

FISH HOEK VALLEY RATEPAYERS & RESIDENTS ASSOCIATION

(Incorporating Fish Hoek, Clovelly and Sun Valley)

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**TO: WARD 64 COUNCILLOR AIMEE KUHLMAN, aimee.kuhl@capetown.gov.za
SUB-COUNCIL CHAIR: ALDERMAN FELICITY PURCHASE**

SUBJECT: THE CITY'S BUDGET AND BUDGETING PROCESS

1. DISCUSSION

We need our councillors to have a new mind-set; a new way of thinking about our how our budget increases without proper accountability.

There is an ongoing outcry by our residents over the budget and budgeting process of the City of Cape Town and how it impoverishes them, especially our poorer citizens, such as our pensioners. Several items, such as water and electricity, have increased multiple hundreds of percent belying any link with the reality of its impact upon inflation and thus, living standards from the remaining discretionary spending power. They say that these increases are not affordable and the City is being insensitive to their needs for survival. This places a huge financial hardship on many of our residents who are already burdened with the increase in the VAT rate, etc. The City's budgeting process appears to be just add some arbitrary percentage increase across all operating budgets with special considerations being given to increasing the main source of funds previously used to cross-subsidise other areas not rates based. These other non-rates areas should be slashed entirely from the budget. The City should institute zero cost based budgeting after a reduction of head count of staff, consultants and councillors. There should be a freeze on rates, salary increases and hiring. Stop hiring the useless.

We do not feel that the City is being run efficiently. Salaries increase without an increase in operating productivity. The total salary bill is set to increase by 12.1% whereas the official inflation rate is around 4.6% as of the time of writing. The City's rates and tariff increases are becoming a major driver in the inflation basket as its increases are above CPI. The current property valuation will most likely result in higher property rates, thus more woes to an already burdened ratepayer. When economic times are difficult, as in now, the City should proactively cut its costs to assist the poorer citizens that are contributing to the economy. Businesses usually show signs of failing when their wage bill rises to 33% and above of their total operating budget, as is the City's case.

Also, the City's billing system seems to be in a mess with more ratepayers complaining of extraordinarily high municipal bills. Surely the City's SAP System should be able to flag multiple hundreds of percentage point increases as being extraordinary and worthy of investigating before sending out demands of payment. When a City bill suddenly and uncharacteristically runs into hundreds of thousands, it is unfair for a resident to pay then argue. Where is the accountability?

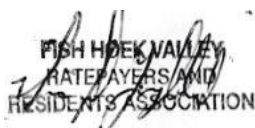
The citizens of Cape Town will hold the elected representatives of the people responsible for this debacle. We are in this mess because councillors are not articulating the sentiments of their constituents when approving vast increases. Councillors must protect the citizens from hardships caused by excessive spending by council. We see this as the councillors having

failed the people of Cape Town miserably and should not be surprised if the prevailing dissatisfaction manifests itself in the ballot box. Ultimately the responsibility rests with you, the councillors, our elected representatives.

2. RECOMMENDATIONS

Therefore, for the reasons set out in this report, we recommend the following:

- The City's budget should be frozen including salaries;
- The salaried officials, consultants and councillors head count should be decreased;
- A hiring freeze should be enforced;
- All non-rates based departments should be eliminated thus avoiding cross-subsidisation;
- Zero-cost budgeting should be introduced with full accountability justifying all costs, including current costs; and
- The City's billing system must be fixed.

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