

MAYOR'S SPEECH FOR TABLING OF THE ADJUSTMENT BUDGET

ON 23 FEBRUARY 2023

Good Morning Speaker, Aldermen, Deputy Mayor, Chief Whip, Municipal Manager, Directors, Officials, members of the public and the Media

In tabling the Adjustment Budget for the financial year 2022/23 today, it is important to reflect briefly on the 7 and a half months of this financial year as we consider the Adjustments that we need to consider today in approving the adjustments we are required to make to see us through to the June 2023 year-end.

The purpose of an adjustment budget is to adjust revenue and expenditure estimates; also to authorise unforeseeable and unavoidable expenditure; and to provide explanations and motivations of any material changes and any impact of increased spending on the annual budget. This Adjustment Budget is particularly tough and complex as I am about to explain.

At the outset it should be noted that we have received an additional R4,75m for Housing Administration as a Human Settlements Development Grant – Beneficiaries; and R14,25m as an Emergency Municipal Load-shedding Relief Grant for the Province.

The Capital Budget for 2022/23 was approved at R803 million with approximately 40% funded by Grants and the balance coming from own funding, being Capital replacement reserve and External financing funds. This budgeted expenditure is significantly higher than in previous years. As is reflected in the documents before you, Civil & Engineering Services are undertaking projects to the value of R560 million and Electrotechnical R153m. Significant progress has been made on these projects including the BFI projects and we need to congratulate the whole team on the work that has been completed to date. An additional R23 million is being included in this Adjustment Budget to take the total budget to R826 million.

Considerable progress is being made on the expansion of the Water Treatment Works, the new Sludge treatment works as well as the work being undertaken to refurbish major sewer pump stations at Meul and Eden.

We also commenced with the refurbishment of modules at the Old Water Treatment Works prior to the holiday period and brought in a 5 Ml per day package plant to treat water for inclusion into the network. This package plant have proved to be of great assistance in providing additional capacity for the daily usage of water and especially over the holiday period.

The refurbishment of the existing sewerage works at the Outeniqua Waste Water Treatment Works is nearing completion over the next two months with the clearing of the sludge at the bottom of the holding tanks being undertaken.

With regard to the Capital Budget, a re-assessment has been undertaken of the status of each capital project, of whether it can be completed by year-end, which should be deferred to the new financial year and whether other projects should be accelerated for implementation during the current financial year. This re-prioritisation has also had to be done with cognisance of the declining revenue and increasing expenditure in the Operating budget, the timing of the receipt of Flood disaster funds, acceleration of the receipt of RBIG grants, balancing of CRR funds and external loans. In short, a balancing act has had to be undertaken.

- ❖ R6,8m to be spent by the GIPTN on road rehabilitation;
- ❖ A net of R24,4m less being spent on streets;
- ❖ R5,5m more being spent on the water network;
- ❖ A net R27m more being spent on the extension of the waterworks and rehabilitation of the old 6Ml water works module;
- ❖ A net R6m extra being spent on sewerage network and treatment works to put generators of R9,4m in place;
- ❖ Small solar PV plants to the value of R18m have been deferred to the new year to accommodate R15,5m in high mast lights to improve safety and reduce vandalism in Thembalethu, Parkdene, Borchers and Lawaakamp; and R2,3m on Streetlights;
- ❖ R5m for additional refuse compactors; R2m for bakkies; R0,5m for netball infrastructure.

The amounts mentioned above are included in the net increase of R22,877m in the Capital Budget.

A re-balancing of the funding of the Capital Budget has taken place, which is partly due to an addition of R35,5m on the RBIG (which is expedited grant spending). There is also an additional R6,8m from PTNG for GIPTN and the R14,2m for Generators already mentioned.

As a result we are able to reduce other loan funding by R26,2m and CRR by R1,5m.

If we then turn to the Operating Budget:

The 6-7 week peak holiday period from late November into early January proved to be a boom for our tourism and associated sectors compared to the previous two years.

As we approached this period there was considerable concern about our raw water resources within the Garden Route Dam where the level of the Dam was at 45,8% on 13 December 2022. We accordingly imposed stricter water restrictions. We have been fortunate to have had some good rain in recent months to lift the level to 71,2% on Monday prior to further rain later on Monday. Even though we have had this improvement, it is critical that our citizens start understanding that water is a scarce resource. The average per capita use of water in South Africa is 37% higher than the world average.

Over the past few months, the effects of Eskom being unable to supply electricity reliably have had a damaging impact on businesses and households. In the period from July 2022 to January 2023, there has been 785 hours of loadshedding or 15% of the total hours. For December and January this is 24% of the hours for these months.

The effect of not selling Electricity for 15% of the hours has resulted in an estimated loss of Revenue of R101m for the current financial year. Fortunately, our Bulk Purchases of Electricity are reflecting a decline of R38m during this period.

In addition to these impacts as a result of loadshedding, there are the additional expenses for diesel to operate generators at the various installations during loadshedding. Additional maintenance work has to be undertaken on electrical infrastructure as well as on water and waste water infrastructure as a result of loadshedding. There is additional overtime having to be spent. In addition, we have cable theft and vandalism taking place under cover of darkness.

Cllr Wessels will expand on aspects of the Operating Budget shortly.

While we are fortunate that our core Revenue sources such as Property Rates, Water and Refuse are likely to realise higher than budgeted revenue to offset the some of the negative effect of the decline in Electricity revenue, we are

unable to reduce expenditure as we have had to continue spending and in many increase spending on essential items as I have mentioned.

The full negative effect is therefore R161m for the year ending 30 June 2023. While we have the cash resources to fund this effect, a number of difficult decisions will need to be made in relation to the draft budget for the 2023/24 financial year as loadshedding is expected to continue.

An area of concern is the extent to which customers have already started to source alternative energy from renewables thereby depleting future revenue for the Municipality.

Electricity revenue tariff structures have always been determined to ensure that a municipality is able to operate its own infrastructure, i.e. the water and waste water treatment works, our 150+ pump stations, street and traffic lights, buildings, etc. In addition, our electricity infrastructure of R2,5 billion has to be maintained, staff have to be employed.

Budgets for the future will require re-examination to ensure that core services are funded with cost-reflective tariffs. There will no doubt need to be a review of the extent to which under- and unfunded services undertaken by municipalities can be undertaken.

Speaker, in closing I do need to draw Council's attention to the work that we are undertaking with regard to tackling the loadshedding crisis. This has a direct impact on budget planning for the next financial year. Last year, we correctly assessed that loadshedding would impact significantly on our budgets in the foreseeable future. Importantly, we allocated funding for solar PV plants. Over the last few months we have assessed to what extent we could accelerate our roll-out but have been hampered by the technical, regulatory, environment, funding, budgetary restraints and complexities that include red-tape. We have brought these to the attention of the Premier of the Western Cape and have been engaging with a range of experts to seek solutions. One aspect that is critical is a feasibility study to determine the technical requirements to connect battery energy storage to our grid. The objective of the work that we are undertaking is for George to alternatively source power as well as save on kilowatthours purchased from Eskom so that we can apply to come off Stage 1 and thereafter Stage 2. This needs to be our target for achievement by the end of calendar 2024, if not a bit earlier. Thereafter Stages 3 and 4 need to be

achieved. In many respects, George is playing a leading role among B municipalities and intermediate cities.

In tabling this adjustment budget, I would like to give credit and thanks to the municipal manager, Dr Gratz, the CEO, Mr Riaan du Plessis, Director Bongani Mandla and fellow Directors, the various teams involved in the work on this tough Adjustment Budget and for the work being done on Infrastructure, Service Delivery and Administration.

Leon van Wyk

22 February 2023