



MATJHABENG LOCAL MUNICIPALITY OFFICE OF THE EXECUTIVE MAYOR

DRAFT BUDGET FOR THE 2013-2014 FINANCIAL YEAR SPEECH DELIVERED BY THE EXECUTIVE MAYOR OF MATJHABENG LOCAL MUNICIPALITY, COUNCILLOR SEBENZILE NGANGELIZWE ON TUESDAY 26 MARCH 2013, COUNCIL CHAMBERS, WELKOM

Mr. Speaker: Councillor Bheki Stofile
Chief Whip of Council: Councillor Joseph Sephiri
Members of the Mayoral Committee
Leaders of all Political Parties in Council
Fellow Councillors
Municipal Manager: Mr. German Ramathebane
Senior Management and Officials of Council
Members of the Community
Representatives of the Media
Fellow citizens

Mr. Speaker

INTRODUCTION

Mr. Speaker

Today we are tabling the draft budget which is factored in the current national economic landscape and political space. Matjhabeng Local Municipality is part of global economy and national space. Our economic activities play a pivotal role in the global space. Matjhabeng is producing crops and mineral resources – indeed, on land and beneath the surface the area is economically active.

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As we are commemorating hundred years of the Land Act, 1913; Act No. 27 of 1913, in this financial year we are inviting all agents of change, patriotic citizens, Traditional Leaders and State organs to join hands to improve the living conditions of the previous disadvantaged groups and people of South Africa in general.

Last year we celebrated the centenary of the African National Congress, ruling party in South Africa, and I am therefore reminding the community of Matjhabeng of our commitment as a municipality on local government sphere to better the lives of our people through our mandate of service delivery. This draft budget must lay that foundation to better the living conditions of Matjhabeng citizens.

This is our second budget after 2011 local government elections; the Municipality need committed managers and staff members to implement government programmes. The ANC will be completing the second decade governing at local level after the next local government elections.

The draft budget presented today marks the next step on Matjhabeng Local Municipality's path to financial stability and service delivery of excellence. Its objective is to build today for a better tomorrow.

It is also a step towards our Vision 2030 for Matjhabeng, and in this regard we echo the words of the Honourable Premier of the Free State, Mr Ace Magashule, when he said in the State of the Province Address 2013 and I quote: "by the year 2030 we want to see and have a Free State that has a resilient thriving, productive and competitive economy that is inclusive with immense prospects for human development anchored on the principles of unity, dignity, diversity, equality and prosperity for all."

We indeed wish the same for Matjhabeng.

This draft budget I am presenting today reflects the necessity to balance spending on our programmes to provide services to consumers. We are taking bold steps on the ageing infrastructure, maintenance and repairs while continuing to make the Municipality run more efficiently and effectively.

After an exhaustive analysis of our expenses, revenues and the efficiency of our operations, this draft budget represents what must be done the coming financial year,

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and more importantly; it lays the steps we must take to eliminate our unacceptable consumers' debt.

Mr. Speaker

In the new financial year we will revitalise our partnership with the private sector. We will vigorously engage the private sector to ensure that partnerships on investment are coordinated for job creation and sustainable development outcomes. We need to build a Matjhabeng that is economically productive and efficient, and meets the service delivery needs and goals of our people.

The statistics of Census 2011 is a sure indicator that the ANC-led Government is delivering on its mandate to create a better life for all. We are indeed a government at work.

Unemployment among the Matjhabeng youth has decreased from 60,3% in 2001 to 49,7%, although this figure remains unacceptably high.

Our 406 461 citizens increasingly reside in acceptable human habitation – the number of formal dwellings has increased from 56,9% in 2001 to 78,5% in 2011.

Waterborne sewerage has increased from 62,4% in 2001 to 81,1% in 2011, with electricity for lighting reflecting an increase from 69,9% to a staggering 91,1%. The weekly removal of refuse has increased from 76,7% to 86,3%.

Mr. Speaker

We have learned with appreciation that Ventersburg is also on the agenda of the Free State Province for the planned renovations and refurbishment of identified schools in the province.

We further take cognizance of the fact that the Free State Department of Economic Development and Tourism has identified Virginia as a prospective tourist hub.

CONDOLENCES AND PERSONALIA

Mr. Speaker

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The past year brought us many reasons to celebrate, but we unfortunately also shared grief and bereavement, on national, provincial and local level.

We pay tribute to the late MEC responsible for Health, Ms Fezi Ngubentombi, who passed away in a car accident.

We sadly also lost a number of valued officials of this institution during the past financial year. Their contributions will be remembered.

May the souls of our colleagues and friends rest in peace.

MILESTONES 2012-2013

Mr. Speaker

Despite many challenges Matjhabeng Local Municipality made progress in the tasks set out in the 2012-2013 financial year.

It is a privilege to report that we have achieved our commitment to the citizens of a number of wards.

Significant progress has been recorded with the refurbishment of Water and Wastewater Treatment Works during the past year.

Milestones in the 2012-2013 financial year include:

- Completion of the storm water system in Phomolong, Meloding and Mmamahabane.
- In Thabong, Kutlwanong, Bronville, Meloding Kutlwanong and Nyakallong roads were paved.
- In Meloding 300 toilet structures were erected.
- A regional taxi rank was completed in Kutlwanong.

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- The main storm water system in Phomolong was upgraded and the State Way sewer line between Tempest and Lindsay Roads was completed.
- The electrification of Extension 15 and Extension 9 in Thabong and Bronville Phase 5 was completed as well.

PROJECTS TO BE COMPLETED ON OR BEFORE JUNE 2013, INCLUDE THE FOLLOWING:

- Upgrading of cemeteries in Phomolong, Virginia, Meloding, Kutlwanong and Bronville, where considerable progress has been made already.
- The installation of components at Witpan Waste Water Treatment Works.
- The connection of a high mast light and electricity supply at sport facilities in Nyakallong and Mmamahabane.
- Work on the Mmamahabane Ring Road and Thabong Roads 142 and 295, as well as roads in Oppenheimer Park.
- Work on water and sewer works in Thabong T12.

Due to the nature of municipal budgeting, some projects and priorities are multi-year projects, and may not be completed in the 2013-2014 financial year, but we recognize the expressed need of citizens for service delivery and we will provide them.

PROJECTS TO BE ROLLED OVER TO 2013-2014 FOR COMPLETION (MULTI-YEAR PROJECTS) INCLUDE:

- Work on storm water system for Road 300.
- Completion of paving, Hani Park.
- Phomolong taxi rank
- Phambili and Nkoane roads.
- Mmamahabane sewer connections.

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- Thabong X18 water network.
- Losabe canal.
- Thabong - 2km road.
- Whites sewer system.
- Kopano Indoor Sport Centre.
- Phomolong stadium.
- Erection of 23 high mast lights in Matjhabeng.
- Bronville Sport Centre.
- Meloding Sport Centre.
- Service 1000 new stands per year.
- Thandanani approved by Township Board and in process to be registered.
- Install bulk and internal water reticulation for 1 200 stands in Thabong T6 &T12. Construction at T12 will be completed in 2013-2014 while T6 will be undertaken in 2015/2016.
- Finalization of Hlasela roads in Kutlwanong, Meloding and Phomolong.
- Resurfacing of 13% of all streets every year. A tender for 3 years has been approved.
- Maintenance of streets and associated infrastructure. We have already repaired 7078 m2 of potholes, cleaned 13km and bladed 11km of roads.
- Analyze and upgrade of Meloding water network to ensure that minimum water pressure is maintained throughout the day.
- Repair and maintenance of water related infrastructure. 1543 water leaks were repaired and 1722 meters and connections maintained to date.
- Construction of retention dams to reduce occurrence of flooding of properties.

BUDGET 2013-2014: PRIORITIES

Mr. Speaker

The budget for 2013-2014 will focus on improvements, development and maintenance in our communities.

Therefore we will, in the 2013-2014 financial year, focus on the following:

- Establishments of two entities i.e. water and electricity respectively.
- Revamping of the ageing infrastructure.
- Upgrading of sewer networks.
- New sewer networks.
- Roads and water reticulation.
- Building of new community halls.
- Sport and recreation facilities.
- Managing waste in our municipality.
- Managing our environment and parks.

Our main priority for the 2013-2014 financial year remains the water and sanitation situation in all wards and all units.

Corrective measures to reduce and curb our water losses is our top priority.

As mentioned earlier on, our water losses are unacceptably high. It is estimated that our water loss is presently at **54%**. It cannot continue. We must find a solution. Phases 1 and 2 of the Matjhabeng Water Services Development Plan have been completed, and phase 3 and 4 will follow soon.

The budget for 2013-2014 makes provision for the upgrading of storm water systems, waterborne sewer networks, eradication of the bucket system in areas where they still exist, and the upgrading of main sewerage pump stations and new outfall sewers.

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Our ageing infrastructure is a concern. Water is a precious commodity – too precious to waste. We need a new direction to protect the revenue of the institution.

Matjhabeng, like any other municipality, is in the position that grants for new development is provided by national government, but maintenance must be funded internally.

The replacement of ageing infrastructure is costly and almost unaffordable given the shrunken revenue-base due to closing of mine shafts and the local economic resources are declining.

As a Municipality we would like to replace all ageing infrastructure, but it is simply not possible. Burst pipes can be fixed, but meter tampering and water theft is less visible and the losses due to these social ills run into millions of rands each year.

We therefore again request the community to assist the Municipality in eradicating these malpractices. Please report meter tampering and water theft to the Municipality.

It has been said time again and I wish to say it again: by paying for services, the Municipality will have the revenue to fix potholes, broken streetlights and a host of other service delivery needs.

We thank those citizens that pay for their services.

BUDGET 2013-2014

Mr. Speaker

Matjhabeng Local Municipality has challenges like any municipality in South Africa.

Some challenges include:

- Limited and shrinking revenue base
- Rising unemployment
- Declining population size

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- Low payment rate
- Internal capital expenditure
- Changes in the economic landscape
- Poor workmanship

Our tax base is badly affected currently. All departments should apply cost-effective methods.

The Municipality has taken pro-active steps to help improve our service delivery. Operation Patala is not merely directed at the community as an intervention to collect arrears. It is also a multi-departmental instrument to improve and monitor service delivery.

Effective and efficient administration will be a priority in the 2013-2014 financial year. Operation Patala, together with weekly service delivery monitoring, have become the best tool for monitoring. It will intensify in the new financial year. What gets measured gets done. The performance management system at the Municipality is closely linked to Operation Patala and Operation Coca.

Operation Coca is visible service delivery in action. It is also a multi-departmental service delivery intervention, and includes the cutting of grass, pruning of trees, fixing of streetlights, removal of illegal dumping, replacement of traffic signs, filling of potholes and road markings, amongst others.

Mr. Speaker

The days of non-performing service providers are numbered. The Municipality is now blacklisting service providers and contractors who do not comply with their contractual obligations, or who renders poor quality products or workmanship.

We are facing a tough financial year ahead. We need all citizens and the business community to contribute towards our on-going efforts to spur new development to attract jobs and build a sustainable long-term local economy.

Through our actions, and by speaking for those who otherwise would have no voice, we will make local government in Matjhabeng responsive and accountable; but government alone is not capable of turning our Municipality around.

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We have listened to our community, and this new budget has been created to address all of those goals.

The budget for 2013-2014 therefore aims to move into the direction of a realistic budget that reflects the financial capacity of citizens to pay for services on the one hand, balanced with the Municipality's mandate to deliver services within its means.

Mr. Speaker

The Annual Budget of Matjhabeng Local Municipality for the 2013-2014 financial year is compiled in accordance with the prescripts of the Municipal Finance Management Act 56 of 2003, Municipal Budget and Reporting Regulations and National Treasury's MFMA Circular No. 51, 54 and 55.

The draft budget I present to you today is not "business as usual". Instead, it represents a significant change in thinking and direction for this Council.

Our approach to move forward in our service delivery is therefore based on:

1. Accelerated Service Delivery
2. Capacity Building and Public Participation
3. Cooperative Governance and Accountability

Factors that have been considered in the budget assumptions include the following:-

- CPIX of approximately 5.5%
- Increase in Sedibeng Water tariffs by 8%
- NER regulations versus increase in Eskom tariffs – 8%
- Salary increases of approximately 8%
- National Treasury (MFMA Circular No. 67)

Expenditure

There are fixed costs that the Municipality cannot do without.

- Supply of bulk services is 47.53% of total expenditure.

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- General Expenses relate to operational costs and are therefore inevitable. This comprises 10.67% of the Municipality's total expenditure.
- Repairs and Maintenance relates to service backlogs and upgrading of infrastructure. 11.38% of total expenditure has been allocated to repair and maintenance.

The Municipality therefore has a great challenge of providing basic services to its population with limited resources.

Revenue

Grants and other funding contributing towards the capital budget are:

1.	MIG allocation	R 189 907 000
2.	Council Contribution (Counter funding)	R 20 000 000
3.	Other grant funding consisting of:	
3.1	Extended Public Works Programme Grant	R 1 000 000
3.3	Integrated National Electrification Programme	R 1 575 000
TOTAL CAPITAL FUNDING		R 212 482 000

Mr. Speaker

We expect the pay rate to be **72%**, which has been informed by the following factors:-

- The average collection rate for the past 8 months
- Revenue enhancement activities implemented (Operation Patala).
- The expected pay rate is more realistic and achievable, based on statistics for the past 4 years.

BUDGET ASSUMPTIONS 2013-2014

Mr. Speaker

The proposed tariffs that are linked with the budget assumptions are:

Water:

May I remind this esteemed house that there was no increase in the water tariff in the last 4 financial years.

- Sedibeng Water proposed an increase of 8% for every financial year, therefore we propose an increase of **3%** for the 2013-2014 financial year.

Council provides Free Basic Services to the indigent. It is important that citizens, who comply with the criteria, apply and register for Free Basic Services.

Electricity:

- An increase of **7.5%** in electricity tariffs for the 2013-2014 financial year as stipulated by NERSA and National Treasury is proposed.

Mr. Speaker, please allow me to pause a moment on the matter of electricity and the threat by Eskom to cut the Municipality's supply because of the alleged non-payment of arrears to the amount of R146 million.

We sincerely want to thank the community, community-leaders, community-based organizations, organized labour and political parties for their support in our quest to have the matter addressed and corrected.

The pending court case against Eskom has been tabled in this Council and I will not revisit the issue, except by stating categorically that Matjhabeng will robustly defend its legal rights in this matter.

Refuse & sewerage:

- An increase of **5.5%** in Refuse and Sewerage Rates is proposed.

Rates:

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- An increase of **5.5%** is proposed in Assessment Rates.

When the Municipality's new Valuation Roll was implemented, the agricultural community became liable for paying rates for the first time ever. In the 2012-2013 financial year, agriculture paid 25% percent assessment rates. In the 2013-2014 financial year, agriculture will pay 50% of assessment rates due.

CONCLUSION

Honourable Speaker

The budget presented here today, demonstrates in no uncertain terms that we will have to work harder and smarter to deliver services to our citizens.

Without a dedicated collective, nothing will and can be achieved. We thank councillors, managers and officials for their commitment and dedication in preparing the budget so that we could finalize and present our draft budget on time.

We also thank members of the mayoral committee for their dedicated commitment and assistance with Operation Patala and Operation Coca.

I want to thank the staff in the Office of the Executive Mayor for their support and commitment to their tasks at hand.

Lastly, but not the least: I want to thank my wife and my family for giving me support.

Let us all also thank our Heavenly Father and God, for allowing us on a daily basis to do what He expects from all of us.

Honourable Speaker, in conclusion:

- I therefore table the Operating Budget of **R1 364 011 925** [R1 687 706 368 (billing revenue) less anticipated bad debts due to 30% non-collection of revenue] of R323 694 443 and the Capital Budget of **R212 482 000** to be approved, with specific recommendations to Council.

**Thank you
Baie dankie
Ke ya leboha
Ndiyabulela**

**CLLR. S NGANGELIZWE
EXECUTIVE MAYOR**