

TO: Mr. Siwelile Zimu
Manager: Integrated Development Planning
Office of the Municipal Manager
Msunduzi Local Municipality

25 May 2020

CC: Mr. Mododa Khathide
Municipal Manager

FROM: Anthony Waldhausen
Chairperson - Msunduzi Association of Residents, Ratepayers and Civics
(MARRC)

2020/2021 IDP-Budget Comments

On behalf of the Msunduzi Association of Residents, Ratepayers and Civics (MARRC) we hereby submit our submission and comments on the 2020/2021 IDP Budget.

1. Introduction

The IDP and budgeting consultation process comes against the backdrop of the COVID-19 pandemic and national lockdown. The restrictions imposed by the National Disaster Act has had a profound impact on residents and businesses in Msunduzi with some businesses having to close down. This has resulted in residents losing their jobs and thus subsequently their income.

The personal, social and economic impact of COVID-19 is unlike anything experienced by the world in the past 75 years. This is more revealing within our own city where we have witnessed an ever increasing need for in the distribution of food relief to all residents who are in desperate situations and uncertainty to what the future holds. Stress and mental health issues have increased where residents are unable to meet their basic needs let alone being able to service their household debts.

The economic meltdown is further evident of the current unemployment rate that is at 30% and further increases in the unemployment rate will increase exponentially as a result of the lockdown. We have seen the annual CPI plunged to 4,1% and according to Stats SA loss of income resulting from the COVID-19 pandemic may lead to higher level of food insecurity in South Africa. In addition, the GDP figures are plummeting daily with the most recent estimate reported on SATV this morning (22 May 2020) that a 10%- 15% GDP figure is anticipated in the months to come. This means that the country is rapidly plunging from a recession into a deep depression.

It is against these realities that the Msunduzi Municipality needs to ensure tariffs are not increased but are decreased. The economic situation point to sound reasons for the development of creative ways to mitigate any further negative impacts upon the livelihoods of residents and ratepayers and the civic associations' communities they represent within in Msunduzi.

MARRC is an organisation that pursues social and administrative justice for the residents and ratepayers in Msunduzi and to provide solutions to the many challenges that the municipality faces.

The following are our contribution to the 2020/2021 IDP budget process. We anticipate that the officials and municipal leadership will exhibit empathy and sound reasoning during this economic and social crisis. The people of Msunduzi deserve social and administrative justice during these difficult times.

2. Msunduzi Municipality consultation process

The challenges of the lockdown have prevented proper consultation on the IDP process as residents (especially those most adversely affected) have been variously constrained from being involved and having their say.

Moving forward MARRC would like to suggest that meetings with all stakeholders be convened by the municipal finance department in compliance with the Government Gazette No 43291, of 7 May 2020 issued by the MEC for Co-operative Governance and Traditional Affairs. The directive makes provision for more applicable consultation processes. It is essential that the proposed budget be discussed in sufficient detail. This will encompass smaller meetings as recommended by the MEC over a number of days. The COVID-19 based consultation process can facilitate better understanding of the budgeting processes, rationale and allow for informed decision making for submission purposes.

MARRC found a number of discrepancies and have a number of questions about the budget and found that the consultative meeting on 13 May did not provide time or enough substantive content to go over the budget in sufficient detail.

The current IDP presentation was a highly truncated processes and seems to call for mere a tick-box exercise. More substantive information and time needs expressed in IDP presentations. More time and effort needs to be afforded to residents, ratepayers, business and civic organisations in order to allow for adequate consultation to take place and to facilitate empirical input from a wide range of stakeholders.

3. Tariff increase

The proposed Municipal Tariff increases for 2020 to 2021 come at a time when many households are in extremely difficult financial positions *with any increase in monthly expenditure* placing them in further difficulty. For this reason, we request further information on the following issues:

- We take note that The SARB sees inflation averaging at 4.7% for 2020 and 4.6% in 2021. From the draft Msunduzi budget for the year 2020/2021 the average escalation factor used was 6%. In addition, Absa Bank warns that “GDP in South Africa would contract in the second quarter by 23.5% with particularly hard knocks for manufacturing, and various service industries supporting tourism, which has now come to a dead stop”, (Absa Bank Le Roux 2020). Consequently, an explanation for the difference and rationale for an increase at all in the light of the economic crisis is requested – we actually see no reason for any inflation adjustment under our current crisis economy if the Msunduzi does not wish to further cripple its rates base and stimulate extensive existing capital flight.
- We take note that National Energy Regulator of South Africa, NERSA, in reviewing Eskom’s Retail Tariff and Structural Adjustments Application for April 2020 to March 2021, approved a 6.9% increase for Municipalities from the 1 July 2020. In view of this please could you justify why Council set this increase at 8.1% for consumers within Msunduzi Municipality.
- Equally, what is the basis for the proposed 9% increase in the water tariff?
- Please provide detailed information on how the municipality intends to improve their process of revenue collection from all consumers.
- The current decrease in the cost of oil, affects most aspects of service delivery favourably, and is likely to do so for some time to come.
This should cause tariffs to be lowered, not increased The proposed tariffs, therefore, seem unreasonable and require further explanation.

Recommendation: MARRC therefore rejects the proposed tariff increases as submitted by the municipality and we recommend that increases across the board be set at the CPI at 4,1% or less.

We also recommend the Msunduzi municipality to invest in alternative renewable energy options for electricity and could include solar power, wind energy and to introduce Independent Power Producers. These options will save the municipality on electricity costs thereby providing residents with relief on high electricity costs.

4. Staff, officials, councillors salary increases, performance bonuses and 13th cheque

MARRC recommends a moratorium on salary increases, performance bonuses and 13th cheque for all staff, officials, councillors salary increases. Members of the public are losing their jobs and businesses while public servants are at no risk of losing their salaries. MARRC wonders whether any of the staff, officials, and councillors contributed any of their salary to the Solidarity Fund? We note that the municipality is under administration for the second time and that senior managers, officials and elected officials have been underperforming. Such municipal members of staff should not be entitled to any performance bonus.

5. Valuation roll process

We are very concerned with the outcome of the valuation roll process. We submitted a letter listing concerns and some questions to the chairperson of the Municipal Public Accounts committee on the 18 February, 2020. To date we have not received any response to our letter.

The many discrepancies in the valuation of similar properties within a specific area indicate that the valuation process for resident and businesses properties is flawed. Revenue collection on residents and businesses at the new rates should, therefore, immediately cease until these validities of these rates have been validly reassessed and disputes have been formally resolved.

We urgently request a response to our letter from the chairperson of the Municipal Public Accounts committee.

6. Municipality under administration

As the Msunduzi Municipality is under administration the budget and IDP should make reference to a turnaround strategy or what strategies have or will be implemented to date to rectify previous failings by the municipality and avoid a similar outcome in the future.

MARRC request information on any actions, if any, taken against any member of staff, official and/or councillor found by auditors to be guilty of corruption, maladministration or wasteful and fruitless expenditure and on any municipal employee prosecuted to date. We also request that the Auditor General's comments on the budget and SDBIP performance of the senior management be submitted with the budget allocations for public scrutiny.

7. COVID-19 Relief Fund

MARRC requests information on how the municipality will make adjustments to the draft budget to include its share of the R20 billion COVID-19 relief funding that will be distributed to municipalities from national government and how much the national government is allocating to the Msunduzi Municipality from the R20 billion relief fund.

8. Revenue collection

Msunduzi municipality needs to develop an aggressive strategy for the collection of revenue which will alleviate the municipality to implement its vision and to contribute to the vast improvement to the city thereby attracting investments and tourism.

In an article that appeared in the Witness paper dated the 30 December 2019 titled “**City services for nothing – Residents tell council delegation of free ride**”, it was revealed a large portion of residents in the Msunduzi municipality receives free water and electricity. This also includes illegal disconnections.

There are businesses and provincial government departments who are not contributing towards the cost of rates, water and electricity. In a report by the Witness on the 22 August 2019 it was revealed that the Msunduzi municipality is owed R100 million from KZN government departments. (<https://m.news24.com/SouthAfrica/News/kzn-councils-struggling-to-get-govt-departments-to-pay-r1-blm-debt-20190821>)

If the municipality dealt with revenue collection equitably, without waste (disregard for maintenance) and without corruption there would be no need for the astronomical increases being considered on water and electricity. Some 80% of residents do not pay for services and the 20% who do pay and who have to carry the majority of the residents are facing economic ruin as they buckle under the weight of increasing municipal charges. This is unsustainable, unfair and detrimental to the future of the city.

Indigent residents – the budget does not show the funding that it could request from national treasury through the Equity Share Grant subsidy for poor residents. Such a grant program has not been optimally used. What is the municipality new strategy to ensure that increased support to the poorest of residents is secured through the subsidy?

Conclusion

The submission by MARRC highlights some concerns. MARRC suggests that the municipality needs to put much more efforts into the collection of revenue from all residents, businesses and provincial government departments that are not paying for the municipality services.

MARRC also calls on the municipality to allow timeous future consultation and public participation to be facilitated and transparency be promoted by the provision of an opportunity for detailed information on the budget to be questioned and for stakeholders to be guided through the budgeting process so that RRAs can contribute input into the IDP and ensure an equitable outcome for residents of all areas.

MARRC is a collective of dedicated and committed residents who are passionate about contributing to the future of our city. All our inputs are made to contribute towards the financial, social and ultimate success and improvement of our city.

We would encourage the Msunduzi municipality to engage with its citizenry in order to address the many challenges that the municipality is experiencing at the moment.

We hope our input adds value to the process and that the powers that be support and are guided by the concerns raised and recommendations made.

Submitted by:



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