

GEORGE MUNICIPALITY

OFFICE OF THE EXECUTIVE MAYOR

**SPECIAL COUNCIL MEETING 29 MARCH 2018: BY THE EXECUTIVE MAYOR
OF GEORGE MUNICIPALITY: ALDERMAN MELVIN NAIK**

TABLING OF THE 2018/2019 ANNUAL REVIEWED IDP

Honourable Speaker

Members of the Mayoral Committee

Fellow Councillors

The Municipal Manager, Directors and Senior Officials

Members of the public and the media

Honourable Speaker and Councillors, the final draft document that I am presenting to you today represents the first review of our five-year IDP.

You will recall that during the month of March 2018 Council resolved that the tabled IDP document be utilised as the basis for further consultation.

Guided by Section 34 of the Municipal Systems Act 32 of 2000, our approach was to restructure our processes towards a meaningful outcome. We therefore feel confident that our engagements with Ward Committees yielded the desired outcomes but there is still a room for improvement.

Section 34 of the Municipal Systems Act 32 of 2000 compels us to *inter alia* assess our performance against predetermined targets. You will note that there are quarterly reports that we receive as Council focusing on the Service Delivery and Budget Implementation Plan. These reports will be consolidated into an Annual Performance Report which will later form part of the Annual Report for the current financial year. This therefore means that the second Reviewed IDP document will comprehensively capture our performance for the current financial year.

The ward-based priorities continuously far outweigh our financial resources. To address these priorities requires an accelerated pace of intergovernmental action and alignment to ensure that all developmental players play their part. These priorities have been considered and some will be addressed as part of the wider, holistic and cyclical process of municipal planning which goes beyond the current political term of office.

I would like to challenge every one of us to begin to view the IDP as a process and not an event, which requires an investment into resources and engagements with various stakeholders. Our subsequent annual IDP review process will be more strategic, in that we will focus mainly on implementation progress, qualitative improvements and the consideration of changing circumstances.

Before I conclude, I would like to thank all the role-players in the IDP process for providing their on-going valuable support and advice throughout our strategic processes.

Honourable Speaker the 2018/2019 Annual Reviewed is hereby tabled and I would like to specifically make the following recommendations:

- (a) That the 2018/2019 Annual Reviewed IDP attached as **Annexure A** to the Agenda **BE ADOPTED** as a principal strategic planning instrument which will continue to guide and inform all planning and development, and all decisions regarding planning, management and development, in the George Local Municipality.
- (b) That the written submissions received in respect of Draft 2018/2019 IDP attached as **Annexure B** to the Agenda be considered and addressed as part of the wider, holistic and cyclical process of municipal planning.

- (a) That within 14 days of the adoption of the 2018/2019 Annual Reviewed IDP by Council, the Accounting Officer of the Municipality must in accordance with Section 25 (4) of the Municipal Systems Act
- ❖ Give notice to the public –
 - (i) of the adoption of the plan; and
 - (ii) that copies of or extracts from the plan are made available for public inspection at specified places.

BUDGET

The MTREF budget of 2018/19 to 2020/21 before council is hereby tabled for approval in terms of Section 24 of the Municipal Finance Management Act.

The budget complies in terms of section 18(1) of the MFMA as the annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section 17.

With the assessment of the budget by National Treasury

They concluded in their assessment on 23 May 2018 as follows:

On the assessment of the Credibility of the budget;

- They remarked that the 2018/19 MTREF budget is funded.
- The outer years of the capital budget were changed to ensure a funded MTREF;
- The Budget is multi-year; and
- The Capital budget is multi-year although the outer year was found to be ambitious.

On the Relevance of the budget

- They remarked that the Budget is aligned to the reviewed 2018/19 IDP and SDF; and
- That the National and Provincial priorities were considered.

On the Sustainability of the budget

They found that the Budget gives effect to:

- A sustainable cashflow for 2018/19 and 2019/2020;
- Adequate cash coverage and current ratio;
- Cash after commitments is not sustainable for 2020/21.

Feedback from the Public Participation Process

A second round of public participation in the form of Ward based meetings was held from 17 April – 14 May 2018.

At the meetings, internal departments shared their 5-year plans with communities on how they intend to address priorities identified during the first round of public participation in October / November 2017.

Two letters were received from the public responding to the proposed tariff increases and the draft budget.

These comments were dealt with at the final budget committee meeting.

The revised fare structure for GIPTN

With the introduction of the bus service it required that the fare structure for George be included in the tariffs list.

An interim **paper** ticket system was introduced and is currently in use.

The interim paper ticket system is now to be replaced from 1 August 2018 with an electronic card system, which marketing will be done as from 1 June 2018.

The electronic card fares will be set at the same level as **paper ticket**

The purchase of onboard bus tickets is to be discouraged and cheaper electronic tickets will be sold through a vendor network.

For the GIPTN service

National Grants budgeted for are as follows;

Operations : R121m

Infrastructure : R 46m

While a Provincial Operation Grant of R 101m is budgeted for.

2018/19 Capital Budget

The budget committee has prioritized the upgrading of the sewerage treatment works as high and

Has committed to the taking up of loans to fund this project with a total cost of **R81,5m**

R44,7m – 2018/2019 and

R36,8m – 2019/2020.

The Capital Budget will be spread across the Directorates as follows;

Civil Engineering Services : 65%

Electrotechnical Services : 13%

Community Services : 9%

Protection Services : 7%

All Other Directorates 6%

The 2018/19 Capital Budget will be funded as follows;

Grants : 44%

CRR : 37%

EFF : 16%

SOA : 3%

OPERATING REVENUE BUDGET

The new General Valuation Roll will come into effect on 1 July 2018 and will be valid to 30 June 2022.

With the calculation of the new cent in rand tariff for rates, the 15 % residential rebate was discontinued.

Furthermore, the rebate on rural residential properties will be phased out from the 40%

For the financial year 2018/19 the rebate will be 20% and

As from the 2019/20 financial year no rebate will be given.

The **Municipal Valuation threshold** on residential properties is set at R150 000 which includes the R15 000 impermissible valuation.

To accommodate the establishment of the Eden Regional Landfill Site it required a refuse tariff increase of 15%.

The operating revenue increases from R2.002bn to R2.094bn.

An increase in Operational Transfers Recognised is mainly due to an increase in the following grant:

- Human Settlements Grant from R19.5m in 2017/18 to R66.9m in 2018/19.
- The Equitable Share allocation has increased from R122.6m in 2017/18 to R137.4m in 2018/19.

The variance in Capital Transfers Recognised is mainly due to the following:

- A Decrease in Public Transport Network Grant from R73.6m in 2017/18 to R40.6m -2018/19;

- An Increase in the Human Settlements Grant R46.9m in 2017/18 to R74,5m in 2018/19; and a
- Decrease in Integrated National Electrification Programme from R18m in 2017/18 to R13m in 2018/19.

OPERATING EXPENDITURE BUDGET

The Budget Steering Committee accepted the following outer limits for the expenditure the following categories:

- | | |
|--|--|
| ➤ Salary Budget | - 7% |
| ➤ Repairs & maintenance – infrastructure | - 8% + input from the departments |
| ➤ Repairs & maintenance – other | - 8% |
| ➤ Electricity Bulk Purchases | - 7.32% |
| ➤ General Expenses | - items based on adjustments
budget and adjusted per
motivation by departments |
| ➤ Contracted Services | - based on the adjusted budget
and adjustments motivated by
the departments. |

The operating expenditure has increased from R 1.798bn in 2017/18 (February 2018 adjustments budget) to R1.956bn in 2018/19.

Indigent Grant

During the indigent policy workshop of Council councillors requested that the income level to qualify for the support to be increase from **R4 000 to R4 500** and that the free electricity granted monthly to be increased **70 kWh to 100 kWh**.

However, the affordability had to be determined, it was found that the maximum cost implications would be **R18 million**, which is unaffordable and unsustainable.

The indigent subsidy has been increased from **R593.81** in **2017/18** to **R653.34** for the **2018/19** financial year.

Services charges and other tariffs

The following tariff increases were proposed in the tabled Budget:

- Water - 8%
- Electricity - 6.84% as per NERSA
- Refuse - 15%
- Sewerage - 8.5%
- General Tariffs - 6%
- DMA tariffs - apply GM tariff increases