, I say "Personalities and fame pass; the revolution must remain". Thank you for your attentive ear. Through your guidance Madam Speaker, I open these two items for discussion.