

ANNUAL BUDGET OF BERGRIVIER MUNICIPALITY



2021/22 TO 2023/24
**MEDIUM TERM REVENUE AND
EXPENDITURE FRAMEWORK**

1 Part 1 – Annual Budget

1.1 Mayor's Report

Honourable Speaker, Deputy Mayor, Members of the Mayoral committee, Aldermen, Alder Lady, Councillors, Municipal Manager, Directors, guests, ladies and gentlemen, good afternoon.

It is my privilege to submit the budget and other related documents for 2021/2022 and the two outer years as prescribed in terms of Section 16 of the Municipal Finance Management Act for consideration.

It goes without saying that this budget was drafted under the most extreme circumstances amidst the worst pandemic the world has encountered in the last century. The South African economy is currently in the worst position since the dawn of democracy with little hope of recovery in the foreseeable future. Little did we know a year ago what the impact of the Coronavirus pandemic would hold for the Country, the Province and the Municipality. The profound effect that the virus has had on the nation, health services and the economy as a whole could never have been anticipated 18 months ago, yet the economic reality is taking shape and needs to be managed appropriately over the MTREF and concurrent financial years to ensure the recovery of the nation and the municipality.

Service delivery, as part of the municipal mandate, has even through the most trying times received the highest priority, focus and dedication and it will remain so until the end of the term of the current Council and I trust that it will continue to do so even beyond that as we continue to strive to improve the livelihood of our communities.

The Covid -19 pandemic has forced us to appreciate even more the contribution of our community to the Municipality, its processes and its finances, I can assure you that the administration as custodian of public funds exercises the utmost care when utilising municipal financial, and other resources in the delivery of services to our communities and in the fight against Covid-19.

The National Treasury projects real economic growth of 3.3 per cent in 2021, following a contraction of 7.2 per cent in 2020. Real GDP growth is expected to moderate to 1.7 per cent in 2022 and 1.5 per cent in 2023, averaging 2.1 per cent over the medium term. This effectively means that the contraction experienced as a result of the Covid-19 pandemic will not be recovered over the MTREF causing municipal revenue sources to stagnate over the MTREF. ***We therefore have no alternative but to do more with less.***

Unemployment remains a huge concern with an estimated 1.7 million job losses since the onset of the pandemic and the loss of income has further entrenched existing economic and social inequalities. It is expected that the GDP will recover to pre-pandemic levels only late in 2023 emphasizing the challenge that lies ahead.

The budget and IDP revision presented here today is a culmination of intensive planning processes undertaken through the ward committee and other IDP processes as well as extensive in-house deliberations and negotiations to ensure that municipal resources are optimally used for the improvement of the livelihood of our communities.

The operating revenue budget (excluding capital transfers and contributions) amounts to R 421,416 million. The bulk of the income is derived from assessment rates and user charges. Operational expenditure from own funds amount to R 435,278,025 with the main two categories of operational expenditure being salary related expenditure and bulk purchases that account for 59.59 per cent of the total operational expenditure.

The capital budget amounts to R 56,187,043. The capital budget once again focusses on infrastructure development and 73.88 per cent of the capital budget is therefore allocated for infrastructure and engineering services.

Infrastructure spending included in the capital budget will be allocated as follows: Water services infrastructure R 3,497,000; Electricity infrastructure R 4,709,565; Sanitation infrastructure R 20,232,478 and roads infrastructure R 13,074,000

Sport and recreational facilities receive R 5,555,000 and social and community facilities receive R 1,465,000 the remainder of the capital budget consists of machinery and equipment, furniture, transport assets as well as computer equipment needed in the delivering of services to our communities.

In accordance with a new capital funding mix, a new loan of R 14,650,000 will be taken up in the 2021/2022 financial year, further own funding through the Capital Replacement Reserve in the amount of R 17,347,000 will be added to fund the capital budget in addition to the R 24,190,043 in grant receipts of the 2021/2022 financial year.

Employee related cost remain a major component of the municipal budget, the municipality has taken cognisance of the current economic environment as well as the affordability threshold with which consumers and ratepayers are confronted, especially in the aftermath of the lockdown imposed due to Covid -19 and has therefore decided to only make provision for notch increases on salaries. No provision is therefore made for a general salary adjustment for 2021/2022.

Employee related cost as a percentage of total expenditure equals 33.45 % and is within the norm for this category of expenditure, it will be carefully managed over the MTREF to ensure that it remains within acceptable limits.

Considering the economic circumstances that we find ourselves in, and in accordance with the National Treasury guidelines, the council's tariff increases have been limited to approximately 4.5 per cent on all services except for electricity where the increase will be 14.59%, NERSA has confirmation in its final guideline paper to municipalities that the bulk Eskom increase would be 17.8%. It is therefore necessary to implement an increase of 14.59% to municipal consumers to recover the high increase in purchase price to ensure the financial viability and sustainability of the electricity service.

It is the responsibility of the political leadership as well as management within local government environment to strengthen the link between the electorate and government's vision, policy, priorities and spending plans. The goal of the municipality therefore remain the enhancement and improvement of service delivery that will contribute to improving the quality of life for all people within Bergrivier Municipality.

In the difficult economic circumstances budgeting choices that the municipality have to make between competing priorities and fiscal realities becomes more intense and care needs to be taken when priorities are weighed up against one another to ensure that the expectations of the citizens are met. The challenge is to do more with the available resources and to ensure value for money with every transaction where public resources are spent. We need to remain focused on the delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of prudent financial management principles in the compilation of the municipality's financial plan is not only essential, but also critical to ensure that Bergrivier Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities, we will therefore continue to strive to improve the quality of life of everyone that live and work in the Bergrivier Municipal area.

The economic reality has led to the reduction of government grants to the municipalities yet the municipality will continue in its endeavour to assist the poorest of the poor with its indigent subsidy program where qualifying indigent households will receive an indigent support package consisting of 50 units of free electricity, 6000 litres of free water as well as a 100% subsidy on a standard household refuse and sewerage tariff per month. Households with a combined household income of less than R5000 per month will qualify for the subsidy. In addition thereto a subsidy of 60% will be provided on assessment rates for qualifying pensioners registered as indigent.

The Council will continue to pursue and encourage community participation in programmes, plans and strategies to ensure that our plans are in line with community needs.

In conclusion, I would like to thank the Budget Steering Committee under the leadership of the Deputy Mayor, the Municipal Manager, the Chief Financial Officer and the staff in the Strategic Service and Budget Offices as well as Directors and other personnel who were involved in compiling this budget and IDP.

I would like to thank all stakeholders and members of the public that have participated in the budget process through providing valuable input and taking ownership of this very important process.

Speaker, I would therefore like to submit the 2021/2022 Budget and MTREF to the Council for consideration and approval, I thank you.

ALDERMAN RAY VAN ROOY
EXECUTIVE MAYOR