

2019/2020 MUNICIPAL BUDGET SPEECH BY THE EXECUTIVE MAYOR OF BITOU LOCAL MUNICIPALITY, COUNCILLOR MP LOBESE: SEWELL STREET, MUNICIPAL BUILDING, COUNCIL CHAMBERS - 31 MAY 2019

The Honourable Speaker of council,

Honourable Members of the Mayoral Committee

Honourable Leaders of the Opposition Parties

Honourable Members of Council

Municipal Manager

Senior Management of the municipality

Members of the media present

Ladies and Gentlemen

Molweni,

I am standing here today as the servant of the people of Bitou who is sent to lead this community and which is a call that I am honouring.

This Budget is presented under challenging times with regard to the economic outlook of the Republic of South Africa, the Province and indeed that of Bitou Municipality.

South Africa finds itself at a crossroads. The Medium Term Budget Policy Statement (MTBPS) presented by the Minister of Finance, Mr Tito Mboweni highlights the difficult economic and fiscal choices confronting government over the next several years. In the 2018 MTBPS, the Minister of Finance stated that given the current economic climate the country faces, the government is confronted by difficult economic and fiscal choices over the medium term. The Minister further indicated that South Africa needs to choose a path that leads to faster and more inclusive economic growth and strengthens private and public sector investment. The path should also stabilise and reduce the national debt, as South Africa cannot afford to borrow at the rate we are currently borrowing at.

The 2018 Budget set out expectations of improved economic performance that proved premature. During the first half of this year, South Africa experienced a technical recession – that is, declining of the two consecutive quarters of Gross Domestic Product (GDP) – driven primarily by contractions in agriculture and mining.

A strengthening US dollar and rising global interest rates have triggered fiscal crises in several major developing countries. South Africa's inflation targeting regime, flexible exchange rate and prudent debt management strategy have protected the economy from some of the global fallout. However, these events have led to a sharp depreciation of the Rand and large increases in government bond yields. It is important to note that the 2018 projected GDP growth forecast has been revised down from 1.5 per cent to 0.7 per cent. Growth is expected to recover gradually to over 2 per cent in 2021 as confidence returns and investment gathers pace.

To promote a return to faster growth and job creation, the President announced an economic stimulus and recovery plan in September 2018. The initiative focuses on five interventions:

- Implementing growth-enhancing economic reforms;
- Reprioritising public spending to support economic growth and job creation;

- Establishing an infrastructure fund;
- Addressing urgent matters in education and health; and
- Investing in municipal social infrastructure improvement.

Increased investment in social and economic infrastructure will be a focus of economic recovery over the medium term. This requires an increased role for private sector and better implementation of government's existing plans. Similar to the same period last year (2017), the country's tax collection targets have not been met, further reducing the funds available to allocate across the three spheres of government.

The Western Cape economy is estimated to have contracted by 0.1 per cent in 2018, mainly as a result of the impact of the drought on the agricultural value chain. Gross value added in the agriculture, forestry and fishing sector is estimated to have shrunk by 21 per cent in 2018, with consequences on the directly linked agri-processing sector which recorded a contraction of 8.4 per cent in the period. Improved winter rainfall and water consumption have resulted in higher dam levels which have more than doubled since 2018. This relief is expected to cause a rebound in agricultural output growth in 2019. The Western Cape economy is forecast to grow to 1.9 per cent and 2.1 per cent in 2019 and 2020. The biggest risks to the provincial economy include the impact of climate change and the energy supply crisis on agriculture and agri-processing sectors.

In the last quarter of 2018, employment in the Western Cape amounted to just over 2.5 million people, with 601 000 unemployed. As such, the provincial unemployment was 19.3 per cent. An estimated 67.9 per cent of the working age population were active in the labour force resulting in an employment to population ratio of 54.8 per cent. Youth unemployment is a matter of concern for the Province as 63.6 per cent of the unemployed were between the ages of 15 and 34 years, while this cohort accounts for only 43.2 per cent of the narrow labour force.

The budget I'm tabling here today is influenced by the current challenges faced by the country and the province in general. The high unemployment rate within our communities and the and the ever increasing inflation, puts a serious financial obligation to the municipality.

PREPARATION FOR ANNUAL BUDGET FOR THE 2019/20 MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)

Honourable Speaker, in preparing the 2019/20 to 2021/22 Annual Budget and Medium-Term Revenue and Expenditure Framework (MTREF) main objectives to be achieved are the following:

- (a) Abolish apartheid spatial planning and integrate our communities and promote access for poor to work, recreational and commercial opportunities**
- (b) Grow local economy, create jobs, empower previously disadvantaged, transform ownership patterns**
- (c) Eradicate poverty and uplift previously disadvantaged communities, promote social cohesion**
- (d) Universal access to decent quality of services**
- (e) Build a capable, corruption-free administration that is able to deliver on developmental mandate**
- (f) Manage expenditure prudently, grow revenue base and build long term financial sustainability so as to invest in social and economic development**

(g) An active and engaged citizenry, able to engage with and shape the municipality's programme

Spatial Integration of Bitou

The project for the integration of Bitou cannot be delayed any further. In my discussion with administration during the budget steering committee meeting I gave direction that the project of ensuring that Plettenburg Bay becomes a town for all races which is inclusive of all should not be delayed any further. The Shell Ultra City middle income household project have been catered for in the new budget to install the infrastructure and ensure that this project is implemented. We cannot continue to have apartheid barriers in our time and do nothing to ensure the integration. We need to change some of our policies to ensure that integration is achieve before 2021.

All our planning and projects should be towards this goal. The town planning and the human settlement division have been instructed to spear head this project and ensure full integration of the town in the near future. We cannot continue developing low cost housing and we think we will be able to achieve the above objective. Management should develop alternative sources of funding to fund land procurement or expropriation and ensure that middle income and low income communities find access to the central business district. Investors with vision of catering for this categories of communities should be invited to the town.

Grow Local Economy

The current economic outlook for Bitou is not satisfactory and efforts should be made to improve this situation. We cannot continue to be in a mercy of investors coming to the town we need to go out and look for investment in our town. The development of the local economic development strategy and plan is critical to achieve this goal.

The success of any economic development strategy requires the town to be ready and open for business. The municipality should identify pieces of land to be made available for business development. Any pieces of land available for business should be disposed and ensure that businesses are developed that will employ our people. If we don't make efforts in reducing unemployment in our town and also reduce poverty our people will turn against us soon.

Eradicate Poverty and Uplift previously disadvantaged communities

The eradication of poverty within our previously disadvantage area needs to be our focal point. The social programmes that we are currently doing as the municipality needs to be streamlined. The indigent support policy of the municipality have been reviewed to ensure that it promotes easy implementation and prevents abuse of the policy. This policy is meant to benefit households which are seriously indigent and we are aware of members of the community who take advantage of this scheme. The administration should take steps to verify the indigent and ensure that they only provide this benefit to deserving households. The municipality will be spending R35.8 million to subsidies 4600 indigent households in the municipality. The municipality will also continue to give 50kwh free basic electricity to sub economic areas.

My office have also developed programmes through the special projects office to develop clear programmes that will ensure that the various interest groups within the municipality are

coordinated. We have also made a provision in the budget to work closely with ward committees to create projects that will eradicate poverty within our communities.

Universal Access to decent quality of services

The municipality should develop service level standards we want to achieve as the municipality and which standards will our community afford. We are put under serious pressure as council to deliver sometime on the services standards that are beyond our means. The operating budget of the municipality is under strain and we still require more to be achieved on this limited resources.

Once the municipality and the community agree on the acceptable level of services and the funds required to be paid by our communities this will assist in the addressing some of the financial constraints we are causing the municipality. Our objective remain to keep the municipality afloat and this can only be achieved if we spend within our means.

The municipality will be spending 80% of its budget in achieving this goal. We have budgeted R85 million for the building of new infrastructure also reconstruction of the infrastructure.

Build a capable, corruption-free administration

The capacity building in the administration remains a challenge and council should assist in achieving this goal. We will not be able to achieve this objective if the administration is full of acting Senior Managers. The capacity challenges in senior management have serious impact in the operations of the municipality.

All this nice goals and vision we have set for ourselves will not be achieved if we do not have stability in the administration. The filling of all critical posts in the municipality is critical.

The fight against corruption should be intensified. The establishment of the Disciplinary Board and effective operation of this board is critical. The board should be convened by Municipal Manager within 7 days to ensure that all the irregular expenditure is investigated as raised by the AG and the once identified in the current year. The element of consequence management should be implemented before we are forced by the Auditor General to implement it.

We will strive to achieve the above mentioned objective and ensure that every cent contributed by our community and national government is spent to achieve this objective.

THE MAIN FUNDAMENTAL BASES FOR THE COMPILATION OF THE 2019/20 – 2021/22 ANNUAL BUDGET AND MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK

The National, Provincial and Local government's main priorities for the medium-term is basic services and social infrastructure development and job creation, and therefore the focus and priorities of Bitou Municipality are geared towards the achievement of these priorities in order to ensure alignment in planning.

As we were developing our integrated development plan, we took into consideration the national development plan and ensured that our master plans and Budgets are redirected towards the achievement of these priorities.

The 2019/20 MTREF Budget has considered the following:

1. Slow economic Growth
2. Increasing population
3. Increase in Informal Settlements
4. Slow increase in debt collection or revenue enhancement
5. Unemployment
6. Increase in fuel prices
7. Inflation Rate below Eskom increase
8. 6% increase in Salary cost
9. Community Protests

In preparing the 2019/20 Budget and MTREF, we continue to explore opportunities to mainstream labour intensive approaches to the delivering of services, and more particularly to improve our participation in the Extended Public Works Program (EPWP).

The municipality is striving to and continues to play its critical role in creating an enabling environment for investment, growth and development.

FOCUS OF THE 2019/20 BUDGET

Capital Budget

The Capital Budget flows from the IDP process and contains information obtained from the relevant stakeholders which has been subjected through extensive public participation processes during November 2018.

The capital expenditure for 19/20 financial year have decreased to R84 million and will increase to R96 million in 2020/21 and R87 million in 2021/22. It is important to note that the municipality is the major contributor to finance this budget. The municipality will also rent fleet to assist the Waste department, Roads and Storm Water as well as Waer department. We believe that this will resolve some of the service delivery backlogs we are facing.

Operating Budget

The municipality is estimating a revenue growth to R754 million for the 2019/20 financial year and R827 million for the 2020/21 and R910 million for the 2021/22. It is important to note ladies and gentlemen that this increase is based on the current revenue trends and we did not focus any enhancement opportunities we want to implement. The revenue we generate is critical an the Municipal Manager will focus on raising this revenue to ensure that we are able to finance our operating budget. The municipality will be receiving grants from both National and Provincial government but those grants are not significant to address some of the challenges we are facing.

The operating expenditure for 2019/20 financial year is focasted to R716 million and it will increase to R790 million in 2020/21 and R862 in 2021/22. We have been conservative in forecasting the revenue and this is mainly influeced by our current revenue trend. The multi year agreement between SALGA and Union will increase employee costs by 6% and the councillors remuneration is expected to increase by 4% The major increase in the expenditure is the bulk purchases which was increased by more than 15% due to approved Eskom tariffs increase. The council should also note that the budget was prepared on the collection rate of 85% due to current agreed policies by this council. This have thereofre increased the impairment of debt to more than R120 million.

We are reporting a surplus of R38 million for the 2019/20 financial and R37 million for the 2020/21 and R48 million for the 2021/22. The budget we are presenting here today is funded and we believe that it will maintain the viability of the financial position of the municipality.

The municipality will increase the tariffs as follows:

- Electricity 13.07%
- Water 5.6%
- Sewerage 5.6%
- Property Rates 5.6%
- Refuse removal 5.6%
- Other Charges 5.6%

Indigent subsidies

Provision is made in the operating budget for the subsidizing of indigent households to the amount of R 689.79 per month. This includes a free 6Kl of water, 50 units of electricity, a 100% subsidy for refuse removal and sewerage charges as well as exemption from paying water and electricity basic charges.

The subsidy allowed is consistent with the National norm and stretches the affordability threshold of the municipality.

Free Basic Electricity

In line with our previous council resolutions the free basic electricity of 50kwh will continue to be provided to all households in sub economic areas.

In Conclusion

I am convinced that this Budget as an instrument, will go a long way to create hope in these challenging times and will contribute to our goal “To be the best together”.

I want to take this opportunity to thank all Councillors that serve with me. We proudly serve with diligence and honour. I want to thank the Municipal Manager and his administrative staff. Your professionalism has been noted as one of the key factors for our success. The members of the media, my family for allowing me to serve the community at the expense of spending less time with them. Most importantly the community of Bitou for entrusting in me, to run and lead a big institution like ours.

To this end Honourable Speaker and the esteemed members, **I COUNCILLOR MSIMBOTI PETER LOBESE, THE EXECUTIVE MAYOR OF BITOU MUNICIPALITY** hereby tables the Annual Budget for the 2019/20 Medium-Term Revenue and Expenditure Framework of the Bitou Local Municipality for consideration, adoption and approval.

I thank you

**COUNCILLOR MSIMBOTI PETER LOBESE
EXECUTIVE MAYOR**