



DRAKENSTEIN

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Paarl | Wellington | Gouda | Saron | Simondium

Executive Mayor Budget Speech

2020/2021 Budget

29 May 2020

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Speaker;

Deputy Executive Mayor;

Chief Whip;

Members of the Mayoral Committee;

Councillors;

City Manager, Acting CFO and Executive Directors;

Members of the public;

Representatives of the Media; and

All protocol observed.

Good morning ladies and gentlemen,

Speaker, **Plato**, a philosopher from ancient Greece, once said and I quote:

“Wise men speak because they have something to say. Fools because they have to say something”.

Speaker, never before has our community, our country and the world been affected and united in its efforts against a single force – the Corona Virus. We are living in uncertain times and the COVID-19 pandemic caused a financial as well as a social crisis. The COVID-19 pandemic will deepen the socio-economic pressures on local, provincial and national government. The municipality and community of Drakenstein will have to work together to get through these difficult times.

The promises of humanitarian relief for Drakenstein residents from the Department of Social Development and SASSA have been, to say the least, a huge disappointment. As the Mayor of Drakenstein I personally received hundreds of calls from the community as well as visits to my home asking me when will they receive their promised food hampers. As a result of this and to



Executive Mayor
Ald CJ Poole

assist in filling the gaps left by the empty promises I had no other option but to intervene in this matter.

Subsequently the City Manager and I launched a Food Security project. It is important to note that it is not a municipality's mandate to provide food to the community. Given that the pandemic was declared a disaster, no supply chain management process was required and we concluded a MOA in accordance with the Disaster Management and Municipal Finance Management Acts with Valcare, a registered non-profit organisation with audited financial statements and who works with a network of approximately 200 Drakenstein NGOs. This partnership with Valcare proved to be very successful and effective.

To date we are proud to announce that Valcare and their private sponsors contributed **R2.1 million** towards the distribution of 5 000 food hampers in Drakenstein. We as a municipality contributed a total of **R1.8 million** which is primarily used to provide electronic food vouchers. The e-food voucher, sent directly to the phone of the beneficiary, is redeemable at a number of local Drakenstein stores.

There are 41 informal settlements in Drakenstein, all of which have access to clean drinking water and sanitation. Since the start of the COVID-19 pandemic, these services have been improved and additional water tanks and toilet facilities have been distributed to informal settlements and farms within Drakenstein.

A total of 30 water tanks were installed. Twenty seven of these tanks have a capacity of five thousand litres and three have a capacity of two thousand five hundred litres. COVID-19 brought about the need for additional hygiene measures and these extra water tanks, which are kept full using a roving water tanker, provide millions of litres of extra clean drinking water to these residents.

Extra toilet facilities have also been provided to informal settlements and rural farming communities since the start of the Lockdown. We also distributed 900 bars of soap to residents to sanitize their hands.

I would like to use this opportunity to once again thank the City Manager his management team, essential services workers and all other staff who have been working in the front line during the lockdown, we appreciate your commitment and efforts.

Perhaps the biggest and obvious impact of the Covid-19 pandemic to the economy is the loss of income suffered by households, businesses and government due to the shutdown of the economy since 26 March 2020. Many companies and institutions had to pay their monthly bills despite not generating any revenue. Most companies that distribute perishable goods will be negatively impacted as demand dropped significantly with the restrictions on movement and the closure of fast food outlets and restaurants.

There are no official estimates of the impact of the lockdown of the South African economy yet, but what is definite is that there has been a significant decrease in the consumption of goods and services by households, businesses, government and foreigners, which will result in a decrease in GDP.

Speaker, allow me to reflect on the impact closer to home. Modelling of the Drakenstein economy undertaken by economists show that for the first two months of the lockdown:

- The Drakenstein economy has lost over R800 million in income;
- We have lost approximately 2 200 jobs;
- Manufacturing, retail trade and transport will account for over 50 percent of the loss in income;
- Tourism, construction and the informal sector will account for over 80 per cent of the job losses during the same period;
- Drakenstein's tourism sector has lost approximately R65 million in income; and
- Tourism has shed 700 jobs after two months of lockdown.

Speaker, the impact of Covid-19 will result in weak economic performance, high unemployment, increasing poverty, constrained government finances and therefore reprioritisation of the whole of government's expenditure which will have a severe impact on the municipality's ability to deliver on its mandate. In

response, the City Manager, Chief Financial Officer and Executive Directors will again, as in the current year not receive salary increases for the 2020/2021 financial year. Councillors will also not implement salary increases for the next financial year. This will also affect all our employees and an application will be submitted to the South African Local Government Bargaining Council to request a waiver relating to matters of remuneration.

Hence the final IDP and Budget are very different from what was tabled two months ago. A review of projects and programmes were required in order to best serve the community with limited resources and financial strain caused by the current and projected revenue loss.

2019/2020 BUDGET HIGHLIGHTS

Speaker, let us reflect on the highlights of the current financial year. Various commitments were made to the community and some of the achievements include the following:

1. Bulk and basic infrastructure services for the **Vlakkeland Housing Project**, to the amount of **R60 million** will be completed in the 2019/2020 financial year. **This will ensure that approximately 507 houses will be build;**



2. The construction of basic infrastructure services at Lantana and Schoongezicht at a cost of **R8.3 million**;

3. The construction of basic services in informal settlements at a cost of **R3.3 million**;
4. The acquisition of land at Simondium for future housing development at a cost of **R14.1 million** financed through a grant from the Department of Human Settlements;
5. An estimated amount of **R54.1 million** was spent on the upgrade and construction of water treatment plants, a reservoir and bulk water networks, providing water to Paarl and Wellington. This includes an amount of **R10.6 million** for the bulk water pipeline at Saron from the catchment area to the village;
6. Boreholes with pumps and filtration plant equipment were completed at a cost of **R3.2 million** with a total project cost of **R79 million**;



7. The Wellington and Paarl Waste Water Treatment Works, a multi-year project over three financial years, was completed at a cost of **R306.9 million**;



8. An amount of **R18.2 million** was spent on the upgrade and design of bulk and other waste water reticulation systems of which **R8.5 million** was funded by Infrastructure Investment Programme of South Africa grant funding programme administered by the Development Bank of Southern Africa;
9. An amount of **R25 million** was spent on the electrification of informal settlements and the bulk infrastructure upgrade for the proposed Vlakkeland housing project. An estimated 302 structures will be electrified by 30 June 2020. These structures are in the following areas: Siyahlala 2, OR, remainder of Simondium, remainder of Brickfields, Bosbok phase 2 and Ribbok.



10. Bulk electricity supply in Vlakkeland and Paarl through the upgrade of 11KV electricity cables and substations at an estimated cost of **R29.5 million**;

11. An amount of **R3 million** was contributed towards the upgrading of the floodlights at Boland Park, thus enabling the hosting of international events;
12. Upgrading and resealing of roads across Drakenstein at an estimated cost of **R16.1 million**;
13. Construction of the Oosbosch Street class 1 dual carriage way project from the Berg River Boulevard to the R301 has started and **R32.5 million** of the total estimated costs of **R129 million** will be spent on the widening of the bridges over the Berg River and the railway line. This project is largely funded by the provincial government as it is classified as a provincial road;



14. The Van der Stel Street Project was completed at an estimated cost of **R21.9 million** of which **R5.5 million** was spent in this financial year;



15. The construction and upgrading of sport facilities at Boy Louw, New Orleans, Dal Josaphat, De Kraal, Pelican Park, Mbekweni, Parys, Newton and Faure Stadium was done at a cost of **R19.5 million**;



16. Swimming pools were upgraded at an estimated cost of **R3.8 million**;
17. The construction of the wall at the Champagne Cemetery at an estimated cost of **R1.6 million**;
18. Parks, open spaces and play grounds were upgraded at a cost of **R3.2 million**;
19. An amount of **R4.6 million** will be spent on the construction of aprons around the housing rental stock;
20. A further **R2.7 million** was spent on the upgrading of the rental stock;
21. An amount of **R2 million** was spent on the establishment of the new Control Centre equipped with CCTV cameras and the monitoring thereof which is crucial for the Drakenstein Smart Safety Network project;

22. An estimated **R1.4 million** was spent on the “**Paint my Story**” project, which entailed the repainting of housing rental stock;



23. An amount of **R3 million** was spent to promote tourism in Drakenstein;
24. **R1.5 million** was spent on bursaries and driver license training programmes for the youth, with a particular focus on the rural youth.
25. The impact of COVID-19 also resulted in unfunded expenditure requirements. These included inter alia:
- a. Humanitarian aid of **R1.8 million**, of which **R800 000** came from own funding;
 - b. Personal protective equipment;
 - c. Overtime and standby; and
 - d. Sanitising and health precautions for municipal buildings and employees.

Speaker, actual and committed capital expenditure after ten months of the financial year stands at 85.71%. The national lockdown during April and May 2020 has resulted in a halt in spending and will adversely affect the **actual capital expenditure** at year end but the administration is hard at work trying to get all projects back on track.

PUBLIC PARTICIPATION PROCESS

Council approved the draft IDP, draft Budget, draft budget related policies and draft tariffs on 26 March 2020.

Speaker, with the onset of the 2020 year, preparations for public participation was well underway. Venues were confirmed and presentations prepared for discussions with the public per ward on the proposed IDP and budget for the 2020/2021 financial year. As usual our standard public participation process would have extended over the month of April, going into early May.

However, these plans and preparations were put on hold by the announcement from the President on 24 March 2020 regarding the start of the national lockdown commencing at midnight 26 March 2020. The lockdown entailed people staying in their homes and only being allowed to leave for essential purposes. Public gatherings were not allowed which meant a different approach to our annual public participation process.

This approach entailed advertising the draft Budget and draft IDP on all our online platforms. We had to utilize electronic and non-personal contact communication methods to ensure public participation. We did this through newspaper advertisements, radio talks, loud hailing, Facebook, our website, sms communication etcetera. The comments and inputs window period was also extended with a week to allow ample opportunity to participate and submit comments.

Housing and Indigent Household Summits were conducted in municipal wards during March 2019 until it was cancelled due to the national lockdown imposed. In total, 6 summit meetings were conducted. The objectives of the summits were to share information on indigent household subsidies and the current state of housing in the municipality as well as planned interventions. These summits were generally well received and feedback sessions are planned towards the end of 2020 if permitted.

COMMENTS RECEIVED FROM THE PUBLIC

Fourteen written comments were received on the draft budget and one of these were the Provincial IDP and Budgeting Assessment Report. Detailed feedback to comments are attached to the budget item as Annexure A.

Speaker, the majority of the comments received centers around the impact of COVID-19 and the subsequent lockdown period on the economy as previously mentioned. It should however be noted that a detailed exercise was undertaken in preparing the draft budget that was tabled in March 2020. When comparing the tariff increases year on year it is clear that the increase for the 2020/2021 financial year is less than the previous financial year.

To fund the capital projects, we will not take up any new external loans over the next five financial years. This will ensure that our current gearing ratio decreases to an estimated 67% in 2020/2021 and to an estimated 42.9% in the 2024/2025 financial year.

CAPITAL AND OPERATING BUDGET

Speaker, the total proposed budget for the 2020/2021 financial year amounts to **R2.909 billion**, comprising of a **R2.693 billion** operating and **R216.972 million** capital budget. I will discuss the budget in terms of the following categories:

1. Expanded Public Works Programme;
2. Human Settlements;
3. Water and Sanitation;
4. Electricity;
5. Refuse Removal;
6. Roads and Stormwater;
7. Sport Facilities, Parks and Cemeteries;
8. Tourism and Economic Development;
9. General Community Projects;

10. Ward Projects;
11. New Initiatives; and
12. Financial Assistance to the Poor.

EXPANDED PUBLIC WORKS PROGRAMME (EPWP)

Speaker, it is important for us to facilitate the creation of job opportunities and recruitment in a fair and transparent manner. Participation in the programme must increase the chances of beneficiaries to create sustainable livelihoods and improve service delivery. In this regard the EPWP Policy and procedures to increase control over recruitment, selection and contract administration were implemented.

The Expanded Public Works Programme for 2020/2021 makes provision for approximately 1,316 job opportunities at an estimated cost of **R17 million**. The National Department of Transport and Public Works EPWP grant contributes **R4.1 million whilst** Drakenstein Municipality contributes **R12.9 million** and we aim to secure the balance through additional **training funding**. The programme will focus on the following projects, with a much bigger focus on training:

Social Sector Projects (5 projects):

1. Illegal structure removal team;
2. Training and accreditation of Peace Officers;
3. Caretakers for resorts and community facilities;
4. Training and accreditation of security guards; and
5. Emergency response / traffic violation call centre operators.

Environmental Sector Projects (10 projects):

1. Street based resident cleaning marshals in informal settlements;
2. Cleaning of dumping hotspots and main routes;
3. Solid waste rapid response team;
4. Additional CBD cleaning shifts;

5. Cleaning of stormwater systems, with brush cutter training;
6. Cleaning of public toilets response team, with technical training;
7. Cleaning and maintenance of informal settlement toilets;
8. Cleaning of swimming pools and sport fields;
9. Cleaning of parks and cemeteries, with pesticide and brush cutter training;
and
10. Cleaning of community amenities.

Infrastructure Sector Projects with technical skills training (5 projects):

1. Maintenance of swimming pools and community facilities;
2. Maintenance of rental stock;
3. Pump station maintenance;
4. Informal settlement plumbing team; and
5. Mechanical workshop technical training.

HUMAN SETTLEMENTS

Speaker, in terms of Schedule 4 (Part A) of the Constitution, housing is a National and Provincial Government competence. National housing legislation prescribes that a municipality must perform this function on behalf of national government with financial assistance from the national fiscus.

In this regard, a grant allocation of **R78,2 million** has been awarded to the municipality for the 2020/2021 financial year which will be used to service 459 sites and build 398 new houses.

During the new financial year, we will also focus on restoring the pride and dignity of our communities in informal settlements through the following projects:

1. Improve the access to basic services at a cost of **R1.1 million**. Improving access to basic services are set to continue in future years; and

2. Provide basic services at the Schoongezicht Emergency Housing project at an estimated **R6.9 million**.

WATER AND SANITATION

Two basic services that Drakenstein must provide is clean drinking water and sanitation. For the 2020/2021 financial year we are budgeting **R44.1 million** for these services and will include the following:

1. Construction of a bulk storage and water treatment works at Saron with IUDG grant funding – **R23.6 million**;
2. Replacement of water reticulation networks – **R5.6 million**; and
3. Slip lining and pipe cracking of sewer network backlogs – **R1.25 million**.

ELECTRICITY

The 2020/2021 budget makes provision for **R39.9 million** to cater inter alia for the following electricity infrastructure projects:

1. Substation upgrading – **R9.25 million**
2. Bulk electricity supply to the Vlakkeland Housing Project – **R27 million**;
3. Upgrading of electricity switch gear – **R2.2 million**; and
4. Electrification of informal settlements – **R1.5 million**.

REFUSE REMOVAL

Speaker, we have provided **R3 million** for refuse removal projects which include the following:

1. The construction of a Material Recovery Facility (MRF) and drop-off facilities in Drakenstein at an estimated cost of **R2 million**; and
2. The procurement of bulk refuse containers, street refuse bins and wheelie bins at an estimated cost of **R1 million**.

ROADS AND STORMWATER

Speaker, integrated urban planning, economic growth and sustainable development starts with a well-developed and maintained integrated road network. Therefore maintenance of and investment in roads and stormwater infrastructure is very important and we have provided **R87.3 million** for the 2020/2021 financial year. The main projects catered for are the following:

1. Continuing with the construction of a dual carriageway in Oosbosch Street from the Berg River Boulevard to R301;
2. The resealing of streets; and
3. The tarring of sidewalks.

SPORT FACILITIES, PARKS AND CEMETERIES

Speaker, the infrastructure for sport, parks and cemeteries is also an important focus area in our IDP and we provided **R22.7 million** for the 2020/2021 financial year. The main capital and operating projects for next year are:

1. The upgrading and construction of parks, swimming pools and sporting infrastructure and facilities at Fairyland and De Kraal – **R10.1 million**;
2. The upgrading and development of a Climate Park at the Arboretum – **R2.8 million** mainly through a grant from a German Grant Programme; and
3. The development of a new cemetery – **R4.9 million**

TOURISM AND ECONOMIC DEVELOPMENT

Speaker, one of our key performance areas is to promote and facilitate economic development. Tourism is one of the main economic drivers in Drakenstein and this budget provides **funding** for the following projects and initiatives:

1. Boland Park Floodlights – **R3 million**; and

2. Contribution towards the Drakenstein Local Tourism Association – **R3 million.**

GENERAL PROJECTS

Speaker, other general projects, programmes and initiatives that we will support to improve service delivery and the living conditions of our community in the next financial year are:

1. Extension and upgrading of the traffic centre – **R500 thousand;**
2. Tarring of aprons around housing rental stock – **R2 million** to ensure that aprons are walkable during the rainy season;
3. The purchasing of vehicles and equipment – **R1.1 million;**
4. Construction of a canopy, fence and container office for the petrol pumps to be relocated – **R1.5 million;**
5. Investing in information technology infrastructure – **R2.3 million;**
6. Rural development programmes that will include skills development and bursaries – **R600 thousand.**

WARD COMMITTEE SUPPORT

Speaker, due to the impact of the COVID-19 pandemic we had to review the impact we want to make and leave in each ward. It was therefore decided that each ward allocation will consist of the following projects:

1. War on waste (cleaning projects in the ward);
2. Greening and upgrading of parks;
3. Drakenstein Smart Safety Network Project;
4. Drakenstein Newspaper; and
5. Funding for soup kitchens and related food security programs.

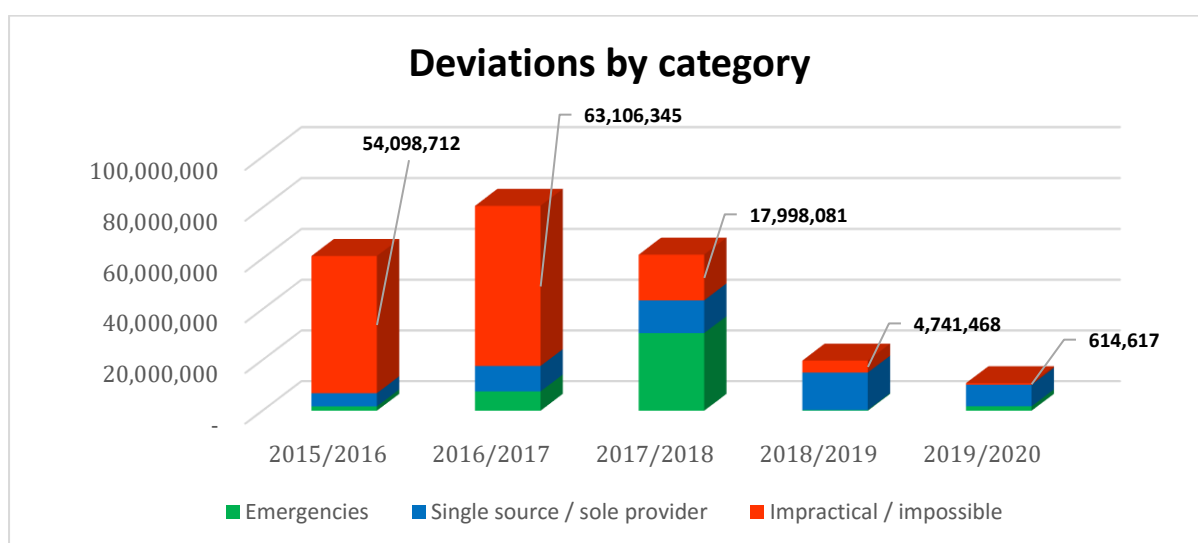
Each ward committee member will still receive a **quarterly stipend of R750** for assisting the ward councillor in the ward.

NEW INITIATIVES

1. Reducing Deviations

An initiative that proved to be successful was the reduction of impractical/impossible deviations approved by Council. During the 2014/2015 financial year the impractical/impossible deviations amounted to **R62.9 million**. It then decreased to **R54.1 million** in 2015/2016 before it increased to **R63.1 million** in 2016/2017 and decreased to **R17.9 million** in 2017/2018. In 2018/2019 it reduced to **R4.7 million** and currently it stands at **R614 thousand** for the **2019/2020 financial year**.

This significant decrease was achieved through improved procurement planning and by ensuring that rates tenders are in place.



2. Revenue, Expenditure and Cost Containment Management

The City Manager established a project team to focus on revenue, expenditure and cost containment management. The purpose of the project is to streamline all business processes involved in revenue management and billing as well as expenditure. All revenue leakages will be detected and standard operating procedures needs to be developed to ensure that all revenue are billed and

collected. All unnecessary expenditure is eliminated as far as possible. The project team meets every week under the leadership of the City Manager.

3. Municipal Court

The municipal court project was previously delayed because of uncertainty regarding the new Administrative Adjudication of Road Traffic Offences Act (AARTO). We need our own municipal court to strengthen the enforcement of traffic law offences and municipal bylaws. The business plan has been submitted to the National Department of Justice and renovations at 60 Breda Street will ensure that we open the Drakenstein Municipal Court within the next three months.

4. Drakenstein Smart Safety Network (DSSN) Project

The DSSN is a partnership project between the Drakenstein Municipality, Provincial Department of Community Safety, the South African Police Services (SAPS), community-based safety organisations (neighbourhood and farm watches) and the private sector (security companies). The DSSN provides a platform to work together and share information on safety and security incidents and threats in real time using cutting edge technology. Phase one (1) of the project was rolled out during the 2019/2020 financial year and an amount of **R2.1 million** has been spent. During phase two the centre will be renovated and expanded to accommodate different safety partners. The latter will enable the Drakenstein Central Operational Centre (DCOC) to effectively communicate with all safety partners from a central point and receive and deal with complaints.

In addition, discussions were held with provincial government regarding cooperation and funding opportunities for the project as well as innovative ways to improve safety and security within the municipal area.

5. Homeless People

A significant challenge throughout South Africa is the growing number of homeless people. We will increase our focus on a multi stakeholder intervention, including measures to support the provision of adequate shelter and on job creation measures to proactively engage homeless people with the aim of reintegrating them into social family structures.

FINANCIAL ASSISTANCE TO THE POOR

Speaker, the equitable share we receive to assist indigent households is insufficient and we made some changes to our Indigent Support Policy.

It is now proposed that we give financial assistance to **all households** (people receiving SASSA allowances, child headed families, retired people, the disabled and the unemployed) based on the following sliding scale:

1. **Category A: All households** with a monthly income of up to **R4,550** will receive **100%** of the financial assistance package we offer;
2. **Category B: All households** with a monthly income between **R4,551** to **R4,950** will receive **80%** of the financial assistance package we offer;
3. **Category C: All households** with a monthly income between **R4,951** to **R6,200** will receive **50%** of the financial assistance package we offer; and
4. **Category D: All households** with a monthly income between **R6,201** to **R6,500** will receive **20%** of the financial assistance package we offer.

Speaker, the financial assistance we will provide to **all households** described in categories A, B, C and D above comprise of the following:

1. Property rates will be subsidised up to the first R950,000 of the municipal valuation of the property;
2. The basic charge of 30 ampere electricity connections will be subsidised – please note that 20 ampere electricity connections do not have a basic charge;

3. One hundred (100) free units of electricity for Category A and B households and fifty (50) free units of electricity for Category C and D households;
4. The basic charge for water connections will be subsidised;
5. Six (6) kiloliters of free water for all categories;
6. One refuse bin per household will be subsidised;
7. Basic sewerage charge will be subsidised based on that for an erf of 550m²;
8. One toilet per household will be subsidised; and
9. Flat rentals up to the maximum of the basic services will be subsidised.

Speaker, no policy on the matters raised above can be cast in stone. There will always be exceptional circumstances that needs to be catered for. The City Manager, in consultation with the Chief Financial Officer, will have the delegated powers to migrate households from Category D to C, C to B and B to A in exceptional circumstances as noted in the revised Indigent Support Policy.

INTEGRATED URBAN DEVELOPMENT GRANT (IUDG)

Speaker, some good news. Drakenstein Municipality was identified by COGTA as one of six (6) secondary cities qualifying to take part in the IUDG programme. The IUDG allocation for the 2020/2021 financial year is **R58.6 million**. For this purpose we had to compile a Capital Expenditure Framework (**CEF**) for the next ten financial years and the CEF Business Plan is attached to the budget item as Annexure C for Council's approval.

NEW TARIFFS

Speaker, due to the impact of COVID-19, comments were received on our new tariffs to be implemented as from 1 July 2020.

Based on the Draft NERSA guidelines issued on electricity tariffs, the electricity tariffs will on average increase with 6.22% with domestic consumer's tariffs increasing with only 4.9%. We have submitted our electricity tariffs to NERSA

and await their approval. The remaining tariffs are unchanged as communicated with the public.

Speaker, at this stage I want to thank the public for honouring their commitments in paying their property rates and service charges even during the difficult and trying times experienced with the outbreak of the COVID-19 virus. Due to the outbreak of the COVID-19 virus and its negative impact on the economy we had to adjust the budgeted revenue collection rate from 97.8% to 94% of the billed revenue and for the shortfall of 6% we made provision for bad debt impairment. The quality of services we render is only possible due to the cooperation of our community in honouring the payment of their municipal bills.

CONCLUDING REMARKS

Speaker, building on our successes over the past nine years, the proposed final budget is pro-poor, supports economic growth, the socio-economic needs of the residents of Drakenstein and our financial sustainability. Drakenstein's Vision 2032 and its strategic objectives are aligned to the national, provincial and district strategic objectives and outcomes. The proposed final budget is based on realistic revenue streams and is credible and sustainable as the assessment report from Provincial Government confirms.

Speaker, Drakenstein for the 2018/2019 financial year also received a **twelfth consecutive unqualified audit opinion** from the **Auditor-General**. It was also the **fifth clean audit opinion** the Municipality received. As Executive Mayor, I am proud of these achievements and I would like to thank all Councillors, the City Manager, the Acting CFO, Executive Directors and staff members for their contributions to achieve these outstanding results.

Speaker, with these remarks, I herewith present Drakenstein's Final 2020/2021 Budget.

I thank you.