

BUDGET SPEECH 2025/2026



YOU MUST SPEND MONEY TO MAKE MONEY

*The journey from immediate needs to
long-term financial sustainability*

Speech delivered by the Executive Mayor, Dr Ruben Richards,
to a full sitting of the Cederberg Municipal Council
held on 28 May 2025.

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Honourable Speaker, Councillors, Officials, and Esteemed Residents of Cederberg Municipality

Today, I have the privilege of presenting our municipality's budget for the 2025/2026 financial year. This budget reflects our unwavering commitment to responsible financial management while addressing the pressing needs of our community during these challenging economic times.

1. Budget process and philosophy

This budget speech takes place amidst a hefty agenda which dominates today's council meeting. It also takes place in the context of a sluggish South African economy and high levels of unemployment.

Speaker, I am pleased to report that this budget is the product of various consultative processes. It takes into account comments from the public as well as the analytical insights emanating from our budget workshops within the municipality and the feedback from our Budget Steering Committee sessions.

The essence of the consultative process has given birth to the title of my speech today namely, **YOU MUST SPEND MONEY TO MAKE MONEY: *The journey from immediate needs to long-term financial sustainability.***

It is no secret that at the beginning of this term of local government starting in November 2021, the Cederberg municipality was bankrupt and battling with a history and legacy unfunded budgets and runaway expenses which far exceeded the income of the municipality. Fortunately, over the past few years, we have been extremely disciplined and prudent and with the help of many people, including our own Cederberg team as well as experts at the District and Provincial government level, we have managed to pull the municipality back from the edges of financial disaster and ruin.

On a lighter note, let me say that a sign that the Cederberg municipality is doing slightly better is that only a few weeks ago, and for the first time since November 2021, the MM approved the purchase of coffee, tea and a muffin for those of us who attended the Budget Steering Committee last month. I had silently hoped that today the MM would feed us all with a good hot lunch, but I suspect that the words "Cost Containment" are still very much part of our vocabulary.

Speaker, you will notice from our budget numbers that we are just about out of the financial woods. I am however confident that we are well on our way to being able to show a bigger surplus rather than a barely break-even funded budget. However, by

the same token, the budget will show that we are on our way towards financial sustainability.

We have positioned the Cederberg for growth underpinned by a number of capital expansion projects designed to not only enhance service delivery but which in turn creates a reliable expanded revenue base for the future. In short, and as the title of my speech indicates: We must spend money to make money. This might sound counter intuitive, but this is how it works. However, we must spend money in the right places. In this way, we will be able to journey from meeting our immediate and “survival” needs and bringing relief to our residents, while at the same time journey towards the desired long-term financial sustainability for our municipality.

Speaker, an analysis of our budget will show that we are consciously and deliberately expanding our revenue base beyond just the traditional approach of mindlessly increasing tariffs. We are optimising our tariffs rather than using it to make up for poor financial management and a lack of vision for growing our municipal region. We are extending our municipal services through smart metering with the ultimate focus on the long-term growth of our cash reserves with particular emphasis on capital replacement reserves. In short, it is pointless building new infrastructure if you do not have the money and skills to maintain it. Speaker, you will also notice that we have made expenditure management and cost control measures a priority.

Allow me to now go into some detail regarding the figures in the budget under the following headings:

- Financial overview
- Service tariff adjustments
- Support to the most vulnerable residents
- Capital investment and infrastructure development
- Areas requiring attention

2. Financial Overview and Responsibility

Looking ahead to the 2025/2026 financial year, we have prepared a comprehensive budget with an operating revenue of R514,610,000 (in short and round numbers, five hundred and fourteen million rand) and an operating expenditure of R514,020,000. In simple terms, our income is more than our expenditure, albeit ever so slightly. This demonstrates our continued commitment to living within our means while providing essential services to our community.

For context, our current year's operating budget shows revenue of R491,552,000 and expenditure of R491,367,872, representing solid fiscal discipline. The 2025/2026

budget shows a growth in our budget. This growth in our budget capacity for the coming year reflects careful planning and improved revenue projections while maintaining responsible expenditure controls.

However, we must be transparent about our challenges. Our outstanding debtors currently stand at R155,845,000, with R115,694,000 of this amount overdue by more than 120 days. The majority of this debt is what I call inherited debt – or legacy debt – which had accumulated from the period before we took over the governance and fiscal management of the municipality. This level of debt no doubt affects our cashflow and our ability to deliver services efficiently. Our collection rate of 92.5% falls short of the recommended 95% guideline, and we are working diligently to improve this critical metric. However, it is a dramatic improvement from the 78% collection rate we inherited when we took office in November 2021.

3. Service Tariff Adjustments - Keeping Increases Minimal

Understanding the financial pressures facing our residents, we have kept service increases to the absolute minimum necessary to maintain service quality:

Property Rates: We are implementing only a 2.5% increase in property rates, well below the current inflation rate. This modest adjustment ensures we can continue providing essential municipal services while recognizing the economic challenges facing property owners.

Water, Sewerage, and Refuse Removal: These essential services will see a reasonable 4.4% increase, reflecting our commitment to maintaining reliable service delivery while managing operational costs responsibly.

Electricity: The 12.74% increase in electricity tariffs reflects the reality of Eskom's price adjustments, which are largely beyond our control. We continue to benefit from the Eskom Debt Relief arrangements, which provide some financial flexibility but restrict our access to additional loan facilities.

4. Supporting Our Most Vulnerable Citizens

We remain committed to supporting our most vulnerable residents through our indigent support program. Households with income limited to three times the SASSA Pensioner Grant, excluding child and disability grants, qualify for certain free basic services. This ensures that those who need support the most continue to receive essential services.

5. Capital Investment and Infrastructure Development

For the 2025/2026 financial year, we have allocated R78,459,000 (in round numbers, seventy eight and a half million rand) for capital expenditure, focusing on critical infrastructure development and maintenance projects that will benefit our community for years to come.

Our current year capital expenditure budget was R88,748,203. We recognise that implementation has been slower than initially planned, but we are committed to accelerating project delivery in the remaining months and ensuring more efficient execution in the coming financial year.

6. Areas Requiring Attention

We acknowledge several areas where improvement is necessary:

Repairs and Maintenance: Our current spending of 5.6% on repairs and maintenance falls below the recommended 8% guideline. We are committed to increasing this allocation to ensure our infrastructure remains in good condition and serves our community effectively.

Debt Collection: With a collection rate of 92.5%, we must improve our debt collection processes to reach the 95% guideline. This improvement is crucial for maintaining service delivery standards.

Creditor Payments: Our current creditor payment period of 41 days exceeds the recommended 30-day guideline. This is no doubt an improvement from not paying creditors at all, something to which Eskom will attest. We are, of course, implementing measures to improve cash flow management and ensure timely payments to our suppliers. Our participation in the Eskom Debt Relief Program is a tremendous help in this regard.

Cash Flow and Financial Position

Our cash position requires careful management, with a bank statement balance of R7,335,317 and cashbook balance of R3,993,179 as of April 30, 2025. While this provides basic operational capacity, it underscores the importance of improved debt collection and efficient financial management.

7. Moving Forward - Budget 2025/2026

The 2025/2026 financial year budget will maintain our commitment to:

- Responsible fiscal management within available resources
- Continued focus on essential service delivery
- Improved infrastructure maintenance and development
- Enhanced debt collection processes
- Support for indigent households
- Transparent and accountable governance

8. Our Commitment to You

Despite the financial challenges we face, we remain committed to serving the residents of Cederberg Municipality with integrity, transparency, and dedication. Every rand spent will be accounted for, and every decision will be made with the best interests of our community in mind.

We call upon all residents to partner with us by doing the following:

- Paying municipal accounts timeously
- Reporting service delivery issues promptly
- Participating in community engagement processes
- Supporting local economic development initiatives

9. Conclusion

Speaker, this budget represents more than numbers on a page - it represents our collective commitment to building a stronger, more resilient Cederberg Municipality. While we face challenges, we also have opportunities to improve service delivery, enhance financial sustainability, and create a better future for all our residents.

We will continue to work tirelessly to ensure that every rand collected serves the community effectively and that our municipality remains a place where families can thrive and businesses can prosper.

Together, we will overcome our challenges and build the Cederberg Municipality that our residents deserve.

Thank you.