

## **BUDGET SPEECH**

**27<sup>th</sup> MAY 2020**

Honourable Speaker, Deputy Mayor, Councillors, Municipal Manager, Directors, Officials, Audit Committee Chairperson Ms Roos, the media and members of the public.

During my speech last year I have requested and instructed the Executive Management Team to relook at employee expenditure and overall expenditure management. Through the many reports received during this financial year, I can positively report on the following:

1. The coördination for the compilation of the Air Quality Management Plan and Integrated Coastal Management Plan resulted in significant cost savings for ourselves and the Local Municipalities which is in excess of 1 million rand.
2. Die Klimaatsverandering Strategie was intern saamgestel, sonder gebruik van 'n Konsultant, wat 'n besparing ten bedrae van ±R300 000 teweeg gebring het. Welgedaan aan Mnre Malherbe, Petersen, De Jongh en almal die wat saamgewerk het.
3. Na gelang van die brandweer kostes was ooreenkomste gesluit met Cederberg en Matzikama Munisipaliteite ten bedrae van ±R5 200 000. Ons het egter slegs helfte van die betaling ontvang vanaf Matzikama Munisipaliteit en Cederberg Munisipaliteit het nog geen fondse oorbetal en die risiko vir die dienste gelewer moet verhaal word op 'n ander meganisme.
4. Die koste besparing op diensverskaffer kontrakte beloop ten bedrae van ±R 1 000 000 met 'n addisionele skenking ontvang vanaf die

Wes-Kaapse Regering: Department van Ekonomiese Ontwikkeling en Toerisme.

5. Oortyd besparing ten bedrae van ±R 3 000 000 sal realiseer in aggenome die begroting voorsiening. Die hantering van die oortyd in lyn met voorskrifte word verwelkom
6. Ons sal ook met verloop van tyd effektiewe verlot bestuur kan toepas wat verdere moontlike besparings teweeg kan bring.

Ons moes ook indringend kyk na die spandering op die ICT infrastruktuur en hopenlik sal verdere besparings realiseer met die daarstel van die kostebestuurstelsel.

Speaker dit gee my ook baie moed om te rapporteer dat ons Distrikmunisipaliteit die enigste regeringsinstansie in die land is om nege(9) agtereenvolgende skoon oudits te behou. Dit kom egter teen hoë direkte kostes en sluit indirekte kostes uit wat bekommernis waardig is gegewe die jaar-op-jaar prosesse. Raadslede, jul sal ook onthou die terugvoer ten opsigte van die oudit verlede jaar Desember tydens ons vergadering.

Dit is ook verblydend om te rapporteer dat danksy goeie finansiële bestuur deur die bestuur en spesifiek die CFO, Dr Tesselaar en sy span dat ons steeds 'n lopende saak is en die krediet assessering positief was met die verslag uitreiking November/Desember verlede jaar. In essence we can report that our Credit Rating for Long Term & Short Term improved to (A) and (A1) respectively.

Although West Coast District Municipality is a District Municipality, the main contribution to the pro-poor relates to the Fire Fighting- and Environmental Health functions. Besides equitable share and other

revenue, the municipality contribute the following to these pro-poor functions:

-Fire Fighting R 34 959 819

-Environmental Health R 16 353 586

<b>Description</b>	<b>Fire Fighting (R)</b>	<b>Environmental Health (R)</b>
Equitable Share (Formula)	9 892 000	9 892 000
Other Revenue	106728	390000
Interest on Investment	8 779 235	8 779 235
Contribution Own Funds	26 180 584	7 574 351
<b>Total</b>	<b>44 958 547</b>	<b>26 635 586</b>

The new normal imposed on us in an already strained financial environment through the COVID19 pandemic will require us to rethink the financial viability and sustainability of our district. The following emerging and potential risks may negatively impact our financial position:

1. Possible decline in water revenue sales
2. Possible decline in roads funding which will impact our administration fees and interest revenue potential
3. Possible reduction in equitable share allocations
4. Households impact with no ability to pay municipal services account
5. Cost of fire services and environmental health

## **RESPONDING TO THE CORONAVIRUS (COVID-19): CONSIDERATIONS FOR MUNICIPAL PLANNING AND BUDGETING**

Speaker, in these trying times and the extra responsibility placed on government, especially local government, it is with great pleasure that I am motivating and enlightening Council on the final budget for the 2020/2021 financial year, based on the West Coast Strategic Priorities, but also as a response to the pandemic threatening our communities.

The spread of the virus impacts severely on the municipal budget and planning process insofar it coincides with the tabling of draft annual budgets, draft reviewed IDPs and SDFs in terms of section 16(2) of the MFMA. Given that municipalities were expected to table these documents before council by no later than the end of March 2020, most of the strategic planning priorities and associated budget allocations for the 2020/21 financial year were finalised at the time when the lockdown was announced. Municipalities did as such not have sufficient time to adjust budget allocations to properly reflect their respective strategic responses to the virus.

The onset of the novel COVID-19 Pandemic has had significant and wide ranging implications for society as a whole, and for our West Coast district in particular. In this regard, the District Joint Operations Centre (DJOC) was activated on 17 March 2020. This pandemic will certainly have a profound effect on how we deliver our services as a district municipality, and have impacts on Local Government in terms of:

Humanitarian Conditions

- Challenges experienced by communities for sufficient, physical and economically accessibility to food;
- Poverty, overcrowding and access to running water
- Uneven healthcare capacity;
- Increased vulnerability of vulnerable groups (disabled, elderly, woman and youth);
- Access to water for sanitization purposes and effective waste management processes;
- Access to adequate housing;
- Lack of personal protective equipment (masks and gloves)

Our district and communities rely on agricultural and tourism for jobs and income. The COVID 19 pandemic is already showing a negative impact on our regional economy and local communities.

In terms of the budget of the West Coast District Municipality, reprioritisations have been made in the current budget, with further provisions in the adjustments budget for the 2020-21 financial year. The COVID 19 pandemic has placed enormous expectations on our district, but it should be weighed against what is available in the budget and how we as Council can best apply it.

- 2019-20 Financial Year (Includes additional R89 000 as Disaster Grant)
- R 500 000 allocation to be utilised within the 5 (Five) Local Municipal geographical area to the amount of R2 500 000,00
- Capital saving = R 2 439 701.16 - These funds will be used to fund the contribution that will be made in the local municipal areas.
- Overtime saving = R 700 000

- Saving due to lock-down = R 300 000
- Western Cape Provincial Grant Allocation = R 100 000
- COVID-19 Humanitarian: R 500 000
- COVID-19 Other: R 350 000
- COVID-19 Decrease in Resort Income: R 350 000

Reprioritisation and Tabling of a Special Adjustments Budget by end May 2020

- 2019/2020 = Utilisation savings on Capital (due to COVID-19) to allocation to be utilised within the 5 (Five) Local Municipal (R 2 500 000) geographical area
- 2019/2020 = Utilising savings with Operational Budget to fund additional COVID-19 expenditure and loss of income
- 2020/2021 = Final evaluation of COVID-19 impact after 31 May 2020

With that in mind Mr Speaker I present to you the Budget of the West Coast District Municipality for 2020/2021 financial year:

**A – Capital budget** amounted to **R 9,518 million** compared to last year's **R9,427 million (Adjustment Budget R 15, 868 million).**

➤ **Technical – R 2,970 million.**

Bulk water supply is one of our core functions, and it is therefore of paramount importance to maintain and improve existing infrastructure as efficiently as possible. The section 78 investigation is not yet completed for which reports will be provided as progress is made in this regard

Water supply in all its departments:

- a. Purification and distribution of bulk water to the B-municipalities (Swartland, Saldanha Bay and part of Berg River)
- b. Maintenance of machinery and pipes

**B. Operating budget** for the 2020/2021 financial year is **R 432, 565 million** (four hundred and thirty two comma five six five million rand) that provides maintenance of roads amounting to **R 154, 612 million** (one hundred and fifty four comma six one two million rand), compared to last year's original budget of **R 376, 039 million** (three hundred and seventy six comma zero three nine million rand).

The Operating Budget, which includes staff and related costs, is as follows:

**(1) Department Executive Management and Council – R 33,305 million in total, which includes the following sub-departments:**

- **Municipal Manager** including Internal Audit, Strategic Services, Risk Management and Human Resources Services – **R 13,418 million.**
- **Development – R 3,807 million.**

The below however was the known situation and based on our implementation intent, however, changes in budget and financial circumstances will require of us to relook at the implementation plan and reallocation of funding.

- Promoting the social wellbeing in the community is one of the strategic objectives of WCDM. The social development and

outreach programmes focus on the most vulnerable people and groups in society. Focus groups include women, men at risk, children, people with disabilities, youth, elderly and those affected by substance abuse. With this objective in mind WCDM allocates resources and budget to create social cohesion and wellbeing for future generations.

- Programmes include the annual Golden Games programme (a sports and recreation programme for elderly), support to LDAC (Local Drug Action Committees) structures within the West Coast, ECD support (to invest in and ensure quality services to children), implement awareness campaigns focusing on the impact of substance abuse, HIV/AIDS, violence and crime on vulnerable families and children.

➤ **Training – R 2,523 million.**

➤ **Council – R 10,563 million.**

➤ **Tourism- R 2,995 million.**

**(2) Department Finance - R31,273 million in total, which includes the following sub-departments:**

➤ **Farm worker housing - R200 thousand(upgrading).**

➤ **Finance – R 16,102 million.**

➤ **Public Resort – Ganzekraal – R 7,062 million**

**(3) Department Administration and Community Services – R 85,783 million in total, which includes the following sub-departments:**



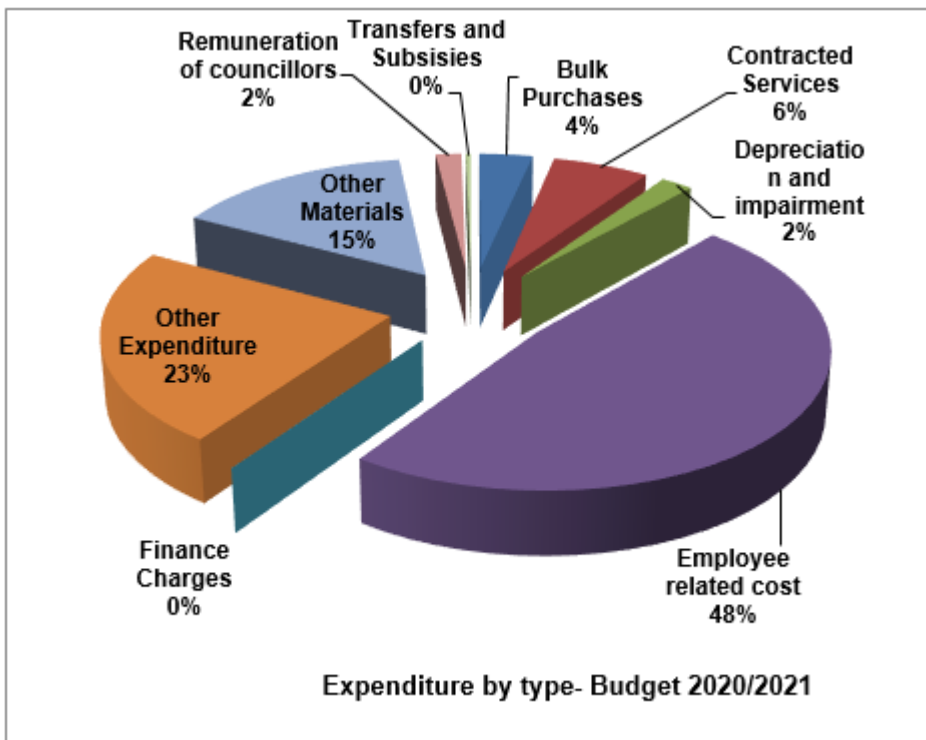
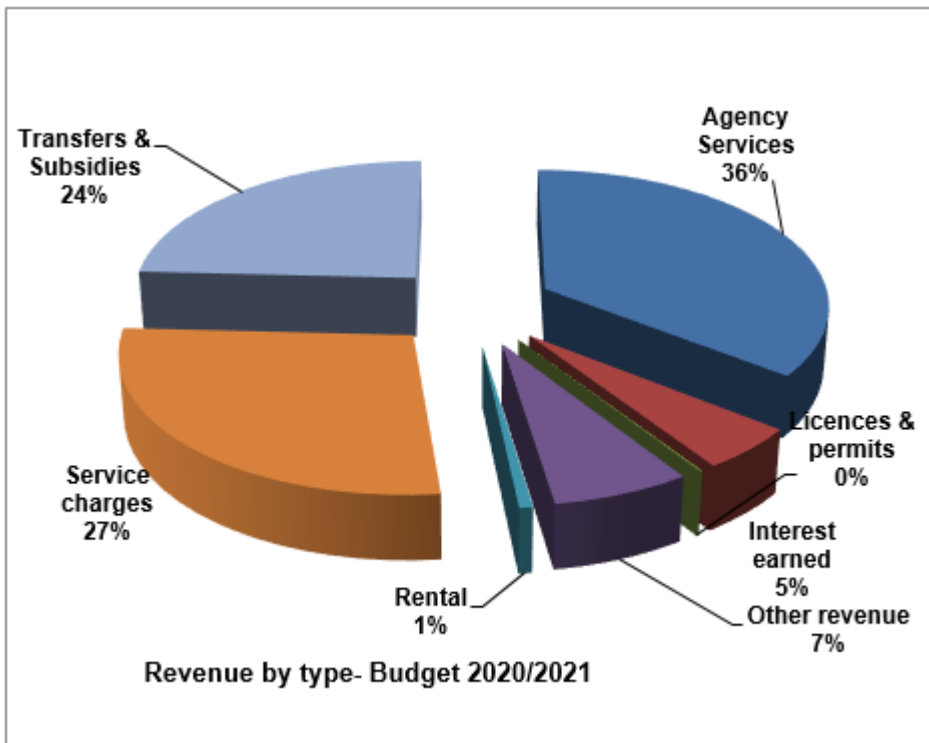
- **Fire Services – R 46,985 million**
- **Municipal Health – R 26,635 million.**
- **Disaster Management – R 2,554 million**

**(4) Department of Technical Services (includes water and agency services) – R 278,065 million in total, which includes the following sub-departments:**

- **Housing (water division) – R 1,513 million.**
- **Water (bulk) – R 115,872 million.**
- **Planning / Bulk Garbage / Projects – R 3,293 million.**
- **Land and Buildings – R 2,770 million.**
- **National allocations – R 2,579 million.**
- **Roads – R 152 033 million**
- **Landfill Site – R 4,168 thousand**
- **Roads – R 152 033 million.**

### **Tariffs**

- **Water - An average increase of 0% in the bulk tariff**
- **Ganzekraal Holiday Resort - An average increase of 4.90% is primarily to allow for a reduced deficit and to break-even based on marketing and upgrade initiatives. We will likely have to rethink the tariff and determine other cost savings measures**



Speaker our Revenue / Expenditure budget for this year is as follows:

<b>REVENUE</b>	<b>: R 427,526 million</b>
<b>EXPENDITURE</b>	<b>: R 432,565 million</b>
<b>DEFICIT</b>	<b>: R 5,039 million</b>
<b>CAPITAL (BULK WATER)</b>	<b>: R 2,970 million</b>
<b>CAPITAL (WCDM)</b>	<b>: R6,548 million</b>

Honourable Speaker, the MTREF budget may be balanced in all respects but I urge the MM and its management team to stay focus on the following and come to Council with recommendations:

- Examining the organizational structure to ensure that the services rendered are in line with the District Municipality's mandate as contained in the Municipal Structures Act. The tabling of the organisational structure in March 2020 will however need to be withdrawn and based on our current situation will require an in-depth look at the institutional capacity and organisational redesign alignment for the new normal
- District Implementation Plan as a whole with regard to the external focus areas, namely: water storage capacity, landfill sites, electronic connection systems and energy as contained in the IDP and budget summary. In my opinion, these focus areas will be beneficial to the district as well as ensuring that the district can be marketed as a core investment zone.
- Although it was requested to determine the norm of salaries versus the total expenditure of District Municipalities, I believe that the current  $\pm$  48% could be reduced and more

funding could be made available to launch pilot projects to create the theme of “creating your own timber”. Essentially, there must be outreach opportunities created for schools where learners can get guidance to make career choices and that prospective candidates from the various towns in the district benefit from a structured program.

- The EPWP opportunities need to be expanded to provide assistance throughout the municipality and the various departments where full-time staff are not critical. In this way, those beneficiaries get in-house training but also build their experience.

## **VOTE OF THANKS**

Mr Speaker I want to express my sincere thanks to the Management and personnel who contributed to the compiling of the IDP and budget but also to the success rate of this municipality. Thanks for your loyalty and positive inclination in the execution of your work. You can be assured of council’s appreciation for the work you have done and for the effort put in.

My sincere thanks to the Municipal Manager for his leading role as well as to the Directors of the various departments. Together with your respective managers you are a team of dedicated women and men.

Mr Speaker much thanks for the Audit Committee for their sterling work.

Mr Speaker I would like to thank the Municipal Public Accounts Committee for their oversight role.

I would also like to express my sincere gratitude to the MAYCO for your continued support in recent years. Many thanks to all the other

Councillors for your faithfulness, but especially to my colleagues in the opposition. Thank you for the role you fulfil. It's really a pleasure to have you here

Speaker, I am therefore privileged to submit the Amended Integrated Development Plan 2020/2021 - 2023/2024 and the 2020/2021 - 2022/2023 Medium Term Revenue and Expenditure Framework for approval.

I THANK YOU