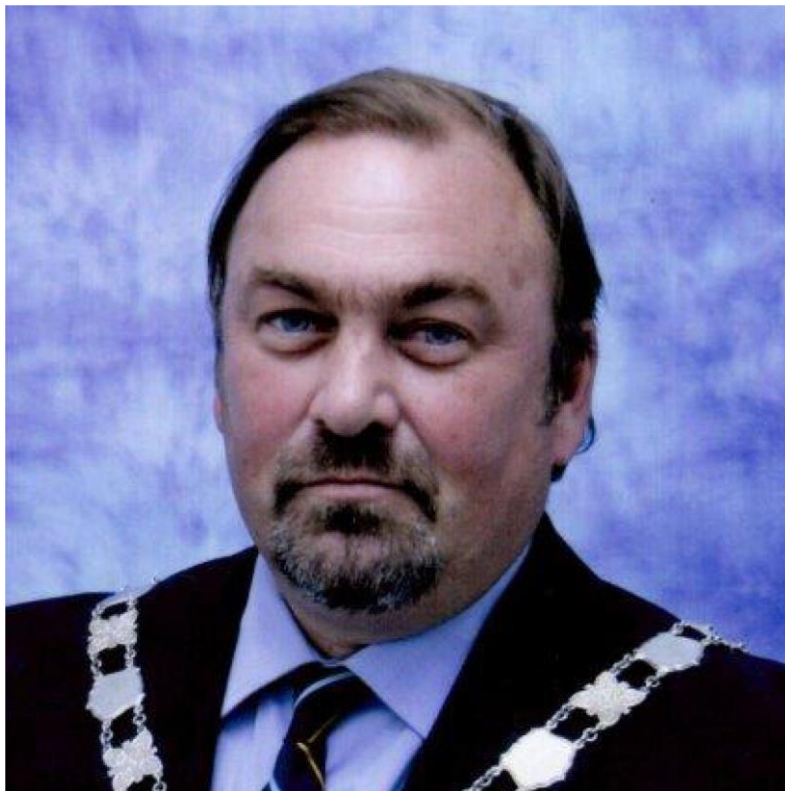


# SWELLEN DAM MUNICIPALITY



## BUDGET 2019/2020



**Cllr. N.G. Myburgh**  
**Executive Mayor**

## **EXECUTIVE MAYOR'S BUDGET SPEECH**

Mr Speaker,

Mr Deputy Mayor

Members of the Mayoral Committee;

Fellow Councillors;

Municipal Manager and Senior Management;

Members of the public

### **INTRODUCTION**

It gives me great pleasure to present the 2019/2020 Budget for Swellendam Municipality. In so doing, please allow me to make a few observations.

This budget builds on the work done by this administration over the past three years.

A budget must give expression to the strategy and policies of the Council, but it must also demonstrate our ability to impact positively on the lives of our people. In short, a budget is not just about numbers, but more importantly it should be the instrument which facilitates positive change for all of our diverse communities.

Mr Speaker, I am therefore pleased to be able to present

- a budget which promotes job opportunities,
- a budget which is firmly based on good, affordable service delivery,
- a budget which provides for the upkeep and improvement of vital infrastructure,
- and a budget which has at its very heart a system of good governance, transparency, and accountability.

The Budget and IDP process for the 2019/2020 financial year has taken place against the backdrop of continued fragile economic conditions. The country as a whole finds itself in a very poor state of affairs with 10 million people out of work. The economy will probably only grow by 1.5 % this year, and national debt will increase. The national government continues to fail at all levels due to fraud, corruption, and maladministration. State- owned enterprises such as Eskom continue to drain the country's resources, and passes the bill of their disastrous mismanagement on to municipalities such as ourselves, and to the people who try to make an honest living here. The financial impact of Eskom's managerial incompetence will become clear when we deal with electricity tariffs a little later.

These dire economic conditions will obviously impact negatively on the ability of all municipalities to be financially viable. We are one of just a handful of municipalities in South Africa who are not bankrupt, or on the brink of bankruptcy. It is therefore of critical importance that Swellendam Municipality makes every

effort to ensure that its budget has value for money, and that the expenditure and income are at optimum levels to secure basic service delivery, and to avert financial difficulties.

## **GROWTH & DEVELOPMENT**

Despite the rather dark picture of a national economy being choked to death by corruption and mismanagement, the Swellendam municipal area has been one of the best performing economies in our province, and continues to attract investment from those seeking economic opportunities in a stable, well-governed environment. The main drivers of our economy remain largely the agri-business and tourism sectors, supported by manufacturing and construction.

Our unemployment figures are relatively favourable compared to the District, our province, and the country as a whole. We must, however, continue to make every effort to create opportunities which will alleviate poverty. The Expanded Public Works Programme (EPWP) is therefore of great importance in our ongoing efforts to mitigate the effects of poverty by providing temporary employment to our people. This municipality runs one of the very best EPWP programmes in the country, creating hundreds of job opportunities over the past few years, and I wish to commend our staff for their excellent efforts in this regard.

Mr Speaker, the Municipality has embarked upon a Growth and Development Strategy (GDS) for the foreseeable future. Our focus has changed from mere survival to determined progress. Hopefully having now restored most of the damage that was caused by the public violence and political instability of the 2011/ 2012 financial year, we have managed to rebuild the financial capacity of the municipality, and we have managed to restore confidence in our local economy.

In order to become more self-sustainable as a municipality we have to increase our income base. This can only be achieved through growth and development. We have to do more to attract investment, and we must implement measures that will encourage job creation and economic opportunities with the aim of widening our revenue base. For instance, land-use applications can play a vital role in economic activity, and the ripple effect of municipal decision-making must not be underestimated. All of our employees should embrace and promote both the spirit and practice of Growth and Development, and their actions (or inactions) should be measured and assessed accordingly!

Government grants are a necessary but inadequate stimulus for large-scale and sustained growth of the formal economy. Aimed at subsidising indigents and the poor, government grants do not cater for the improvement or even maintenance of infrastructure such as roads and other facilities in so-called advantaged areas. This necessitates rethinking our strategic approach towards economic growth by finding a balance between growth and poverty reduction whilst enhancing both the first and second economies.

Several factors will continue to restrain municipal revenue generation and collection. Hence a conservative approach is being followed for projecting revenue. Prevailing circumstances make it essential for municipalities to reprioritise expenditure and implement stringent cost-containment measures.

## **ELECTRICITY**

Revenue from electricity contributes 30.37% of the operating revenue budget and reflects a positive growth of 9.36 per cent on a year-on year comparison. However, electricity revenues continue to shrink by all measures, and this can be directly attributed to the now well-documented failure of Eskom to meet its most basic responsibilities to the South African public.

The surplus on electricity amounts to R 11,229 million for the financial year, down from R14 million in the previous year. This continues the trend of declining revenue ever since 2013/14 as a result of

NERSA's tariff structure, and forces all municipalities to rely on other sources to generate the much-needed income to sustain quality service delivery.

The percentage increase in Eskom bulk tariffs is a whopping 15.63%. This will put further pressure on families and business. The municipality's application to NERSA regarding revised tariffs has been submitted and the municipality is still awaiting approval. Hence further changes to the electricity tariffs cannot be ruled out.

## **WATER**

Water remains a critical resource, and the public needs to be encouraged to be more circumspect in using this resource. In the previous financial year, we decided to restrict the provision of free water to indigent families in order to underline the value of water, and the fact that it should be viewed by all as a commodity that cannot be dispensed with freely or irresponsibly. In this budget we have continued on this path.

In the current financial year, we have again experienced several incidents of the senseless destruction of water infrastructure. Vandalism of municipal assets is of growing concern to the administration, and the escalating costs of fixing and replacing our facilities is something which should be addressed by everyone who values affordable service delivery. I appeal to the public to help us in identifying the culprits, and to assist us in preventing the repeated destruction of valuable infrastructure.

Whilst Swellendam municipality is generally blessed with abundant sources of raw water, we need to upgrade our purification capacity in order to meet the growing demand. We also need to improve our raw water storage capacity, and we must also make provision for larger reservoir facilities for potable water. These are capital intensive and technically demanding processes which require a great deal of careful planning and managerial skill.

Irrigation water (*leiwater*) still runs at a loss of R 695,951 compared to the loss of R 601,566 in the previous year. Water is a strategic commodity and the continued provision of irrigation water will increasingly be in the spotlight in future financial years. I hope and trust that we will be able to find a sustainable and mutually beneficial arrangement with the consumers of *leiwater* which can ensure the survival of this service, if they so wish.

## **WASTE MANAGEMENT**

The municipality continues to experience challenges pertaining to waste management generally and the Swellendam landfill-site in particular. The cost of compliance with all environmental legislation is extremely high.

Although we have witnessed important improvements at all of our waste facilities over the past few years, we also need to recognise that much work remains to be done.

It is unfortunate that some residents continue with the practice of illegally dumping garden refuse, building rubble and domestic refuse at various open spaces which then compels the municipality to clean up such areas at great additional cost. I hereby call on all residents to help the municipality in identifying the transgressors, and appeal to all stakeholders to help promote a clean environment and greater civic pride.

Currently waste collection is running at a loss of R 434,676 which represents a considerable improvement on the previous year. An improved tariff structure for the various forms of waste generated will hopefully help to place this service on a better financial footing.

## **EMPLOYEE-RELATED COST**

The budget allocation for employee-related cost for the 2019/20 financial year amounts to R 108,348 million which represents 36.23% of the total expenditure budget. This is in line with the accepted national norms but remains the single largest contributor to operational expenditure. Council must take note that the percentage of employee-related cost is near the top end of the acceptable national norm.

The salary negotiations between SALGA and the Unions were concluded and the agreement did come into effect 1 July 2019. The increase for the 2019/2020 financial year will be 6.5% in terms of the agreement.

## **OPERATING BUDGET**

The total operating revenue of R297 154 million has increased by 16.1% in the 2019/20 financial year in relation to the previous financial year.

The total operating expenditure for the 2019/20 financial year has been appropriated at R299 057 million, resulting in an operating budget deficit of R 1.904 million. When non-cash entries are taken into consideration, a cash surplus of R2.161 million is realised.

Mr Speaker, it is important and praiseworthy to note that the budget presented to Council for 2019/20 is both realistic and cash-backed. I wish to emphasise that it is a remarkable achievement to continue to deliver high levels of service without a budget deficit or increased borrowing!

The budgeted expenditure on repair and maintenance has increased by over R3 million to R 20,541 million which represents 6.87% of the expenditure budget. This represents a slight increase compared to the previous year but still falls short of the 8% target set by National Treasury. We need to spend more on repair and maintenance.

Bulk purchases are directly influenced by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly impact on the revenue provisions. The expenditure includes distribution losses. Bulk purchases represent 22.49% (R67.286 million) of operating expenditure for the 2019/20 financial year.

## **TARIFFS**

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges are revised, we seriously take into account local economic conditions, and the affordability of services in order to ensure the financial sustainability of the Municipality, but also to recognise and accommodate the plight of the poor.

Revenue generated from rates and service charges forms a significant percentage of the revenue of the Municipality, namely 59.14% of the total revenue mix. This high percentage is largely due to the share that the sale of electricity contributes, which in turn is due to the consistently steep increases in Eskom tariffs for bulk electricity over the past few years. This also clearly indicates the municipality's reliance on revenue from electricity sales, and thus underlines our vulnerability to external decisions and conditions beyond our control.

As a result of the continuation of good governance throughout the municipality, and due to sound financial management practices, we have been able, once again, to keep tariff increases well below national trends. The percentage tariff increases by Swellendam municipality have since 2012 been

consistently below that of our neighbouring municipalities, and this is only possible due to responsible financial practices which protects the interests of our citizens against corruption and mismanagement.

I am therefore pleased to announce that the proposed tariff increases are set as follows:

Property Rates	7%
Electricity	13.07 % (to be determined by NERSA)
Water	8%
Refuse Removal	9%
Sewerage	7%

At present there are 2216 indigent households which are entitled to rebates and subsidies as defined and set out in the Council's Indigent Policy. The cost of these rebates and subsidies amounts to R16.289 million which represents a considerable increase in relation to the previous year. This once again demonstrates this Council's growing commitment to mitigating the plight of the poor.

It must be noted that the Indigent Policy has over the years been amended on several occasions, because as a government responsive to the needs of our people we are constantly looking at ways of improving our services and policies. As a result, more people, including certain categories of pensioners, have been able to benefit from Council's Indigent Policy.

## **CAPITAL BUDGET**

The capital budget of R20.559 million for 2019/20 is 2.5% lower compared to the 2018/19 Adjustment Budget. The capital budget will be funded from Conditional Grants as well as our own Capital Replacement Fund. The Capital Replacement Fund will contribute R5.337 million of the capital expenditure, which is almost 26% of our capital budget. This is a huge increase in the municipal contribution to our capital budget. There was a time not all that long ago that virtually our entire capital budget relied on government grant funding. Over the past 3-5 years, as our financial position improved and stabilised due to good management, we have been able to contribute an ever-greater share of the capital budget from our own funds.

Council's continued commitment to improving and expanding services to all communities is clearly illustrated by our undertaking to implement various important capital projects.

In this regard I am pleased to announce that we will be spending

- R4.356 m on upgrading of bulk water supply in Suurbraak
- R2.608 m on the upgrading of bulk electrical infrastructure in Railton
- R5.504 m on upgrade gravel roads and stormwater in Railton
- R0.837 m on upgrading of waste water treatment works in Suurbraak
- R0.270 m on the replacement of a sewer line midblock in Edelweiss Street in Railton
- R2.608m on the building of a new library.

## **CONCLUSION**

Mr Speaker, allow me to express my gratitude to each and every one who has contributed constructively to the onerous task of compiling this Budget.

A special word of thanks goes to the Director of Finance and his staff for their skilful and diligent work in producing a budget which meets the highest standards of service delivery and affordability.

I also wish to thank the Municipal Manager for his leadership and advice, and indeed his entire senior management team, for their contributions.

My gratitude also goes to Councillors, members of staff, and many members of the public who participated in the various budget engagements.

We must continue to provide affordable and quality basic services for all.

We must step up efforts to expand and improve bulk infrastructure throughout the municipality.

We must improve efforts to curb water and electricity losses which are still too high.

We must also sustain sound financial management which is the bed rock of good governance and improved service delivery.

And, we must protect our Clean Audit status because it instils confidence and encourages investment.

Let us now work hard to implement this budget for all our people within the spirit of Freedom, Fairness, and Opportunity for All.

**NICHOLAS MYBURGH/ Executive Mayor**

30 May 2019