

THEEWATERSKLOOF MUNICIPALITY

BUDGET: 2014/2015– 2016/2017

BUDGET SPEACH: EXECUTIVE MAYOR

My comments deals with the final phases of drafting the budget for Theewaterskloof municipality for the 2014/2015 – 2016/2017 financial years and should be read with my acceptance speech of the draft budget which dealt with matters that influenced the IDP and budget development processes.

The concept budget was tabled for public inputs, of which all were duly considered before finalizing the budget.

In April 2014 we discussed the concept budget and IDP with all ward committees and community representatives and at these occasions the municipal manager provided an overview of the IDP and budget drafting procedures; whilst the CFO explained the budget and it impacts on all wards and towns.

The budget for 2014/2015 is now ready for final adoption and implementation.

I am aware of the impact of the budget on the affordability of the municipal account of households, but equally important is secured and sustainable municipal service delivery.

In response to the written representations and objections received I wish

to reflect on the following:

- The most critical risk for overall municipal sustainability over the medium to longer term is ageing infrastructure which requires a minimum investment of R450m over the next 5 years. With Mr Pravin Gordon as Minister of Corporate Governance and Traditional Affairs, and the fact that he is positive about the role out of infrastructure to local authorities, I am more optimistic that we will be able to find solutions.
- The excessive cross subsidizing of rates by trading services and the impact it has on the ability to build municipal capital reserve funds.
- The fact that operational input costs, such as bulk water, personnel costs, fuel and bulk electricity, exceeds the inflation rate.
- The reality that drastic rates and tariff increases would be needed to address the threats.
- Municipal sustainability considerations versus the affordability of the Municipal Bill. The Municipal Bill still compares relatively well with other municipalities in the region.

Due to the large retired population the per capita income of the community is amongst the lowest in the Western Cape. Preference was therefore given to affordability considerations and it was decided to delay more drastic actions to secure overall municipal sustainability.

- Debt collection of 85% is low and the effect of this is worsened by a high indigent population of 53% and increased pressure on those who carries the burden. Addressing municipal sustainability through more drastic and fundamental fiscal reforms were postponed and will only be introduced when the municipality reaches a recovery rate of at least 95%; which means additional annual revenue of approximately R20m.
- National Grants fund services and capital projects in previously disadvantaged areas.

The Municipality can be divided into grants-funded and non-grants-funded-areas. Non-grants-funded-areas are required to be self-providing and do not receive grant funding.

However, grant funding from Government is not enough to address the back logs in grants-funded-areas and some of the back logs are subsidized by non-grants-funded-areas.

To address this problem the municipality, for some time now, led a campaign at every possible opportunity and forum to convince national government to review its fiscal model to fund local governments in South Africa.

If this is not addressed urgently, local government will collapse as municipalities cannot afford the entire cost of local government.

Based on negotiations by this municipality the SALGA working group accepted in principle that the cost and salaries of council must be

paid by national government. It is not clear when this will happen but it will advance the municipal operational budget and decrease expenditure. Again, with Mr Pravin Gordon as Minister of Corporate Governance I am optimistic that we will succeed with this matter.

- Electricity in Theewaterskloof is mostly reticulated by ESCOM, which is a critical revenue constraining factor; and compared to other municipalities, electricity is a limited source of revenue for Theewaterskloof. This impact adversely on the municipality's credit control ability in areas served by ESCOM.
- The municipality reached a ceiling in terms of funding the replacements of ageing infrastructure through loans.
- The Municipality made critical sacrifices to limit rates and tariff increases by, amongst others, withdrawing Quick Win budgets which were previously available for ward committees; delaying a number of capital projects and more specifically the upgrading and maintenance of roads; and postponing the replacement of fleet items.

The average age of the fleet is approximately 12 years and includes 2 compactors which need to be replaced urgently.

The fleet is a critical institutional capacity to maintain satisfactory levels of day to day service delivery.

- Compared to other municipalities, the staff capacity of Theewaterskloof is low and strained; and further staff cuts will be counterproductive. However, an external organizations specialist has

been appointed to investigate a number of key functions in an attempt to optimize productivity levels.

As the executive mayor I decided, as previously, not to fill a vacancy on the mayoral committee, not to utilize a municipal vehicle, not to use the services of a bodyguard and driver and not to use an official house and furniture. This results in a saving for the municipality of R650 000 in 2014/2015.

According to the executive summary of Provincial Treasury's LGMTEC IDP/Budget the assessment results indicate that Theewaterskloof budget has been prepared in the required format as prescribed by the Municipal Budget and Reporting Regulations and related legislation. Theewaterskloof has displayed a good level of planning and alignment of strategies both in the municipal and broader provincial context.

Provincial Treasury evaluated the municipal budget and based on certain criteria and principles they declared the budget responsive and credible but they expressed a concern about the sustainability of the budget due to a poor cash flow.

They requested the municipality to adopt suggestions in their report and to table this and the report to council with the final budget.

- The budgeted operational income for the 2014/2015 book year is R419m; and the budgeted expenditure, R372m.
- Budgeted capital expenditure of R67.5m provides R22.9m for housing; R6.6m for electricity, R9.2m for water distribution, R3.3m for

sport and recreation, R18.6m for sewerage and R3,3m for roads.

- Income from property taxes escalates with 16%.

This is not the general increase and the increase or decrease for each property will be determined by the new valuations.

New developments and the abandonment of the property rates rebates applicable to state properties account for a substantial portion of the 16%.

- Tariff increases are: electricity - 6 to 7.39%; water – depending on individual consumption; sanitation - 6% and waste removal - 9%.

Conclusion

Speaker, I table the budget and IDP for 2014/2015 for final council approval as prescribed in item R47/2014, pages 156 – 245, and item R46/2014, pages 1 – 155, comments and suggestions received about the 2014/2015 concept budget; as well as the following annexure:

- Annexure "A"- pages 246 - 296: Final list of tariffs for 2014/2015.
- Annexure "B"- pages 297 - 364 Amendments to policies.
- Annexure "C"- third generation IDP 2012 – 2017

Council's resolution is on page 163.

I thank our Heavenly Father for bestowing onto us strength, health and wisdom to complete our tasks.

Thank you to councilors and officials for their hard work to draft the budget and IDP under difficult circumstances.

However, the trickiest part of the budget, implementation, now lies ahead and I wish everyone involved the best of luck with the task.

Baie dankie/ Thank you/ Enkosi

ALDERMAN CB PUNT

EXECUTIVE MAYOR

Abbreviations:

IDP – Integrated Development Plan

INEP - Integrated National Electrification Programme

DoRA – Division of revenue Act

MTREF – Medium Term Revenue and Expenditure Framework

CPI – Consumer Price Index

LGMTEC - Local Government Medium Term Expenditure Committee