

COUNCIL NEWS



KNYSNA Municipality

June 2014

WHERE PEOPLE AND NATURE PROSPER

2014/2015 Budget Approved.

Find out here where the money will go for this financial year



All of the basic information surrounding this year's budget is available on the municipality's official website www.knysna.gov.za

The 2014/2015 budget was approved at a Knysna Council meeting on 5 June 2014.

Executive Mayor Georlene Wolmarans said that the budget for the new financial year occurs at a critical point in the current national and local economic cycle. "At a national level the economy of the country is under stress with exchange rates at their weakest since 2007, with inflation under pressure and with low productivity and wage costs high. Paradoxically the economy of the Knysna municipal area may have already reached its turning point and the local economy is now on a positive albeit very slow growth trajectory."

She said because Knysna remains fundamentally a tourist- and lifestyle-based economy, the national woes are not necessarily replicated in this area. "According to the latest GGP figures tourism and financial services contribute 49% of local GDP. The consensus from all role-players in Knysna is that this latest holiday period was one of the best in living memory. The collapsing rand meant that South African citizens holidayed and spent their money locally. Conversely, overseas visitors are attracted because of the cheap rand, and to Knysna in particular because of good marketing. In this regard the impact of the World Cup in 2010 and the fact that Knysna successfully hosted two European countries cannot be over-emphasised and is now paying off."

She singled out the grant to Knysna Tourism, saying that they are budgeted to receive R4 million in 2014/15. "Council has however requested the Knysna Tourism Board to review the future of Knysna Tourism, and has budgeted only for one year in terms of the current Service Level Agreement. I am positive that the outcome of this review will be for the benefit of our beautiful town"

The new budget for Knysna Municipality amounts to some R610.9 million in 2014/15, being R70.2 million for capital expenditure and R540.7 million for operating expenditure.

Wolmarans said that the Knysna Municipality is an extremely well-run municipality that fights well above its financial weight. "The municipality achieved a clean audit from the Auditor-General. A clean audit means that the financial and managerial operations of the municipality are honest, open, and transparent. Very few municipalities have this accolade and the private sector is not audited at the extreme levels. In fact a "clean audit" is a misnomer. A clean audit is an indicator which clearly reflects the ethos of the councillors, senior management and the organisation as a whole."

IN THIS ISSUE



- ALL THE IMPORTANT DETAILS AND INFO ON THE 2014/15 MUNICIPAL BUDGET
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From 1 July 2014 amendments have been approved for a number of financial policies, including the Funding and Reserves Policy and the Budget Policy. In terms of the latter two forty percent of the increased equitable share over a normal CPI adjustment will be allocated directly to repairs and maintenance (R2.5m) and forty percent to the Capital Replacement Reserve (CRR) for future infrastructure. The balance (R1.25m) will go to the revenue account.

Economic development measures implemented by Council include the drive and emphasis by the Supply Chain department to fully implement Council's Supply Chain policy to use local contractors for Council business and paying an acceptable premium to use them. By the end of this financial year it is estimated that the local portion of Council's discretionary spend will have risen over the last two years by 31% from R110 million to R144 million. The HDI portion unfortunately has not grown at the same level with only an anticipated 20% growth from R40 million to R48 million. This has much to do with the fact that the growth areas for HDI involvement remains at the less specialised level. However Council is currently examining its procurement targets in conjunction with its procurement strategy to increase local BEE spend. Furthermore a Contractor Development Program will be developed and rolled out over the next few years. Additionally Council has recently approved an initiative to market local traders over the holiday periods.

Wolmarans said a four month freeze will be mandatory on all vacancies occurring after 1 July 2014. "This is in line with National Treasury's request to "share personnel" and will allow Council to examine its structure afresh each and every time a vacancy occurs. A Council-wide organisational review was started in January 2014."

The very successful ward project system in conjunction with Councillors and Ward committees will be repeated for the third year. Wolmarans said that there will be changes going forward. "For 2014/15, the amount allocated to capital projects in wards will remain at R200 000 per ward. National Treasury insists that all significant projects must be identified and specified in the budget if they are of a capital nature. The final projects and programmes will be included in the approved municipal budget and performance against the budget will be reviewed monthly."

She highlighted the following:

- The anticipated final outcome of the current 2013/14 budget is that Council will end with a surplus after all transfers of R47.3 million. This compares to the original budgeted figure of R42.2 million.
- The operational budget for 2014/15 projects R536.8 million operating revenue, R540.7 million operating expenditure, R39.5 million capital transfers and a surplus of R35.5 million. Capital expenditure is budgeted at R70.2 million.
- The capital budget for 2014/15 will total R70.2 million of which R39.5 million is funded from national and provincial grants and R30.7 million from internally generated funds and borrowings, which includes R4.3 million of unspent borrowings.
- R14.4 million is allocated to Community Services projects which include R3.2 million for Solid Waste and Environmental projects, and R1.8 million and R2.1 million for the Rheendal and Smutsville multipurpose centres respectively.
- In terms of infrastructure R13.3 million is allocated to Electricity for the Electrical projects, R21.3 million for water and Sewer projects and R18 million for housing.
- Council has allocated a total of almost R13 million for road infrastructure. This includes R3.8 million for labour intensive paving; almost R2 million for maintaining and upgrading gravel roads; and almost R3 million for repairs and reseals. Of primary importance will be the resurfacing of Grey Street.
- The first phase of the upgrading of the CBD sewer reticulation will commence with Grey Street at a cost of R4.2 million. The total value of this project is R24 million.
- Additionally an amount of R2.5 million rising to R20 million in 2015/16 and R21.6 million in 2016/17 has been gazetted in the Division of Revenue Bill for the Bitou Municipality for a joint venture regarding water supply. A status quo report on this project has recently been submitted to Council.
- Of great significance is the R500 000 allocated to upgrade old external toilets in Hornlee. This is a priority for Council and is the first phase of a multi-year project.



The National Electricity Regulator (NERSA) has approved an increase in the bulk tariff from Eskom of 8.06%. National Treasury in MFMA Circular No. 70 advises local government "to structure their 2014/15 electricity tariffs increases based on the approved 7.39% NERSA guideline tariff increase."

The water tariff increases will be 7% across the board. Looking forward Council will be assessing this tariff along with the existing service standards. 2.5% of the increased tariff will again be allocated to the Capital Replacement Reserve (CRR) for water. National Treasury has decreed that all CRRs must be cash-backed. Anticipated costs associated with the water service means that monies must be set aside now to mitigate future costs of the various water projects required as a result of the increased population settling within the municipal area. The CRR will also be augmented by the portion of the increased Equitable Share as approved in the 2013/14 budget.

The sewerage tariffs will increase by 8%. As per last year's budget, 4% of the increased revenue will be channelled to the CRR for the projected further up-grading/replacement of the wastewater treatment works next to the Knysna Estuary beginning in 2018.

The refuse tariff will be increased by 8% for both domestic and business consumers. It should be remembered that 50% of the refuse charge for domestic consumers is already contained in the assessment rate payable. The reason for this increase is twofold. Firstly Knysna may only use the regional landfill beyond Mossel Bay. It is anticipated that in 2015 a new site managed by the Eden District Municipality will be opened. This will result in increased municipal dumping costs. Secondly, the fuel cost involved in the dumping process has obviously increased. This is a classic case where Knysna residents are forced to pay charges based on location and are above the norm of others. The three main cost drivers of the

refuse service are salaries, fuel and dumping fees.

The only ways of significantly reducing costs in this service are via a major review of the technical and service methodologies. However it should be noted that new technologies in respect of refuse have not yet been proven to save significant money and are generally extremely costly to implement.

Eden District Municipality is presently in the process of examining proposals to develop composting centres throughout the District - Knysna Municipality is not budgeting for this until such time as the investigation with National Treasury is complete. The current projected operating cost increase is R2.6 million per annum.

Minor tariffs will be increased by 7.5% on average unless specifically shown in the tariff book. The increase in the rate in the rand will be 7.5% for both domestic properties and for non-domestic properties.

Other Matters

Salaries for the municipal officials are determined by the South African Local Government Bargaining Council (SALGBC) on a national level and all municipalities are legally compelled to comply. Employee costs have risen by 5.3% on the 2013/14 adjustment budget figure. This includes the annual increase of 6.8% on basic remuneration as instructed by the SALGBC, however it also includes a 4% reduction (R6.1m) as a result of Council not filling vacancies from 1 July 2014. Without this approach the increase in staff costs would be in excess of 9% on the Adjustments Budget and would require another 3.5% rates rise above the 7.5% recommended.

The repairs and maintenance budget for 2014/15 will increase by 18% on the adjusted budget figure for 2013/14 from R29.4 million to R34.8 million. Council has noted the requirements of National Treasury in Circular 70 to increase Repairs and Maintenance. Without going into the debate about what percentage of asset value should be used to calculate the amount required in terms of maintenance, the simple fact is that the increases involved in Knysna's topographically inefficient area means that the figure and the increases will never be enough. The proposed increase of R5.4m (18%) to R34m is in line with rate and tariff increases and therefore above all other expenditures that can be controlled.

In conclusion Wolmarans said that Knysna Municipality has been selected as a pilot site for the implementation of the Standard Chart of Accounts (SCOA). "This is a huge honour but will require a serious shift in the way our operational structures report and input. It will take an enormous amount of time, effort and probably money at all levels to ensure full compliance. The money will have to be provided nationally."

She thanked the Director of Finance, Mr Grant Easton, and his team for drawing up a budget which "may not make everybody happy, but will keep Knysna financially sound. "

Budget: Rebates

Rebates currently applied to domestic owners will remain at their current level of 15%. It remains the intention of Council to completely phase out the domestic rebate in forthcoming budgets.

The current Rural Rebate of 25% will be reduced further to 20% as was approved last year.

The current pensioner rebates will again remain unchanged. They were significantly increased in recent years and the top level is still well above the nationally approved norm.

No changes are proposed to the Heritage Rebate, the New Business Rebate or the Green Rebate. The proposed Biodiversity rebate, which will replace the Green Rebate in future years, will not be introduced at this time.

Electricity Conversion: Conventional to prepaid



It is Council's intention to introduce prepayment electricity throughout the entire Knysna Municipal area, i.e. to all consumers as far as is practically possible.

The Knysna Municipal Council at its meeting held on 20 April 2011 reviewed and amended its Credit Control Policy to provide for the conversion of credit electricity meters to pre-payment electricity meters. This process will run over a three to five year period whereby all households with existing credit electricity meters, will be converted to pre-payment electricity meters. The process will commence on 1 June 2014. Pre-payment meters will be installed free of charge and prior notices will be served on consumers to inform them of their date the conversion.



Prepaid Electricity Frequently Asked Questions

1. What if I do not want a prepaid meter? Council has, after thorough investigation, opted for the prepaid metering system to affect savings for the Municipality and the consumers alike. Unfortunately, you will have no option than to be converted to prepaid system.

2. Can I have a prepaid meter now? The intention is to begin the process of switching over to prepaid for those consumers currently in arrears. The point behind the conversion is to allow all residents to be placed on an equal footing and to encourage a culture of payment. Those people wishing to transfer across to prepaid can phone the Council prepaid line (044 302 6558) or send an email to prepaid@knysna.gov.za You will then be contacted as to an appropriate date.

3. In which areas will the conversion process commence? The intention is to commence the process in Wards 2, 9, and 10, where the bulk of the credit meters are in use. The process will begin with those consumers who are in arrears.

4. What will it cost? The cost to the consumer as from 1 June 2014 will be nothing. The meter will be purchased and installed free of charge by the Municipality and programmed accordingly.

5. I have a conventional meter in a housing development that has a bulk meter and is managed by PM&D - will I also be required to go over to prepaid metering? Yes, but the prepaid meters and bulk meter will still be managed by PM&D as well as the internal electrical reticulation.

6. I don't live in one of the mentioned wards but I want a prepaid meter now. Can I have one? In that case you need to pay the subsidised conversion fee of R820, VAT included, to have the meter installed by the municipality as from 01 July 2014.

7. What benefit is there for me by being forced to change to a prepaid meter as I pay my accounts on time? Council cannot afford to run two different systems in the years to come. Prepayment metering is the chosen payment vehicle.

8. If I allow my service accounts to go into arrears will I get a prepaid meter sooner? Or will I be cut for non-payment? You will get one sooner, but you will have arrears plus interest

transferred to your meter and you will be cut.

9. Who is paying for all these free meters? Is this why my rates and taxes are the highest in the Western Cape? Council is paying from the cash generated by the pre-payment vending system. The answer to the second part is NO; this has no effect on your rates and taxes.

10. How will the Council collect arrears through the prepaid system, similar to the current procedure? Currently many consumers who have credit electricity meters are in arrears on their assessment rates and other charges. Legislation now allows Council to collect those rates via the electricity account. The simplest, and in the long run, the cheapest way for both Council and the individual to avoid unnecessary penalties, interest or disconnection and reconnection fees, is via the prepaid system.

Those residents currently with no arrears will be amongst the final consumers involved in the switchover but it is ultimately Council's intention to do away with all credit meters.

11. How do you intend using the pre-paid electricity system as a collection mechanism? Any future arrears as from 1 July 2014 will be transferred onto the pre-payment system and a percentage or pre-debit (between 20% and 40%) will first be allocated to the arrears e.g. a purchase of R100 @ 20% = R20,00 towards the arrears. Every time a consumer makes an electricity purchase, whilst in arrears, the fixed percentage will be allocated to the arrears. The pre-debit will be removed from the pre-payment system once all arrears have been collected.

12. I am on conventional 3Phase metering. As I have to go onto prepaid I want to have a single phase prepaid meter. No, this is not possible as there are additional costs to change from 3Phase to 1Phase, which must be covered by the applicant. This Council policy only allows for the change of metering and not the change in a service connection.

Further enquiries can be directed to our Helpdesk at **044 302 6558** or by email to prepaid@knysna.gov.za

Upcoming Events:

- The 31st annual Pick 'n Pay Knysna Oyster Festival from 4 - 13 July 2014.
- South African Revenue Protection Association Conference 10 July 2014

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