

## PART 1 – ANNUAL BUDGET

### 1.1 EXECUTIVE MAYOR'S REPORT

Section 21 of the MFMA provides that the mayor of a municipality must: -

- (a) Co-ordinate the process for preparing the annual budget and for reviewing the municipality's integrated development plan and budget related policies to ensure that the tabled budget and any revisions of the Integrated development plan and budget related policies are mutually consistent and credible.

The City is tabling a budget under subdued economic times that are characterized by an uneven recovery, resulting to high levels of unemployment, high cost of living and constrained business environment. This time requires the City to be agile, responsive and efficient in order for it to rescue the City's economy from the international fluctuations affecting food and related prices, the energy crisis and other attendant matters.

Taking into account the current state of financial affairs of the City, Council adopted a Financial Recovery plan in December 2023. This financial Recovery plan is based on three phases: -

- Rescue stage
- Stability
- Sustainability

In implementing the above, the City seeks to ensure that financial controls are in place to promote Cost containment and funding choices made by the City in line with MFMA section 128. This circular provides for capital prioritization model and how we fund our projects. The City on this budget has considered that all social projects be funded from grants, Internal funding to be used for economic and environmental projects. The City at this point has a high gearing ratio to take on additional loans to complement economic projects however due to the latest downgrading of the City by the ratings agencies results in high cost of borrowing, thus not feasible to engage in such at this time.

The credit rating triggers that lead to a downgrade is our low collection rate, declining liquidity indicators and slow capital expenditure. The rating agency based on the above reflect that the short- and long-term outlook will be negative if the above is not addressed. It is against this background that we table a total budget of R11.26 billion consisting of the operating expenditure budget of R10.020 billion and the capital budget of R1.240 billion for 2024/2025 budget year. This budget increases to R12.062 billion in the 2025/2026 financial year, made up of R10.790 billion for operating expenditure budget and R1.272 billion for capital budget. It further increases to R12.892 billion in 2026/2027 financial year made up of R10.594 billion for operating expenditure and R1.320 billion for capital budget.

The proposed annual budget for 2024/2025 to 2026/2027 outlines the funded commitments of the City to deliver on its Integrated Development Plan priorities' (IDP) and set strategies whilst effectively improving and supporting our communities.

In the context of this bleak reality of continued darkness, Eskom tabled a 12.7 percent tariff increase, a reality that will surely pit us against consumers and new guideline proposed by NERSA on the Multi Year Price Determination formula (MYPD). Considering that MYPD formula was set aside by the high Court, NERSA has said that no tariff application will be considered if licensees have not submitted their revenue requirement and cost of supply. The City Has complied with the above and determined that as per our cost of supply, the City will increase electricity tariffs by 15.81%

The rising unemployment rates and economic contraction has affected business and residents' ability to pay their accounts, including municipal accounts. The City had to eliminate nice to have items by enforcing cost containment measures to be able to keep the rates and tariff increases as low as possible so as to not over burden the consumer.

The Honourable MEC for Finance in our Province tabled the provincial budget speech premised upon the following principles:

- Resourcing economic development initiatives whilst protecting social services.
- Strengthening government capacity to implement infrastructure projects and deliver services; and
- Encouraging good governance and transparency to realise value.

The above principles as set up by our Honourable MEC for Finance in our province are equally applicable to our City. The City remains committed in being the engine of economic growth within the province through:

- a) Proper planning and infrastructural development;
- b) Spreading of funds across social and economic infrastructure to ensure that the poor and the vulnerable remain a priority whilst also focussing on stimulating economic growth;
- c) Review of structures, processes, technology and skill development to improve revenue management;
- d) Evaluation of all our functions' effectiveness, efficiency and implementation of cost containment measures;
- e) Review of compliance and efficiencies across supply chain management in support of service delivery;
- f) Real and sustainable service delivery through improved implementation and productivity of performance management; and
- g) Improved execution of anti-fraud and corruption strategies, frameworks, policies, procedures and whistle blowing.
- h) Exploring innovative and sustainable alternative revenue sources by unlocking the potential in existing assets.

This budget is compiled underpinning our **key priorities of Water and Sanitation, Roads and Storm Water, Human Settlements Development, Transport Planning, Electricity** and related **critical infrastructure and maintenance**. Our City will continue to increase capacity to **water supply infrastructure whilst also attending to aging infrastructure** for the service. We will continue with the roll-out of our **sanitation**

**programme** in rural areas and informal settlements, as well as expanding the capacity of infrastructure **in our urban area to accommodate and open opportunities for further developments.**

BCMM continues to investigate potential alternative sources of energy to ensure a more sustainable energy mix by 2030. Several sustainable energy initiatives have been planned for implementation by the municipality with recent engagement with the Ministry of electricity and MBSA. Energy-efficient municipal operations will provide a way to cut running costs while reducing negative impact on the natural capital.

As part of the long-term plan on human capital development, the City continues to allocate funding for internship programmes and internal capacity building and bursaries for BCMM communities. The Directorate of Economic Development & Agencies is running various programmes in a bid to reduce unemployment and indigent rate in our City, e.g LGSETA funding and PEP.

BCMM is focused on re-prioritising the budget, projects and resources where they are needed most and where they will have the most significant impact. The presented budget attests that BCMM is a City hard at work and will continue to build a stronger social compact with business, labour and communities to accelerate development in the 2024/2025 MTREF period.

Yours in Public Service,



Cllr Princess Faku  
**BCMM Executive Mayor**