

MAYORAL SPEECH ON THE BUDGET AT THE COUNCIL MEETING ON 28 MAY 2015

Mr Speaker

Deputy Executive Mayor

Mayoral Committee Member for Finance

Councillors

The Municipal Manager

Officials

Ladies and gentlemen

I herewith with a great sense of pride and thankfulness present the 2015/16 budget for the Overstrand Municipality to Council for consideration and approval.

The preparation of the 2015/16 budget was informed by the 3rd review of our 5 year Integrated Development Plan, which sets the strategic direction of Council. In the draft 2015/16 IDP review our Vision, Mission and 5 Strategic goals remain unchanged. To refresh your minds I will repeat the Municipality's 5 strategic goals as contained in the draft IDP review:

1. The provision of democratic, accountable and ethical governance
2. The provision and maintenance of municipal services

3. The encouragement of structured community participation in the matters of the municipality
4. The creation and maintenance of a safe and healthy environment
5. The promotion of tourism, economic and social development.

The Municipality involves all citizens in the process of ensuring a people-led government. Encouragement of structured community participation in the matters of the Municipality is a strategic objective. The input received from our ward committees, which we regard as the official channel for community consultation, the voices of our residents and other stakeholders were taken into consideration. This process started in August last year.

Before I discuss the final outcome of the budget process, I will briefly reflect on the broader economic factors that informed the Budget for 2015/16 -

We are still in a difficult economic climate, with indications that the year ahead will not bring about any improvement. We are also painfully aware that our pensioners and people whose only form of income is the interest on their life savings, cannot afford sharp increases of municipal rates and tariffs.

The affordability of tariff increases are thus of utmost importance to the municipality and the level of services versus the associated cost is a constant consideration.

Our consumers will again this year be negatively affected by the excessive electricity increase approved for Eskom, which will have a huge negative impact on the electricity tariffs of the Municipality, including the reality that load shedding will be part of our lives for the foreseeable future.

At the beginning of the budget process, political guidance was given to the administration that increases in tariffs should be limited to 6% and the increase in property rates should not increase by more than 7%. This excludes electricity where NERSA had given Eskom the right to increase their rates in excess of inflation.

The 6 kℓ free water per 30-day period has since 2014 only been given to residents who are registered for the indigent grant. National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective. The second level of phasing in the increase in the 0 – 6 kℓ category to recover the cost of the production of water was postponed in 2014/15. This has now been implemented, representing an 11.5% increase applicable to the consumption of water between 0 – 6 kℓ per month.

The guideline given for sundry fees, for example building plan approval, will be limited to a 10% increase.

An Independent Financial Assessment of the Overstrand Municipality was prepared for us by the INCA Portfolio Managers.

This included an assessment of the Integrated Development Plan and sector master plans of the municipality. This was done with the purpose of identifying material matters that could impact on the long term financial sustainability of the municipality as well as to inform proposals regarding future policy directions.

It was recommended that the municipality, amongst others –

- avoid excessive overtime and standby time costs by filling critical vacancies;
- optimise the use of internal capacity and external service providers, and;
- explore more sharing of services with other municipalities.

We went out of our way to eliminate non-core spending and we have paid special attention to cost-containing measures. Suffice to say that apart from the administration being called upon to ensure that costs are contained in every possible way, we also need to put in place measures to generate a more substantial surplus from our operating budget.

- As part of the Municipality's cost re-prioritisation and cash management strategy, vacancies have been significantly rationalised downwards. A total of twenty three posts were abolished from the organisational structure.
- The Protection Services directorate has been restructured whereby a shift system has been introduced resulting in substantial savings on overtime and standby allowances.
- From my side, I only appointed one Mayco Member following the retirement of two Mayco members last year. This is in addition to the vacancy that already existed on my Mayco.
- All remuneration increases have been budgeted for at 6,1%, pending the outcome of salary negotiations and determinations.

Budget appropriations for asset renewal as part of the capital programme and operational repairs and maintenance of existing asset infrastructure remain a challenge.

We are mindful of the fact that repairs and maintenance of municipal assets are required to ensure the continued provision of services and this has been taken into account during the drafting process of the budget.

On the positive side, I can confirm that -

- All facilities and requirements related to the operating of the Municipal Court are in place, including the proclamation required for the court to become fully operational;
- The Karwyderskraal Landfill Site was officially opened on the 2nd of April 2015;
- The municipality has approved participation in a shared service appointment of a Risk Manager, where this appointment will benefit all municipalities in the Overberg District;
- Rebates in terms of the Property Rates Policy have been increased;
- Parking fees at Overstrand beaches have been abolished;
- Cemetery fees have not been increased in the 2015/16 budget;
- The tariffs for Building Line Departures have also not been increased.

The publishing of the regulation on the **Standard Chart of Accounts (SCOA)** on 22nd of April 2014 will have a profound effect on the business of local government. This reform is not limited to a financial reform, but a business reform as a whole. It is the largest reform since the promulgation of the Municipal Finance Management Act in 2003.

Overstrand municipality was identified as one of the national pilot sites for the early implementation of SCOA and the Bytes financial system. This budget has been compiled according to the SCOA classification framework.

Total operating revenue has grown by 10,5% to R895m for the 2015/16 financial year when compared to the 2014/2015 Adjustment Budget. For the two outer years, operational revenue will increase by 8,7 and 5,7% respectively. The higher increase for 2015/16 is informed by increased grant funding, which includes an additional equitable share of R12,5m and housing top structures amounting to R17m.

Total operating expenditure for the 2015/16 financial year has been appropriated at R964,5m and translates into a budgeted deficit of R69,5m. When compared to the 2014/2015 Adjustments Budget, operating expenditure has grown by 3,3% in the 2015/16 budget and by 7,6 and 5,9 per cent for each of the respective outer years of the MTREF. The increase of 3,3% for 2015/16 is notwithstanding an additional R17m expenditure for housing top structures.

The negative difference between income and expenses of R69,5 million is represented by non-cash items, one of the biggest items being depreciation. After other cash flows such as the redemption of external loans, we will be left with a cash surplus of R8,1 million.

The capital budget of R103,9m for 2015/16 is 15,4% less when compared to the 2014/2015 Adjustment Budget. The reduction is due to the available resources to fund the capital budget.

The capital programme decreases to R94,6m in 2015/16 and amounts to R103,6m in the respective outer years. An estimated R100m is required annually to sustain capital infrastructure.

So what are we achieving with this budget?

- We have managed to limit the overall impact of the tariff increases on household bills below 6,3% and the increase for indigent households to 2,6%. *This excludes the impact of electricity tariff increases.*
 - We have budgeted for a small surplus on the operational budget to provide funds from our own resources for capital expenditure during 2017/18 financial year.
 - We will continue essential maintenance of our infrastructure.
 - We will continue to focus on increasing productivity.
 - We will continue to lobby National and Provincial Government to increase our equitable share and to eliminate unfunded mandates.
-
- We will also continue to lobby the Department of Human Settlements to increase our MIG grant for affordable housing to ensure that this does not put an additional financial burden on the Municipality.

The draft budget was assessed by a technical committee from the Western Cape Provincial Government who found the budget proposals to be credible and sustainable.

In conclusion:

Overstrand Municipality takes pride in achieving Clean Audit status for two consecutive years, and in being judged as the most productive local municipality in South Africa by the Municipal IQ during December 2014, as well as coming first in the Back-to-Basics Programme.

I want to conclude by thanking the community of the Overstrand and all role-players for their support and participation in the IDP review and Budget processes to ensure accountability and good governance to all the people of Overstrand.

I want to thank Clr Dudley Coetzee, Chairperson of Finance, the Municipal Manager and all the Directors for their commitment, dedication and support during the budget process, all councillors for studying the documents and their input via the ward committees. With all the assistance, Mr Speaker, I have pleasure in proposing the adoption of the 2015/16 Budget.

ALD NICOLETTE BOTHA-GUTHRIE

EXECUTIVE MAYOR: OVERSTRAND

28 May 2014