



2022/23 BUDGET OVERSIGHT REPORT

The importance of this budget to set a new trend and direction for the governance of our town cannot be overstated. Fortuitously the timing of the last election was such that the new council term aligned almost perfectly with a new budgeting cycle so council and councillors have had the ideal opportunity to do the necessary in conjunction with the officials.

This budget comes against the recent background of reports of bloated dodgy tenders, extortion, misappropriation of funds, out-of-control overtime, cadre appointments, self-serving expenditures, and blatant criminality of the past five years together with budgets, policies and uncontrolled delegated authority that allowed for this devastation to flourish while still receiving so-called “clean audits.” All of which was severely criticized (correctly so) by opposition councillors and all councillors during electioneering.

This budget **MUST** be the one that refocuses the council and municipality on the basics of basic service delivery, clean drinking water, a clean environment; effective sewage and garbage disposal, and a safe and ordered environment; enforcement of by-laws, transport; well-maintained and improved roads and a well-run and functioning airport. These are priorities that political parties seem to agree on.

These are the “**MUST HAVES**” without which a municipality fails and is no longer sustainable.

We are concerned that the proposed budget does not address these critical issues but rather follows the trend set by budgets in the immediate past.

Probably the greatest concern, apart from the fact that it does not stick to basics of sustainable and affordable basic services, is that the budget does not take reality into consideration.

The proposed budget shows that:

The operating budget is set to increase from R779m to R807m, an increase of R28m.

Yet the reality is that the forecast revenue collection rate is 81% and uncollected revenue stands at R274m with, under the circumstances of a severely weakened economy and a concomitant decrease in government support, no prospects of a R28m increase in income to fund the increased expenditure.

It is reality that if the revenue meant to fund the basics does not increase, savings have to be found elsewhere. The essential services obviously cannot be cut.

Another reality is that central government funding is under extreme pressure due to the recent floods, broken down infrastructure vital to our economy such as rail services, roads and hundreds of dysfunctional sewage and water treatment plants. The golden bullets from that source are going to be few and far between if any at all.

The figures show that an extremely large component of our operating costs is salary related, (38.4%) so even a small percentage saving can make a meaningful contribution to savings.

We cannot agree more with CFO Dyushu's message conveyed to you in the budget narrative:

"The Council should note that an increase in salary cost without actual increase in number of staff clearly reflects poor management of cost."

That is sage advice and cannot be ignored.

Put in the perspective of the draft budget, the cost of salaries and the "contracted services" component of providing all services, it is costing R397m to spend a R410m operating budget.

Obviously, you cannot just slash employee numbers to bring the cost in line with the recommended 34% upper limit and equally you are stuck with the collectively bargained annual increase.

Reducing a bloated staff complement is not a short-term solution. A complete re-evaluation and time is needed.

In the short term the solution must be sought elsewhere within the skewed salary component.

OVERTIME.

It is common cause that expenditure on overtime is poorly managed, “out of control” and requires urgent corrective attention, yet we see the budget call for a 15% increase from R13m to R15.2m, rather than the steep cut the reality calls for.

Very close monitoring and stringent control and management procedures would have to be instituted and closely and strictly monitored and enforced by council, but it can pay off in immediate and significant savings.

It is of concern that this increase in overtime trends in following years, on the face of it, indicating an apparent inability or unwillingness on the part of management (and council if so approved) to deal with this reality.

A start would be to strictly limit overtime to essential services only; water, electricity, waste disposal, safety and security.

STANDBY ALLOWANCES.

The same goes for standby allowances; essential services only – NOT for political advisors etc as has been the case in the past.

CELL PHONE ALLOWANCES.

This cost may make up a relatively small cost in the overall costs, the small things do add up and limiting these types of perks can send a message regarding council’s determination to bring staff costs down by means other than staff reductions.

Cutting it down to realistic amounts (we observe that Knysna’s allowances are significantly lower) could ultimately allow council the leeway to save a job. (How many of the phones provided are essential tools of trade and how many are perk phones.)

LEAVE ENCASHMENT.

It is our impression that it is common practice for employees to encash leave days not taken. This is not good practice both from a financial point of view where it leads to unnecessary cash expenditure, but it is also physically and mentally unhealthy for people to work without adequate leave time spent outside the working environment.

Ultimately it unavoidably gives rise to increased sick leave and under performance which inevitably leads to increased salary costs in the form of acting allowances etc and human costs in the form of increased workloads.

COUNCIL.

The budget shows that expenditure on council itself will increase by roughly 11% from R8.7m to R9.7m. The largest component being councillor remuneration going from R6.4m to R6.8m, an increase of roughly 6.25% as against 4.9% for other salaries and 4.8% CPI... 6.25%?

Presumably, the R2.9m difference is for the costs incurred directly by council. In the absence of relevant information, which we have repeatedly asked for to explain this cost, it is assumed that a large part of it is for political appointees, advisors, PA's and sinecures for other politically connected persons which amounts to frivolous and wasteful expenditure and is embarrassing to explain.

Under the circumstances we are left no option but to request that this expenditure which apparently is unjustifiable and does not contribute to service delivery must be reduced dramatically – preferably eliminated.

In conclusion of our cost cutting suggestions, please seriously consider that by addressing the above issues, significant savings, estimated to be around R50 million, can and should be realized in the short term in this budget year already.

EXPENDITURES.

Moving on from cost containment, we wish to raise a few points regarding expenditure which we believe require your attention in this budget.

Repair, Maintenance and Replacement

National Treasury recommends 7% of the budget be spent on infrastructure repair under normal circumstances. We are all acutely aware of what results when this is not done – the country as a whole faces an R8 billion cost to restore poorly maintained sewage infrastructure alone.

It is not as bad in Plett as elsewhere but due to many years of underspending and budget cuts our own infrastructure is not in the condition it should be. Much of our infrastructure is beyond its design life and overdue for replacement. A fact which is evident from increasing infrastructure failures such as leaking and burst pipes.

It is difficult for us to determine the exact state of our infrastructure but some preliminary work done by our Pro-action sub-committee suggests that a real problem exists and that there is need for an adequate budget to deal with it.

Under these circumstances we are shocked to note that there is no allowance in the budget for even the minimum recommended normal maintenance, let alone the need to catch up to the maintenance back log that has built up over the years, nor for the replacement of over-aged infrastructure.

Based on our sub-committee's initial assessment and their prediction of the possible future scenarios, our current aging infrastructure, such as our sewage works, design capacity will soon be exceeded and in some instances may already have been briefly. It is of concern that this budget does not make adequate provision for the cost of planning and construction of the needed expansions. We should not be lulled into a sense of false security by the fact that these plants are well operated. No matter how competent and dedicated the operators may be they cannot effectively operate infrastructure beyond its design when requested funding is repeatedly denied.

Very serious attention must be given to budgeting, planning and obtaining funding for the capital work required starting in this budget already.

Contracted Services

Over R100 m is budgeted for contracted services, yet Bitou's biggest project, Qolweni housing, was given back to Provincial authorities to run. We have a large well-paid staff complement who should be able to do what is required without outside assistance. Council must ensure that staff are properly qualified in the correct fields and properly managed to carry out the functions of the municipality rather than simply increasing the budget to pay outside contractors to do the work already paid for in internal salaries.

Legal Services

The cost of legal services has escalated steeply over the past few years and appears to be an indication that the municipality is increasingly getting itself into legal trouble and then defending the indefensible without regard to cost. Settling matters is often by far the best route for a litigant, if not for the lawyers. Alternative dispute resolution, such as mediation and arbitration are also effective options.

It is also of concern that the budget is silent on the recovery of costs and losses in matters where the municipality has achieved court victories in the past. We trust that these not inconsiderable amounts will be recovered and put to good use.

The same goes for the recovery of moneys in terms of the requirements of the MFMA from those who have been found by investigations to have caused financial harm to the municipality.

Unfunded Retirement Fund Liability

The Audited Financial Statements in the Bitou Annual Report reported R69 million in unfunded retirement fund liability. It is unclear what exactly this is and how it arose. We requested information on this from the CFO in March to enable us to try to understand the budgetary implications of such a large liability but have yet to receive a response. We trust that you as councillors will give very serious attention to this matter.

Tariffs for 2022/23

The message contained in this part of the budget is not only of the greatest concern to us but is alarming to say the least.

Considering that this budget is the fruit of the input of dozens of people across the departments, the fact that with every one of thousands of permutations every single department arrives at an increase of exactly 4.8%, which just happens to be exactly the official CPI rate, over the previous year is highly unlikely and does not inspire confidence that the hard graft of budgeting was done.

Logically it cannot mean anything else than that a decision was taken to simply increase tariffs by the CPI rate.

TARIFFS FOR 2022/23:

National Treasury estimates CPI to be 4.8% for 2022/23. Proposed tariffs are:

- Electricity 9.6% (NERSA maximum limit)
- Water 4.8%
- Sewerage 4.8%
- Property rates 4.8%
- Refuse removal 4.8%
- Other charges 4.8%

What makes this scenario even more implausible and dangerous is that the CPI is based on the following basket of goods and services: food and beverages, housing, apparel, transportation, medical care, recreation, education and communication, and other goods and services and taxes.

It is highly unlikely that the cost of providing clean drinking water, sewage removal and treatment, garbage removal and disposal and in fact all other services increased by an amount exactly equal to that of a basket of goods comprised as above.

These figures are clearly not based on any work or consideration other than picking a figure that complies with inflation and therefore should not raise too many questions.

It would be downright irresponsible and dangerous for you, as councillors, to base the most important decisions relating to hundreds of millions of rands entrusted to your care on such an implausible notion.

The 9.6% increase in the electricity tariff is exactly equal to the absolute maximum of the limit set by NERSA and almost certainly bears no resemblance to how much the cost of providing electricity here in Plett will actually increase over last year. It is just the maximum allowable with no further consideration or effort put into its proper calculation. (Remember the poor who already pay double for their pre-paid electricity.)

Budgeting was clearly not based on actual cost of delivering these services; just a thumb suck increase like every other previous year. "Does the municipality even know the cost of delivering these services?" **We call for a zero increase in tariffs for next year as your goal.**

We therefore request that you do not accept the misleading and patently illogical and false information provided to you as a basis for your decision, but that you insist that you be provided with sufficient accurate information to be able to apply your minds to and reach rational decisions in the best interest of each and every citizen which you serve and owe a duty of care to.

We wish you the best of luck and guidance in the mammoth task that faces you.

Plettenberg Bay Ratepayers' & Residents' Association

