

Knysna Council approved budget for tough economic times

The Knysna Council approved the 2020/2021 Knysna Municipal budget during a virtual Council meeting on Thursday 18 June. Executive Mayor Elrick van Aswegen said that the Municipality's cash flow crunch combined with the effect of the Covid-19 lockdown created one of the most difficult environments to date to draft a budget in.

"There were a number of factors that influenced the budget. The municipality's dire financial situation and increased pressure on an already depressed economy by the national lockdown had a compounding negative effect and increased the universal challenges experienced by all spheres of government. Knysna is a tourist town and its economy is largely dependent on the tourism and the hospitality industry. With the revised level 3 lockdown regulations many businesses in Knysna can re-open again, however it will take years for our economy to recover from the effect of the lockdown. By default this will also have a direct effect on our income stream. There is no guarantee when international and national tourists will return, and when they do, it will be under strict safety regulations constricting the number of people allowed in establishments, etc. These circumstances left us little leeway as we drafted the final budget."

"The aim of the budget is to achieve specific targets for enhanced liquidity and cash flow, enabling us to provide uninterrupted basic services. To sustain this we had to balance revenue with expenditure, which directly impacts on tariff increases in difficult and trying times," said van Aswegen.

He said that the Finance Directorate had various meetings before the final budget was drafted. "They met with the budget steering committee and the business community to understand the impact of Covid-19 on their businesses. It was important to have a clear and common understanding of what we are facing."

To address the impact of Covid-19 and assist local businesses, employers and employees, the Municipality appointed a committee consisting of the Chief Audit Executive and the Chairperson of the Audit Committee to consider ad hoc applications for delayed rates and services charges from businesses and accommodation establishments. "A reduction in municipal property rental up to a maximum amount of R50 000 will also be considered. The committee's appointment runs until the end of September."

Van Aswegen said that unfortunately the Municipality is not in the position to consider debt relief for ratepayers without it impacting on service delivery." Balancing the budget has not been easy. We had to ensure that we maintain service delivery while minimizing tariffs and increases at a time when costs are increasing. After all the consultations which included Provincial Treasury we were happy with the final product which we believe will in some way alleviate the pressure and suffering faced by the business sector and community at large."

THE 2020/2021 BUDGET IN A NUTSHELL

The 2020/2021 capital budget amounts to R157,9 million and translates to a R444,1 million over the Medium Term Revenue and Expenditure Framework (MTREF) period. The draft operating budget for the 2020/2021 financial year amounts to R1,036 billion, an increase of R62,6 million, or 6.4%, when compared with the last adjusted budget for 2019/2020.

Rates increase will be limited to a maximum of 3%, water services tariff increase to a maximum of 3%, sanitation service tariffs to a maximum of 3%, refuse removal be increased by 12% and electricity will be approved in terms of NERSA approved guidelines.

FINANCIAL TURNAROUND

We will continue to work closely with the Administration to further reduce expenditure and identify assets, not needed to provide basic services, which can be sold. "Spending will be focused on infrastructure assets to attract investment and rebuild the economy. The proposed spending on programmes is outlined in detail in the budget report and will be published in an easy to understand format for the general public."

Van Aswegen concluded by saying that it will take time, but that they opted for a strategic path towards a healthier fiscal position. "The economic turnaround of Greater Knysna will not happen overnight and need effective, firm leadership to make it happen. It will require Council to make difficult decisions, but the unpopular decisions of today are necessary to negate the negative impact of tomorrow. "

The full budget is available on the municipal website, www.knysna.gov.za.

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Knysna Municipality Communications Department
P O Box 21, Knysna. 6570. Western Cape. South Africa
Tel +27 (0)44 302 6300 (switchboard) or 302 6430 (direct)
e-mail pr@knysna.gov.za