

## MAYORAL SPEECH FOR DRAFT BUDGET: 2021/22

### Purpose:

To table the draft Capital and Operating Budget for 2021/22–2023/24 in terms of Section 16(2) and 17(3) of the Municipal Finance Management Act, (Act 56 of 2003).

The preparation of this budget has been extremely difficult given George's requirements for the upgrade, refurbishment and provision of additional Infrastructure for Waste Water and Water to capacity levels to cater for the growth that has been experienced over the past decade.

The Budget Steering Committee last met on Friday 19 March where it became clear that the achievement of a fundable, credible budget would necessitate further work. This took place over the previous long weekend through to Sunday evening.

This draft budget still requires revision as we have not been able to devise solution of how to fund the Capital Budget necessary for our needs. We have already embarked on discussions to secure additional Grant funding to soften the funding challenge.

I therefore extend apologies to Council for the late delivery of the draft Budget. I will be requesting that the AMM and Speaker arrange a workshop for Councillors within the next few weeks where the Budget can be unpacked and explained.

The considerations impacting the Budget include the following:

- Poor economic GDP growth was forecasted for 2021;
- Effect of the economy on jobs;
- The effect of Eskom's load shedding;
- The abovementioned has an impact on local government's ability to markedly contribute to reducing unemployment and poverty;
- The pressures of the slow economy on collection rates and the ability of George Municipality's residents to pay their municipal bill which has since been exacerbated by the COVID19-pandemic's effects;

- addressing service delivery shortcomings as identified in the adjustments budget in February 2021 and its effect on the available funding;
- The continued funding constraints with regards to the low available funding for the Capital Budget through internally generated cash and the ability to take up loans to meet the demand for upgrading and replacing of infrastructure.

Council's long-term financial plan (LTFP) indicates that:

- The municipality needs to focus on its core functions especially during the COVID19 pandemic to effect all possible savings and to align the capital budget to achievable goals;
- The reduced 2020/21 adjustments budget is the base for the 2021/22 MTREF;
- Becoming more efficient in maximizing revenue and smarter spending;
- Using credit control and debt collection processes to improve the debt collection ratio above the 92% ratio;
- A contribution of R126.7 million was made to the provision for debtor's impairment in the operating budget;
- Possibly adopting a more lenient approach to the tourism and business sector that have debt collection issues;
- All attempts need to be made to maximize available National and Provincial Government Grants for our capital program. We will liaise with National Treasury regarding additional grant funding;

For GIPTN we will receive R343,9m in Grants, R183,3m as National Grants and R160,6m as Provincial grants.

Our Capital Budget for 2021/22 is R368,3m; R356,9m for 2022/23 and R319,7m for 2023/24. This is a total of R1045m over 3 years. Our requirements are in excess of these amounts. It is for this reason that we have approached NT for their input in meeting urgent additional Grant funding.

Cllr Dirk Wessels will elaborate further.

Turning to the Operating Budget:

The tariff increases for bulk electricity purchases of 17.8% that was announced by ESKOM and approved by NERSA is more than triple the inflation projection. The increases announced by ESKOM the past decade has eroded municipalities ability to charge cost reflective tariffs for their own basic services.

The size of this increase is of enormous concern.

A tariff increase of 14.59% for electricity from 1 July 2021 is proposed by the NERSA guidelines.

The local authority tariff increase is effective from 1 July 2021 to 30 June 2022.

The cost of distributing electricity within Municipal boundaries is borne by Municipalities, as are the sub-stations, maintenance, staffing, etc. The surpluses made contribute to the costs of administration.

The following tariff increases are proposed:

- Electricity - 14.59%
- Rates - 6%
- Water - 6%
- Sanitation - 6%
- Refuse - 4.5%
- General Tariffs - 2.0%
- DMA tariffs - apply George Municipality tariff increases

The Total revenue Budget amounts to R2627m with Core services contributing R1618m and Other Own revenue R216m.

Salaries are budgeted to increase at 4,1%. SALGA has however requested a meeting with Municipal Managers and Mayors next week to establish a joint position on the 9% increase being proposed by Unions. The higher figure with result in an additional R31m of expenditure.

Total Expenditure of R2496m has been budgeted.

The Recommendation provides for draft resolutions on policies, the budget, tariffs and services, rates, SDBIP, capital funding, etc. This draft Budget is hereby tabled for the budget year 2021/22.

