

GEORGE MUNICIPALITY

OFFICE OF THE EXECUTIVE MAYOR

**SPECIAL COUNCIL MEETING 29 MAY 2019: BY THE EXECUTIVE MAYOR OF
GEORGE MUNICIPALITY: ALDERMAN MELVIN NAIK**

SPEAKER

ALDERMEN

COUNCILLORS

MUNICIPAL MANAGER

SENIOR MANAGEMENT

THE PUBLIC IN THE CONFERENCE ROOM

THE MEDIA

GOOD MORNING TO YOU ALL AND WELCOME TO THIS SPECIAL COUNCIL MEETING.

With all the hard work of the elections behind us now, I hope everyone have shaken off election fatigue and are ready to continue with our service delivery duties. Congratulations on the DA for retaining the western cape now we can continue to build an open opportunity society, congratulations to the ANC on winning the national elections and warm congratulations to the president elect, Mr Cyril Ramaphosa.

Than we need to congratulate and convey well wishes for new MEC of Human Settlement, Mr. Tersius Simmers who hails from our region. Congratulations also goes to ex Councillor Letitia Arries, who is now an honourable member of national parliament. We wish them all the success in their new roles.

Speaker, the MFMA requires a council to adopt three-year capital and operating budgets that taken into account, and are linked to, the municipality's current and future development priorities (as contained in the IDP) and other finance-related policies (such as those relating to free basic service provision).

These budgets must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and particulars on borrowing, investments, municipal entities and service delivery agreements, grant allocations and details of employment costs.

The budget may be funded only from reasonable estimates of revenue and cash backed surplus funds from the previous year and borrowings (the latter for capital items only)

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

The Budget Committee made use of tariff modelling to calculate realistic tariff increases. Although the budget committee endeavoured to contain the increase within the 6% upper boundary of the South African Reserve Bank's inflation target, the model indicated that this was not possible.

Speaker I need to and want to ensure the people of George that this budget is the result of many hours of careful consideration, applied knowledge, caution and above all, very hard work.

This budget was compiled after insets from the various directorates, following various and intense one on one sessions. This budget was compiled cognisant of the challenges this municipality is facing.

Speaker with this budget we have committed ourselves to Good governance that enables us to continue to deliver quality basic services to our citizens.

Speaker George has grown extensively over the past 5 years, something that we did not really take into account, this can be seen in the stressed staff component. This obviously has place a demand to appoint more people and fork out more capital for infrastructure.










Therefore a firm effort was made that the 2019/2020 budget focusses on infrastructure led growth. We intend to stimulate the local economy and frontline services to the people of George. The intension of this budget is to spend money where it will be most effective for maximum citizen impact.

Economic development is a key assignment of the George municipality to encourage an environment where investment can grow, and the environment is created for job creation, that will result in combating of poverty, unemployment and inequality. This requires a multi – pronged strategy which includes;

- attracting investment (for this purpose an economic developer will soon be appointed),
- encouraging enterprise and entrepreneurship development (for this a new memorandum of agreement is being compiled with the business chamber)
- accelerated emphasis will be placed on the exploration of tourism opportunities together with the WESGROW support service programme.




Central to this approach is the idea is the search for alternative sources of income which we desperately need.

A strategy was followed as outlined within Council's long term financial plan with the compilation of the budget, whereby the following was considered:

-  The municipality needs to focus on its core functions. During the February 2019 adjustments budget the Budget Committee and Portfolio Councillor in conjunction with the Heads of Departments, scrutinized the budget to affect all possible savings;
-  The need to maximize income through efficiencies and the way we do business was investigated before we decided to increase our rates, service charges and other tariffs;
-  A revenue enhancement project is ongoing to ensure that all consumers are billed correctly and are contributing to the municipality's income as set out in our tariff policy;
-  A provision of R71,386 million was made for debtor's impairment in the operating budget. The writing off, of irrecoverable debt will continue to be scrutinized through the business processes of the internal credit control unit. The unit is guided by an internal credit control committee to ensure that proper credit control measures are performed and to recommend to council the writing off, of debt;
-  A provision for a contribution of R65,2 million to the capital replacement reserve (CRR) in the operating budget has been made to grow our reserve;
-  The Capital Contributions Policy was reviewed to ensure that the municipality receives fair compensation from bulk capacity sold to developers. The Budget Committee emphasized the principle that developers need to "pay-up-front" before any infrastructure development is carried out by Council;
-  A greater emphasis will be placed on improving our cash management practices, within the legal prescripts, to improve our liquidity position.
-  All attempts need to be made to maximize available National and Provincial Government Grants to service part of our capital program. In this regard George Municipality applied to the Department: Corporate Governance for the Integrated Urban Development Grant. The application was unfortunately not approved;
-  The Budget Committee reconfirmed that specific strategic land be identified which may be sold or developed to effect growth in George and to build the CRR.

EXPENDITURE

The operating expenditure has increased from R 1, 963 billion in 2018/19 (February adjustments budget) to R2, 270 billion in 2019/20. The **16%** increase can be attributed to increases on several expenditure items.

-  Contracted Services: This is mainly due to the increase in the budget for operational expenditure on Housing Projects and the GIPTN.
-  Bulk Purchases for Electricity: Increased by 15.63% (NERSA)
-  An additional amount of R5 million has been provided for the Regional Landfill Site

REVENUE

we need to keep the wheels of this municipality turning, all of us is aware that the cost of living is constantly rising, so the following **Services charges and other tariff increases are proposed**



➤ Electricity	-	13.07%
➤ Water	-	6.0%
➤ Sanitation	-	8.5%
➤ Refuse	-	9.0%
➤ General Tariffs	-	5.0%
➤ DMA tariffs	-	apply GM tariff increases

The tariff for rental of hawker stands and the rental of community halls will stay unchanged.

Taking the abovementioned factors into account, the average increase in rates and tariffs was limited to 7,31%

The operating revenue increases from R2,059 billion to R2,279 billion.

The **10.69%** increase in revenue is mainly due to:

-  An increase in Other Revenue – is mainly due to an increase in the GIPTN fare revenue for the roll-out of further phases.
-  An increase in Transfers Recognised – Operational is mainly due to an increase in the following grants:
 - Human Settlements Grant (R69.6m – 2018/19 to R163.5m – 2019/20).
 - The Equitable Share allocation – from R137.4m in 2018/19 to R149.9m in 2019/20.
 - The Public Transport Network grant – from R123m in 2018/19 to R163.5m in 2019/20.

- The George Integrated Public Transport Network Grant (GIPTN) – from R101m in 2018/19 to R106.7m in 2019/20.

S.A economy is not performing well at all but we are hopeful that after the national and provincial elections the situation can be turned around.

Central to the poor performing state of economy was the load shedding experience throughout the country. This occurrence had a negative effect on our income because many people are moving off the grid and install PV. The consequence was that we have an almost 3% drop in electricity income.

The possibility that municipalities can procure power from independent power producers are most welcome in this regard.

Be it as it may speaker we are hopeful that through this budget we will be able to implement our core mandate which access to basic service delivery.

We must remember the demand for services are unfortunately linked to limited resources that are at the disposal of the municipality

I want to thank everyone that was involve to compile this budget. It was a huge team effort where the input from various stake holders are essential in order to take combined ownership of the end result.

With this being said I hereby table the 2019/2020 budget.

Thank you

.