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OFFICE OF THE EXECUTIVE MAYOR / KANTOOR VAN DIE UITVOERENDE BURGEMEESTER

BUDGET SPEECH by the Executive Mayor of the Swellendam Municipality

Mr Speaker,
Mr Deputy Mayor,
Members of the Mayoral Committee,
Fellow Councillors,
Municipal Manager and Senior Management,
Municipal stakeholders, members of the public, and representatives of the media;

INTRODUCTION

I am honoured to present the 2020/2021 Budget for Swellendam Municipality.

The COVID-19 pandemic is having a deep impact on all aspects of our society, in particular the economy of South Africa. The multitude of lockdown regulations have severely reduced economic output, and drastic economic disruption is expected for the rest of the year. The pace of economic recovery is dependent on a myriad of factors, both domestically and internationally, but expectations are that dire economic conditions are likely to remain with us for the next 8 to 12 months. Based on previous global economic meltdowns it is expected that recovery will be slow over the next 36 months.

It is against the backdrop of the extremely fragile economic conditions of a National Disaster that the Budget and IDP process for the 2020/2021 financial year has taken place. The national lockdown will most definitely increase unemployment to unknown levels whilst the economy is expected to shrink by between 15 to 20%. This comes on top of a government that continues to fail on all levels due to fraud, corruption, and mismanagement.

Although unemployment figures prior to COVID-19 for Swellendam are relatively favourable compared to the District, our province, and the country as a whole, we suspect that we may experience a steep increase over the few months. The Expanded Public Works Programme (EPWP) is, therefore, of great importance for the municipality in its ongoing efforts to mitigate the effects of poverty by providing temporary employment to our people. Thankfully this municipality runs one of the best EPWP programmes in the country, and this will stand us in good stead in the difficult period ahead.

All of the above will impact negatively on the ability of municipalities to be financially viable. We constantly hear of municipalities which are in financial difficulty, and this refrain can only grow louder in the months ahead. It is, therefore, of critical importance that Swellendam Municipality makes every effort to ensure not only that our budget reflects value for money but also that expenditure and income are at optimum levels to secure basic service delivery.

Mr Speaker, the current crisis has forced us to make special provision in this budget for the uncertainties associated with COVID-19. It has also catapulted the administration into action in dealing with the humanitarian crisis resulting from Lockdown.

Under the able leadership of the Municipal Manager our senior management, support staff, and essential workers have partnered with various role-players to provide invaluable relief and support to thousands of people throughout the municipality. Whilst we are extremely grateful to the various contributors, volunteers, and donors we can be particularly proud of the heroic contribution from our municipal staff. Service delivery has continued uninterrupted, and consistent support has been rendered to our many partners in providing much-needed relief to those who need it most. My sincere gratitude goes to our farming community, our various churches and their leaders, NGO's, local service organisations, the Western Cape Provincial government, and numerous individuals who have contributed generously, and who continue to mitigate the impact of Lockdown for many of our people.

Despite the rather dark picture of a national economy being choked to death by corruption, mismanagement, and now also Lockdown, the Swellendam municipal area has been one of the best performing economies in our province.

Mr Speaker, the disastrous economic consequences of Lockdown have simply underlined the importance of continuing on our chosen path of Growth and Development. We have over the past few years made great strides in rebuilding the financial capacity of the municipality. The biggest challenge we face is to be self-sustainable and to be less dependent on government grants. Fortunately, we continue to make good progress in this regard, and this budget reflects a further percentage increase of funds from our Capital Replacement Fund towards the capital budget.

We will have to increase our income base and 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. In this regard Land-use applications can play a critical role in economic activity and job creation, and the ripple effect of municipal decision-making must not be under-estimated. The adjustments made in our revised Spatial Development Framework (SDF) is, therefore, expected to make a significant contribution in this regard. It remains of critical importance that all of our departments, and all municipal employees will embrace and promote both the spirit and practice of Growth and Development, especially now as we enter a period of great economic uncertainty. Since economic challenges will continue to restrain municipal revenue collection, 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 30,4 % of the operating revenue budget and reflects a positive growth of 5,88 % 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 and the national government to meet its most basic responsibilities to the South African public.

The surplus on electricity amounts to R11 million for the financial year which continues the trend of declining revenue since 2013/14 as a result of NERSA's tariff structure. This forces all municipalities to rely increasingly on other sources to generate the much-needed income to sustain quality service delivery.

The percentage increase in ESKOM bulk tariffs is 8.1%. This puts even 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. As a result, further changes in electricity tariffs cannot be ruled out, but remains beyond our control.

WATER

Water remains a critical resource, and the public needs to be encouraged to be more circumspect in using this resource.

This service has the potential to contribute significantly more to the revenue stream of the municipality. As stated in the past, all aspects of this service must be reviewed on an ongoing basis to deliver acceptable revenue levels.

Vandalism of municipal assets such as water infrastructure is of growing concern to the administration, and the escalating costs of fixing and replacing 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.

One of our biggest concerns is adequate storage capacity of raw water in future. The acceptable standard is that the storage facilities of the dams must be able to supply seven to eight months of water if no inflow is recorded. Currently the storage capacity of our raw water dams is four months which compels the municipality to work on increasing the capacity of our dams. We must also make provision for larger reservoir facilities for potable water. This will be an expensive undertaking but failure to address this timeously could lead to service delivery failures apart from seriously impeding growth and development.

Currently water surpluses amount to R3.255 million which shows a healthy increase from a mere R292 982 just five years ago.

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.

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.

The lifespan of the Bontebok Landfill Facility has for all practical purposes come to an end. The municipality has limited choices in terms of waste disposal options for the future. Currently the only viable and most sensible solution is to make use of the Overberg Districts Municipality's Landfill site at Karwyderskraal near Hermanus which is about 140 km's from Swellendam. The cost implication is calculated to be in the region of R5 million per annum. The tender process regarding transport has not been finalised and the total cost implication will be dependent on the outcome of this process. This is expected to result in an increased deficit for refuse removal of R6 million, up from R1 million in the previous financial year.

In order to make provision for the change-over from the Bontebok Landfill facility to the Karwyderskraal facility, a steeper increase than usual in the tariff for refuse removal has been unavoidable. It will take two to three years to bring financial stability and greater viability to this

service but the changes now being implemented are the most affordable and cost-effective solution for the residents of our municipality.

EMPLOYEE-RELATED COST

The budget allocation for employee-related cost for the 2020/21 financial year amounts to just over R115 million which represents 35,81% 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. We, therefore, need to improve productivity and devise greater internal efficiencies instead of simply appointing more staff.

The salary negotiations between SALGA and the Unions were concluded and the agreement did come into effect 1 July 2019. The increase for the 2020/2021 financial year will be 6.25% in terms of this agreement.

OPERATING BUDGET

The total operating revenue for the 2020/21 financial year of R297 668 000 (R297,6 million) has increased by 2,15% from the previous financial year.

The total operating expenditure for the 2020/21 financial year has been appropriated at R322,8 million, resulting in a technical deficit of R9 million. When non-cash entries are taken into consideration, a cash surplus of R850 130 is realised.

Mr Speaker, it is important and praiseworthy to note that the budget presented to Council for 2020/21 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! It is an even greater achievement to accomplish this against the backdrop of Lockdown regulations, an ailing economy, and grim prospects for economic growth for the foreseeable future!

The expenditure on repair and maintenance is R23 million which represents 7,3% of the expenditure budget. This represents a solid increase compared to the previous year but still falls a little short of the 8% target set by National Treasury. We need to spend more on repair and maintenance but we have shown steady growth and improved performance over the past few years.

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 22,5% (or R72,7 million) of operating expenditure for the 2020/21 financial year.

The COVID-19 pandemic is having a deep and significant impact on health, social development and the economy of South Africa. It is with this in mind that our Disaster Fund is increased from R100 000 to R1 million.

The figure for Pauper Burials also sees a drastic increase from R15 000 to R720 000.

Revenue streams remain under pressure due to interest rate changes and the general impact of COVID-19.

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 accommodate the plight of the poor, to recognise the importance of a flourishing business sector, and to soften the cost of living for the average family.

Revenue generated from rates and service charges forms a significant percentage of the revenue of the Municipality, namely 60,62% 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.

Mr Speaker, 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 despite a National Disaster, and continued poor economic conditions, the proposed tariff increases are set as follows:

- Property Rates 7%
- Electricity 6,24% (subject to further NERSA determinations)
- Water 8% (Free water only for Indigents)
- Refuse Removal 15%
- Sewerage 5%

Mr Speaker, this means that the average increase in the monthly household bill will be as follows:

Medium to high income group: 6.9%/month, or R253.96 per month, or R8.47 per day

Medium to low income group: 7.8%/month, or R164.98 per month, or R5.50 per day.

Indigent & poor: 7.4%/month, or R46.20 per month, or R1.54 per day

At present there are 2 259 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 R18.3 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 have been able to benefit from Council's Indigent Policy than ever before.

CAPITAL BUDGET

The capital budget of R22,1 million is lower compared to the 2019/20 Adjustments Budget, partly as a result of the impact and uncertainty surrounding COVID-19.

The capital budget will be funded from Conditional Grants as well as our own Capital Replacement Fund. The Capital Replacement Fund will contribute R6 million of total capital expenditure which is just over 27% of our capital budget. This is a huge increase in the municipal contribution to our capital budget. There was a time not 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 due to good

governance and sound financial management, we have been able to contribute an even greater share of the capital budget from our own funds. This is a healthy development and is testimony to good judgement and responsible decision-making.

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

- R1,175 million on upgrading of bulk water supply in Suurbraak
- R3,428 million on the upgrading of bulk water infrastructure in Barrydale
- R5,517 million on upgrading of gravel roads and stormwater in Smitsville
- R1,739 million on upgrading of Sub-Station in Railton
- R1.087 million on upgrading of Bakenskap PRV Zone Municipal Infrastructure
- R3,478 million 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.

Mnr die Speaker, ek wil vandag ook van die geleentheid gebruikmaak om spesiale erkening te gee aan die rol van ons uittredende Hoof van Finansies, Mnr Hennie Schlebusch. Hierdie begroting is sy laaste een voordat hy later vanjaar aftree na n leeftyd van openbare diens.

Die afgelope sewe jaar het Hennie Schlebusch 'n leidende en kritieke rol gespeel om die finansiële bestuur van ons munisipaliteit reg te ruk. Sy ondervinding, kennis en goeie oordeel was van onskatbare waarde vir ons kollektiewe pogings om Swellendam te red van finansiële ondergang, en om stelsels en praktyke te implementeer wat korrupsie beveg en goeie finansiële bestuur bevorder.

As 'n munisipaliteit en 'n gemeenskap is ons hom groot dank verskuldig, en wil ek hom verseker dat ons slegs die hoogste waardering het vir die toewyding, integriteit, en leierskap wat hy die afgelope sewe jaar ten toon gestel het. Die finansiële volhoubaarheid van ons munisipaliteit is vandag veel sterker as gevolg van sy bedrae, en hiervoor wil ek hom persoonlik, maar ook namens die hele gemeenskap, van harte bedank.

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

My gratitude also goes to Councillors, members of staff, and members of the public who contributed comments regarding the budget.

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, and we must continue to make better provision for maintenance and repairs.

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

We must also continue to redress the wrongs of the past in ways that will promote reconciliation and social cohesion.

In all these endeavours, may our actions always be guided by the timeless values of Freedom, Fairness, and Opportunity for All.

I thank you.

NICHOLAS MYBURGH
EXECUTIVE MAYOR

A handwritten signature in black ink, appearing to read 'N Myburgh', with a horizontal line underneath.

28 May 2020