



**SALDANHA** BAAI  
BAY  
MUNISIPALITEIT | MUNICIPALITY | uMASIPALA

---

## **ANNUAL STATE OF THE MUNICIPALITY ADDRESS**

---

Executive Mayor, Councillor Andre Truter  
Tuesday, 30 May 2023



## INTRODUCTION

Honourable Speaker, Honourable Executive Deputy Mayor, all Alderman in the House, Councillors, Municipal Manager, Directors, Municipal employees, all protocols observed.

I am privileged to present the 2023/24 MTREF budget today to Council.

Welcome to you all and thank you for attending this meeting.

Our medium-term service delivery objectives, the associated medium-term financial implications and other relevant information are all included in the report and annexures that are before Council today.

## RATINGS AFRICA

Speaker, before I continue, it is appropriate for me to mention again that Saldanha Bay municipality and Midvaal municipality have been rated last week as the two most Financial Sustainable Municipalities in South Africa for the 2021/22 financial year.

The definition of Financial Sustainability is *“the ability of a municipality to deliver services, develop and maintain infrastructure required by its residents without unplanned increases in rates and tariffs, or a reduction in the level of services.”*

Ratings Africa, the organisation who has performed the analysis, uses 6 specific areas of measurement, that includes:

- Operating performance,
- Liquidity management,
- Debt governance,
- Budget position,
- Affordability of rates and tariffs, and
- Infrastructure development.

I am especially pleased that “Affordability” and “Infrastructure” are included in the average score as it provides an independent view of the level of service delivery and the affordability thereof of Saldanha Bay municipality in relation to other municipalities in South Africa.

## AMENDED IDP

On 26 April 2023 Council has approved its amended 5<sup>th</sup> Generation IDP. Included in the amendment is the 6 new strategic objectives of the municipality –

Community Collaboration,  
Economic,  
Financial and Institutional stability,  
Innovation,  
Safety, and  
Services.

In terms of the monetary budget allocation for the 2023/24 3-year MTREF, our biggest strategic objective is “**Services**”. A total of 67%, or R4.19 billion of the budget is allocated to “provide reliable and affordable basic services and bulk services”.

## ECONOMY

Speaker, our national economy is struggling. There are many reasons for this, the biggest is the Eskom crisis. Other challenges are the high inflation, the low global growth and the deterioration in port and rail infrastructure in South Africa.

South Africa is close to a recession. A recession is two successive quarters of negative GDP growth. South Africa’s GDP contracted by **-1,3%** in the last quarter of 2022. At the time of delivering my address, the economic results for the first quarter of 2023 was not yet available, but it is forecasted to be 0.5%.

It is worrying that investors have little confidence in the national economy which hampers our future growth prospects.

## CHALLENGES

Speaker, it is within this low economic performance environment that our budget was compiled. We had to consider various aspects that impacts negatively on tariff increases, such as -

- The Eskom bulk purchases increase of 18.49% which is 27% of the total operating expenditure;
- The high fuel consumption increases as a result of 32 generators that are mostly used to pump water and sewage; and
- High security cost to safeguard the municipality against crime and vandalism.

## **ENERGY**

Speaker, because Energy is our biggest challenge, I would like to inform council of 3 specific projects.

### **1. Procurement of alternative energy from IPP**

We have established an internal Energy Task Committee that is chaired by the Municipal Manager. The main objective of this committee is to consider alternative energy options for the municipality, such as the procurement of base-load energy from an Independent Power Producer.

We need additional capacity to drive this process further. For this reason, the new position of “Engineer: Sustainable Energy and Generation” was created. As soon as the amended staff establishment is approved by council, we will commence with the appointment process.

### **2. Possible installation of solar streetlights**

A grant of R9 million for the Energy Efficiency and Demand Side Management (EEDSM) is included in the budget. We will submit an alternative proposal to the Department of Energy to use the funds to rather install “Solar streetlights”. If not approved, the municipality will use the grant to install LED streetlights as originally intended.

### **3. Alternative energy for municipal offices**

The municipality has put in place an interim solution for the municipal offices that were affected by load-shedding during office hours, by procuring basic inverter-energy solutions.

The administration is currently in the process of preparing a tender specification to provide all municipal offices with solar energy.

## **SUMMARY OF CAPITAL BUDGET KEY PROJECTS**

Speaker, included in our 3-year capital budget of R946 million are the following 4 material budget allocations, all relating to service delivery:

### **1. Sewerage projects**

The biggest capital budget allocation will go into sewerage distribution and purification projects. A total of R213 million will be spend over the next 3 years.

A large part of the sewerage infrastructure projects will be spent in St Helena Bay which is experiencing high growth.

### **2. Road infrastructure projects**

The second biggest capital budget allocation is for roads and stormwater projects. The Council remains committed to ensure that our roads are maintained and upgraded. A total of R211 million will be spend over the next 3 years.

### **3. Electricity projects**

The 3<sup>rd</sup> highest spent will be on electricity projects and R164 million have been provided in the budget. This covers many projects and a list of these can be found in Annexure B of the Budget Report.

### **4. Water projects**

The 4<sup>th</sup> highest budget allocation will be on water projects where R118 million will be spend on 28 individual projects. A total of R87 million is allocated to Water Distribution and R28 million to Bulk Water Supply.

## BUDGET OVERVIEW

Speaker, the budgeted Operating Revenue for the 3-year 2023/24 MTREF period is R1.61 billion, R1.78 billion and R2.05 billion respectively.

The budgeted Operating Expenditure for the same period is R1.61 billion, R1.77 billion and R1.96 billion respectively.

The Capital Budget for these periods is R312 million, R248 million and R386 million respectively.

## OPERATING REVENUE BUDGET FOR 2023/24

The Operating Revenue budget for 2023/24 will increase with 13.9% to R1.61 billion compared with the 2022/23 adjusted operating budget of R1.41 billion.

Property Rates, Electricity, Water, Sanitation and Refuse is our main sources of Revenue and amounts to R1.09 billion in 2023/24, which is 75% of the Total Revenue.

Grants comprises of R235 million, which is 15% of Total Revenue.

## OPERATING EXPENDITURE BUDGET FOR 2023/24

The Operating Expenditure budget for 2023/24 will increase with 11.2% to R1.61 billion compared with the 2022/23 adjusted operating expenditure budget of R1.45 billion.

More than 80% of our Operating Expenditure is of a fixed nature. For the 2023/24 financial year, 91% of the total operating expenditure will comprise of the following 5 items:

Employee and councillor remuneration:	R543 million
Electricity Bulk purchases:	R431 million
Depreciation:	R186 million
Contracted Services:	R172 million
Inventory consumed:	R128 million

## **CAPITAL BUDGET FUNDING SOURCES FOR THE 3 YEAR MTREF**

The capital budget for the 3-year MTREF period is R946 million.

- 56% or R531 million will be funded from the municipality's own CRR funds;
- 33% or R309 million is funded from government grants; and
- 11% or R106 million will be funded from external loans.

## **INDIGENT SUBSIDIES AND PENSIONERS REBATE**

Speaker, our number of indigent households has increased from 6 203 in 2018 to an estimated 10 581 in 2023.

We are therefore providing free basic services to 28% of our 37,837 households.

High levels of poverty exist in our communities.

The indigent subsidy is available to households with an income base below the threshold of R5 800, who will receive a 100% subsidy.

We also have a second category where further relief is provided to households with an income between R5 801 and R6 500, who will receive a subsidy of 70%.

The rebates that Indigent households receive are:

- 50 units of free electricity per month,
- 6 kilolitres of free water per month,
- free refuse removal and
- free sanitation.

In respect of property rates, all owners with properties with a value less than R250 000 is exempt from paying property rates.

Relief is also provided to public benefit organisations by subsidising 75% of the monthly service and rates account.

Child headed households are furthermore subsidised in the same manner as a 100% qualifying indigent household.

We are also increasing the pensioners revenue thresholds on property rates rebates to a maximum of R25 500.

## TARIFF INCREASES

Speaker, our tariff increases for next year will be:

Electricity tariffs will increase with 15.1% as determined by NERSA;  
Water tariffs will increase with 5.3%;  
Property rates will increase with 7.5%;  
Refuse removal will increase with 6.5%;  
Sanitation will increase with 15%; and  
All other tariffs will increase with 6.5%.

## CONCLUSION

In conclusion, I wish to express my gratitude.

I thank our consumers who diligently pay their municipal accounts every month to ensure that we can continue to deliver the required municipal services.

I thank the citizens and organisations that made inputs in our IDP and Budget processes.

I thank the Western Cape Provincial Treasury that made inputs in our IDP and Budget processes, but especially for their budget allocation of R838 million in our area over the next 3 years.

The Mayoral Committee, and all Councillors need a special mention and I sincerely express my gratitude to you all. I also thank the Ward Committee member for their contributions.

The Executive Management and Operational Management and all personnel of the municipality is thanked in advance for delivering on the expected service delivery standards and projects.

I thank the CFO and the Finance team for all their hard work.

I thank the Municipal Manager for his valued input, leadership and support.

I thank you all.

**Councillor Andre Truter**  
**EXECUTIVE MAYOR**