

1.1 Mayor's Report

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

It is by the grace of God that we have made it through the most challenging two years from the time that the pandemic set foot on the shores of the Republic of South Africa. We have persevered through the most challenging of times, we have navigated our way through the uncertainty of the Local Government Elections and I am indeed privileged to be able to stand here before you today and table this draft budget and other related documents for 2022/2023 and the two outer years as prescribed in terms of Section 16 of the Municipal Finance Management Act.

Allow me to quote the following:

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of light, it was the season of darkness, it was the spring of hope it was the winter of despair"

These words published in 1859 by the great author Charles Dickens describe perfectly what it's like living and working through a pandemic and it finds its relevance in what we, as leadership of Bergrivier Municipality, needs to deal with on a daily basis.

Every step forward that we gain is met with a pushback from factors beyond our control and the gains we make are soon diminished by the impact that we encounter as a result of the failing state, compounded by the electricity crises and the struggling economy. The violent unrest in July 2021 has further eroded the economic gains South Africa made in the first half of 2021 and have caused billions of Rand in damage and subsequent job losses in an already struggling economy.

We are still dealing with the profound impact that the pandemic has had on the National Economy, the Western Cape Economy as well as the Bergrivier Local Economy.

We have succeeded, through these most difficult times and have delivered on our commitment to provide our communities with top class and reliable services and to create an environment where everyone can truly live, work, learn and play in a dignified manner, this was confirmed by the opinion from the Auditor-General where the Municipality was awarded with a 6th consecutive clean audit.

The term of the new Council provides us with another opportunity to deliver on our service delivery mandate as we continue to strive to improve the livelihood of our communities.

The Covid -19 pandemic taught us to appreciate the contribution that our community makes to the Municipality, its processes and its finances, and as we move forward as a coherent community I can assure you that we as the custodian of public funds, will

continue to exercise the utmost care when utilising financial, and other public resources in the delivery of services to our communities and in the fight against Covid-19.

The National Treasury has revised the South Africa's growth estimate downwards from 5.1 per cent at the time of the Medium Term Budget Policy Statement to 4.8 per cent for 2021 and projects real economic growth of 2.1 per cent for 2022. Over the next 3 years GDP growth is expected to average 1.8 per cent, this is much lower than the anticipated world economic growth rate of 4.4% for this year. Inflation is expected to remain between 3 per cent and 6 per cent over the MTREF and the Reserve Bank has already implemented measures to curb the upward inflationary trends, this also comes at a cost as disposable household income is absorbed by higher debt repayments.

The Minister of Finance has in his budget speech confirmed that the South African economy has been through more than a decade of stagnation and has emphasized that sustained economic growth is key in creating jobs, reducing poverty and inequality and providing a better life to all.

The initial prediction of economic recovery by 2023 seems impossible at this stage and we therefore continue to ensure that municipal resources are used optimally for the improvement of the livelihood of our communities.

I would like to provide a brief summary of the Bergrivier Municipality's budget as follows: The operating revenue budget (excluding capital transfers and contributions) amounts to R 478,751 million. The bulk of the income is derived from assessment rates and user charges. Operational expenditure from own funds amount to R 493,616,273 with the main two categories of operational expenditure being salary related expenditure and bulk purchases that account for 59.71 per cent of the total operational expenditure.

The capital budget amounts to R 74,967,566. The capital budget once again focusses on infrastructure development and 67.02 per cent of the capital budget is therefore allocated for infrastructure and engineering services. We are proposing a substantial increase in capital investment to create capacity for future development and to replace ageing infrastructure that cause service delivery disruptions.

Infrastructure spending included in the capital budget will be allocated as follows: Water services infrastructure R 21,507,435; Electricity infrastructure R 8,020,000; Sanitation infrastructure R 10,423,053 and roads infrastructure R 10,290,078

Sport and recreational facilities receive R 4,925,000 and social and community facilities receive R 1,910,000 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 the capital funding mix strategy, a new loan of R 40,000,000 will be taken up in the 2022/2023 financial year, further own funding through the Capital Replacement Reserve in the amount of R 18,857,000 will be added to fund the capital budget in addition to the R 16,110,566 in grant receipts of the 2022/2023 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. The municipality is bound by the collective bargaining process and have no alternative but to make provision for a 4.9% general salary adjustment.

Employee related cost as a percentage of total expenditure equals 33.68 % 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.

The pandemic has indeed placed pressure on the municipal budget and revenue streams continue to diminish and remain difficult to collect. The Municipality was forced at the onset of the pandemic to implement lower than normal tariff increases, although the cost of rendering the services were exponentially higher than the revenue received from it. We are therefore in the current budget cycle faced with the difficult task of having to play catch-up and increase tariffs above average to ensure that the financial wellbeing of the municipality is protected and to ensure that the actual cost of rendering the services are recovered from those making use of the services.

National Treasury directs municipalities to motivate tariff increases that are higher than the upper end of the estimated inflation rate, and we have therefore included a comprehensive paragraph for each tariff increase in the executive summary of the main budget document.

The continued increase in the price of electricity remains a concern and NERSA has confirmed that the Eskom increase to municipalities will be 8.61 per cent which will result in a tariff increase of 7.8 per cent to the end user. It needs to be emphasised that the final municipal tariff increase will only be determined once the final tariff increase is confirmed by the National Energy Regulator.

In the difficult economic circumstances budgeting choices that the municipality have to make between competing priorities and fiscal realities become 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 remain resolute in our focus 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 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 us to ensure that the most vulnerable are taken care off through the indigent subsidization program and would once again like to invite everyone that qualify for indigent subsidy to apply for the assistance that is available. 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 indigents.

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. I would therefore like to invite all stakeholders, members of the public and interested parties to participate in the budget process by attending the community budget meetings and providing input before the budget is tabled for final approval.

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

I thank you.

ALDERMAN RAY VAN ROOY
EXECUTIVE MAYOR