

## **EXECUTIVE MAYOR'S BUDGET SPEECH FOR 2024/25**

### **AT THE SPECIAL COUNCIL MEETING OF GEORGE MUNICIPALITY ON 31 MAY 2024**

Good morning

Speaker, Aldermen, Deputy Mayor, Chief Whip, Councillors, Municipal Manager, Directors, Officials, Members of the Public and the Media

I am today tabling the George Municipality Budget for 2024/25 and for the MTREF (Medium Term Revenue Expenditure Framework) up to 2026/27 for approval.

This budget has already been scrutinised and accepted as credible and funded by both Provincial Treasury and National Treasury.

In view of the difficult economic circumstances being experienced in the country, tariff increases have been limited to 6% except for electricity as I will refer to later in the speech.

During the tabling of the draft budget in March 2024, a detailed overview was provided of the background to the Budget. Accordingly, I am only dealing with a summary of the underlying factors forming the basis of the budget before us.

We need to deal with various challenges:

- The budget needs to be affordable;
- In George there is a delicate balance between the numbers of customers who are unemployed, live in poverty or difficult circumstances and those who are able to afford services. These circumstances therefore impact our tariff structuring;
- Our current debtors collection rate is 93% whereas the norm expected of us by National Treasury is 95%;
- For every drop of 1% in the collection rate there is an impact on service delivery, which is the equivalent of R22m. This then means that if you are not collecting at 95% you would need to cut back expenses on services by the amount not collected. Alternatively, this means that there is a similar that is not available in cash reserves to help fund the replacement of capital items;
- Included within Debtors there are amounts of old debt that are not collectable. The Finance Directorate has systematically been working through that debt to write off uncollectable debt. In this way approximately R50m was written off by Council in 2023 along with the monthly write offs approved by Council. Finance is on an ongoing basis continuing to deal with a concentrated effort to write off such uncollectable debt;
- In recent years we have experienced an influx of citizens that has led to an increase in population per Census 2022 up to 295000 as of February 2022. This places additional pressure on our infrastructure and services;

- The pressure on infrastructure has meant that in recent years we have had to undertake projects to increase the treatment capacity of the Outeniqua Waste Water Works and the Water Works. We had previously reached the maximum capacity for treatment of waste water which meant that construction activity could not continue thereby negatively impacting on employment and the local economy;
- In respect of Electricity, we have experienced severe bouts of loadshedding as a result of Eskom being unable to supply sufficient electricity. This has meant that we had to invest in renewable energy via solar PV plants;
- We are well-advanced with capital expenditure on the R1100 million plus BFI (Budget Facility for Infrastructure) projects to upgrade water treatment facilities and sewer pump station upgrades. These projects should be completed by June 2025.

The ability to execute Capital Expenditure projects has been recognised by National Treasury through the R505m grant recently received for GIPTN where road strengthening is to be undertaken to ensure the further roll-out of bus routes in Thembalethu and elsewhere.

In the 2024/25 financial year Public Transport will receive National and Provincial Grants totalling R442m.

As part of continuing to prepare for the future we are approving projects that will see spending on the upgrade of the Ultra Filtration Water plant to ensure water sourcing into the future as well as capacity upgrading of the Gwaiing Waste Water Treatment plant.

Our Capital Budget for 2024/25 is R1224m with a total of R3114m to be spent over the MTREF period up to 2026/27. The growth materialising in George requires us to increase our levels of spending on infrastructure for the next five to seven years which will require careful financial management.

The funding sources of Capital projects for 2024/25 will come from:

CRR (Capital Replacement Reserve) of R418m;

Loans of R466m; and

Grants of R341m.

In the foreseeable future, given the growth trajectory of George, we need to prepare ourselves to be able to successfully apply for capital grants of R200m to R250m per annum to fund our infrastructure needs.

Turning to the Operating Budget, I have already mentioned that we are restricting tariff increases for Water, Waste Water, Refuse, Property Rates and Other General Services to 6% for the 2024/25 financial year.

In respect of Electricity, NERSA has granted Eskom an increase of 12,72% which is the amount by which bulk purchases of electricity from Eskom will increase as from July 2024. The effect of this is that George will need to increase tariffs to its customers by 12% to offset the increased purchase price and to be able to maintain the electricity distribution network within George.

In terms of the Total Budgeted Revenue, Council will note that this amounts to R3942m of which Core Services will comprise revenue of R2209m.

As we are aware, Core Services comprises revenue from Electricity, Water, Waste Water, Refuse and Property Rates.

Turning to Total Overall Expenditure, this amounts to R3473m.

The three largest expenditure category items are:

Employee Related Costs amounting to R824m;

Bulk Purchases of Electricity amounting to R785m; and

Contracted Services of R828m. Contracted services includes all the various services acquired by way of contract including many of the GIPTN services.

Turning to the Equitable Share Grant which inter alia funds Free Basic Services for the Indigent, we will be receiving R230m for the 2024/25 year instead of R235m originally approved. This reduction flows from the fiscal cutbacks announced by National Government during the MTBPS (Medium Term Budget Policy Statement) towards the end of 2023. Each of these reductions places additional pressures on the budgets of municipalities.

The Indigent package benefit for persons who qualify for free basic services will amount to R1318 per month (or R15816 per annum) for 2024/25 which is an increase from R1234 per month at present. This is an increase of 6,8%.

In closing I wish to thank the Municipal Manager, The Chief Financial Officer, the Finance teams, the Directors and their teams for all the diligent work and long hours undertaken to prepare this budget. My thanks also go to Cllr Wessels as MMC Finance who has also played a vitally important role through his oversight and inputs for this Budget. He will no doubt provide further insight into this budget in his speech hereafter.

Speaker, I herewith table the George Municipality Operating and Capital Budget for the 2024/25 to 2026/27 MTREF for adoption by Council.

Thank you.