



RB9.1.2/31-05-2021

TABLING OF 2021/2022 FINAL DRAFT ANNUAL BUDGET

Mayoral Speech

"Speaker, members of the mayoral committee, councilors, municipal manager, directors, guests, ladies and gentlemen, good morning, goeie môre and molweni kuni nonke.

Speaker, it is not only my duty, but also my honour and privilege to stand before council and table the final draft budget for Cederberg Municipality. We still find ourselves in the shadow of the economic downturn, and just like the Provincial and National Government, need to devise our budget in a constrained fiscal environment. It is not only my duty as Executive Mayor of Cederberg to lead the municipality and citizens of Cederberg towards financial sustainability and to ensure the protection of the scarce financial and other resources at our disposal, but also to ensure that the quality of life in our area is improved through the sustainable delivery of quality services to all our communities.

In the final draft budget tabled in March I specifically decided to quote the famous words of Albert Einstein, because it is so relevant and descriptive.

I presented in perspective, the background on factors which lead to the current unfavorable start to the budget preparation process:

I have a legal obligation in terms of section 21 of the MFMA to table a credible budget which is consistent with laws, regulations and our own policies.

Having said the above let me turn my attention to the final draft budget for 2021/2022 MTREF.

Economic outlook:

Cederberg cannot function in isolation of the national economy and therefore the following economic indicators needs to be noted and taken into account in our own financial strategies.

- *The National economic growth has contracted by 7.2% in 2020 and is expected to moderately increase to 3.3% in 2021*
- *There were 1.7 million fewer jobs by the third quarter of 2020 compared to the same period in 2019 due to the economic effects of the pandemic. Rising unemployment and income losses have entrenched existing inequalities.*
- *GDP is expected to grow at 1.9% in 2022 and 2023.*
- *Inflation remains within the reserve bank target of between 3% and 6% with upward pressure as a result of increased consumer debt.*
- *Economic growth in the Western Cape is expected to increase by 4.6 per cent in 2021, 3.1 per cent in 2022 and*

2.8 per cent in 2023.

- Census 2011 has shown that the population of the Western Cape has grown with 29% from 2001; Cederberg is recorded 14th in line when it comes to growth in population in the Western Cape, placing a huge strain on infrastructure and housing needs.
- Disposable revenue remains under strain highlighting the need for affordable service delivery.

Cederberg financial overview:

The municipality still finds itself in a vulnerable financial position constantly having to manage ourselves out of past deficiencies and inappropriate financial management decisions to a position of financial viability and sustainability.

The following needs to be highlighted in the Cederberg Municipality 2021/22 Final Draft Annual Budget and MTREF:

- Trade Creditors have reduced from R68.019 million as at 30 June 2020 to R 44.819 million at the end of February 2021.
- The cash position has improved from an R16.685 million as at 30 June 2020 to R19.509 million as at 28 February 2021.
- Debtor's collection is averaging at 87% as at end of April 2021 with the average time taken to collect debt reducing from 92 days in 2019/2020 to 64 to date in the 2020/2021.
- The cash flow remains under pressure as result of various legacy issues including previous unfunded budgets, Eskom repayment, unpaid statutory contributions, unspent grants and issues of many legal cases that need to be concluded.

Focus of the 2021/2022 budget:

The National Development Plan provides additional key institutional challenges to municipalities with regards to the need to professionalize the public service, strengthen accountability, improving management and the fight against corruption.

National Treasury Budget Circulars 107 also emphasizes the constricting economic climate in which we need to operate and urges municipalities to ensure value for money procurement, protection of the poor and encourages the municipalities to carefully evaluate all spending decisions. Bearing the aforementioned in mind the final draft budget tabled here today is focused on the following:

- Core service delivery obligations assigned to the municipality in the constitution.
- Maintenance of existing infrastructure enjoys preference and we are focusing on preventative and scheduled maintenance preceded by proper planning processes.
- Provision of basic services, improvement of the quality of housing, infrastructure as well as sustainable service delivery to ensure the economic progression of our communities
- Balancing quality and affordability in the rendering of services to all communities within Cederberg municipal area.
- Ensuring the financial sustainability of the municipality.
- Strengthening of management, leadership and oversight.
- Improving the effectiveness of revenue management processes and procedures;
- Cost containment measures to, amongst other things, control unnecessary spending on nice-to-have items and

non-essential activities as highlighted in the Municipal Cost Containment Regulations read with MFMA Circular No. 82;

- Ensuring value for money through the procurement process;
- The affordability of providing free basic services to all households;
- Not taking on unfunded mandates; and
- Curbing the losses on water and electricity and excessive consumption by households

Capital Budget:

The capital budget flows from the IDP public engagement process and contains information obtained from relevant stakeholders through extensive public participation process as well as ward committee processes where applicable.

The total capital requirements for the 2021/2022 financial year amounts to R51.262 million with the main focus being the following:

- Energy sources: R19.767 million
- Road transport: R6.757 million
- Waste water management: R7.557 million
- Water management: R5.553 million

The capital budget is funded by means of grants from National government in the amount of R32.287 million, Loan funding in the amount of R15.634 million and own funding in the amount of R3.335 million.

Operating Budget

The operating expenditure budget for the 2021/2022 financial year amounts to R363.736 million which represents a decrease of R 0.734 million or 0.2% from the adjustment budget of 2020/2021.

The cost drivers of the increase in the budget can be summarized as follows:

- Affordability at only 6.25% increase in the wage which is the maximum that Council can afford inclusive of Notch increases. (4% normal increase plus 2.25% notch increases)
- 14.59% increase in the purchase of electricity from Eskom.
- Inflationary pressure and the general increase in the price of goods and services
- The need for hygienic and healthy products as a result of the Pandemic and cost associated with improving life style and wellbeing.
- Operational requirements to ensure service delivery standards are complied with.
- Housing allocation for the planning phase of provision of houses amounts to R19.5 million.

Revenue sources remains under strain and in an attempt to balance service delivery with affordability proposed tariff increases have been limited as follows:

- Electricity 14.59%
- Water 6%
- Sewerage 6%
- Property rates 6%
- Refuse removal 9%

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. The Municipality applied for extension which was granted for the current valuation roll with a further year. The municipality's general valuation roll for the period 1 July 2022 to 30 June 2027 will be prepared by the appointed valuer. A moderate increase of 6.0% in the assessment rates tariff is therefore proposed for the 2021/2022 financial year.

Indigent subsidies:

Provision is made in the operating budget for the subsidizing of indigent households to the amount of R 7.776 million; this includes a free 6kl of water, 50 units of electricity, a 100% subsidy for refuse removal and sewerage charges per month. A 100% rebate on assessment rates will also be given for Indigent households. The subsidy allowed, exceeds the National norm and stretches the affordability threshold of the municipality.

In conclusion

The final draft budget tabled here today is a step closer in attaining the strategic goals of the municipality which includes amongst others:

- 1.Facilitate, expand and nurture sustainable economic growth and eradicate poverty*
- 2.Financial viability and economical sustainability*
- 3.Enable a resilient, sustainable, quality and inclusive living environment and human settlements i.e. Housing development and informal settlement upgrade*
- 4.Development and transformation of the institution to provide a people centered human resources and administrative service to citizens, staff and Council.*
- 5.To facilitate social cohesion, safe and healthy communities*
- 6.Improve and sustain basic service delivery and infrastructure development*
- 7.Good Governance, community development and public participation*

This final draft budget indicate a funded budget in the 2023/24 financial year, however Honorable Speaker, we cannot wait that long to get out of the situation we find ourselves in. It is against this that the budget steering committee has made clear and time based resolution to get the Municipal budget funded in 2022/23 financial year. The budget steering committee resolutions are contained in the recommendations tabled here in Council today.

Speaker, please allow me to express my appreciation to the following persons:

- To the Municipal administration led by the accounting officer, the Chief Financial Officer and his team for the hard work and long hours put in for the compilation of the final draft budget.*
- I would also like to thank members of the public and other stakeholders who participated in the public consultation process and made their valuable input.*
- Lastly speaker, many thanks to the leader of the opposition in Council with their input during the extended budget steering committee meeting to discuss the final draft budget.*

Speaker, it is my privilege to table the 2021/2022 final draft budget for consideration and approval by Council for implementation."

RESOLVED:

- a. That Council approves the final tabled annual budget of Cederberg municipality for the financial year 2021/22 and the two outer years 2022/23 and 2023/24 as per Annexure A (Budget schedules A1 to A10 and SA1 to SA 38)
- b. Council approves the final tabled 2021-2022 Annual Budget Report as Annexure B;
- c. That Council approves the final tabled property rates and tariffs as contained in Annexure C for the 2021/22 financial year;
- d. That Council approves the electricity tariffs as included in Annexure C as approved by NERSA.
- e. That Council adopts MFMA Budget Circular 107 and 108, and affirm the Cost Containment Regulations and policy which has been approved in February 2021 in Annexure D;
- f. That Council adopt and approves the proposed amendments to the budget related policies listed in Annexure E;
 - Absenteeism Desertion Policy
 - Asset Management Policy
 - CED RM Strategy 1
 - Cederberg Mun Accounting Policy 2021-2022

- Cederberg Mun Borrowing Policy 2021-2022
- Cederberg Mun Budget Policy 2021-2022
- Cederberg Mun Cash Management and Investment Policy 2021-2022
- Cederberg Mun Customer Care, Credit Control, Debt Collection, Indigent and Tampering Policy 2021-2022
- Cederberg Mun Funding and Reserve Policy 2021-2022
- Cederberg Mun Liquidity Policy 2021-2022
- Cederberg Mun Property Rates Policy 2021-2022
- Cederberg Mun Tariff Policy 2021-2022
- Cederberg Mun Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy 2021-2022
- Cederberg Mun Virement Policy 2021-2022
- Cederberg Municipality Consequence Management FWK and SOP
- Cederberg Municipality Cost Containment Policy
- Cederberg RM Policy
- Circular No 01-2018 Disciplinary Procedure Collective Agreement
- Code of Ethic Policy
- Consumer Service Charter – Cederberg LM
- Customer Care Improvement Policy
- D6 – Smoking Policy
- Education Training and Development Policy
- Employment Equity Plan – Cederberg Municipality 2018-2023
- Employment Equity Policy
- Enterprise Risk Management
- Enterprise Risk Management Strategy
- EPWP Policy
- Finance Management Internship Policy 2019
- Fleet Management Policy

- Fraud and Corruption Prevention Policy
- Fraud and Corruption Prevention Strategy
- Free Basic Energy Policy Guidelines
- Grants-in-Aid Policy
- HIV and AIDS Workplace Policy
- ICT Data Backup and Recovery Policy
- ICT Disaster Recovery Policy
- ICT Operating System Security Controls Policy
- ICT Security Controls Policy
- ICT User Access Management Policy
- Insurance Management Policy
- Kollektiewe ooreenkoms rakende Dissiplinêre
Prosedure
- Long Term Financial Plan Policy
- Municipal Corporate Governance of ICT –
Cederberg
- Municipal Social Media Policy
- Municipal Property Rates By-Law Reviewed
- Oortyd & Bystand en Gepaardgaande Vergoeding
- Petty Cash Policy
- PMS Framework Cederberg Municipality
- Policy Regarding Capital Contributions for Bulk
Services
- PPE Procedure
- Relocation Policy
- Revenue Enhancement Policy 2019
- Risk and Ethics Management Committee Terms
of Reference
- Risk Management Appetite Framework
- Risk Management Assessment Methodology
- Risk Management Register
- Risk Management Committee Charter
- Sexual Harassment Policy
- Special Rating Areas Policy

- Study Aid Policy
- Study Bursary Policy
- Substance Abuse Policy
- Supply Chain Management Policy
- Travel and Subsistence Policy
- Watermeter Vervangingsbeleid
- Whistle Blowing Policy

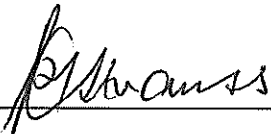
- g. That the tabled service standards attached as Annexure F be approved;
- h. That the 2021/22 MTREF Procurement Plan per Annexure G be approved;
- i. That Council approves the Quality Certificate & Budget Locking Certificate as set out in Annexure H.
- j. That Council takes note that version 6.5 of the mSCOA classification framework was used to prepare the budget;
- k. That Council take note of how public participation process has been impacted by COVID-19 as well as the measures announced through the disaster Regulations.
- l. That Council takes note and approves the budget assumptions used by the Budget Steering Committee to prepare the Final Draft Budget;

- m. That Council notes the challenges highlighted by the budget Steering Committee in preparing the Final Draft Budget;
- n. That Council Approves the discontinuation of Scarce Skills Allowances and all other allowances not in accordance with the Bargaining Council Agreement but are provided in terms of Council Policy, effectively from 01 July 2021;
- o. That Council instructs Management to consult with the effected employees with regards to the above before 30 June 2021;
- p. That Council instructs management to review the Car Allowances and the Organisational Structure in order to reduce Employee Related Cost further down by R6.5million and report back to Council in July 2021.
- q. Council take note and approve all inclusive salary increase of 6.25% (4.0% salary increase + 2.25% notch increases).
- r. That Council approve an application to be submitted to SALGA to apply for a waiver on the implementation of salary increase to be in terms of the above.

- s. That Council instructs management to engage with all the employees before 30 June 2021 and report back to Council by the same date.

Proposed: Cllr. M Heins

Seconded: Cllr. L Scheepers



CHAIRPERSON / VOORSITTER

31/05/2021

DATE / DATUM