

MERAFONG CITY LOCAL MUNICIPALITY

BUDGET SPEECH 2010 / 2011

DELIVERED BY: COUNCILLOR DP MOLOKOANE: THE EXECUTIVE MAYOR

DATE: 31 MAY 2010

ADDRESS OF THE EXECUTIVE MAYOR OF MERAFONG COUNCILLOR .DP MOLOKOANE TO THE SPECIAL COUNCIL SITTING OF MERAFONG CITY LOCAL COUNCIL TO CONSIDER THE BUDGET FOR THE FINANCIAL YEAR 2010 / 2011 HELD AT THE COUNCIL CHAMBER 31ST MAY 2010.

INTRODUCTION:

- Madam. Speaker
- Honorable Executive Mayors from adjoining City Councils within the District.
- The Chief Whip of Council.
- Members of the Mayoral Committee of Merafong City.
- Honorable Councillors.
- Distinguished Guests
- Ladies and Gentlemen.

Madam Speaker, thank you very much for affording me an opportunity to present our draft budget for the 2010/2011 Medium Term Expenditure Framework cycle.

Madam Speaker:

A Strategic Plan “Vision 2020” where a new vision “**A prosperous, sustainable and community-oriented city**” and new Mission “**To provide quality services to all**” was adopted.

The following main strategies, together with the commitment to improve and extend service delivery to the communities of Merafong were adopted for the 2010/2011 Medium Term Expenditure Framework cycle.

The following key performance indicators were adopted:

1. Integrated spatial development framework for sustainable development
2. To ensure the provision of basic services
3. To promote local economic development
4. To ensure municipal transformation and organisation development
5. To ensure municipal financial viability and management
6. To ensure good governance and public participation

The Strategic Plan will position us to be a well-run city through good governance, where economic growth and prosperity and quality municipal service delivery places us among the leading municipalities in Gauteng.

The above-mentioned priorities are taken into account in the draft budget that we are presenting here tonight.

Our draft budget is therefore informed by the Draft Integrated Development Plan, informed by public participation which we are going to table also this afternoon.

The following aspects were taken into account when the budget was compiled.

- The improvement of the standard of services that our municipality delivers to the community. This includes the provision of basic services to the poor.
- We have made sure that the budget is credible and the funding of the budget is realistic and is aimed at long-term sustainability of our municipality.

MADAM SPEAKER

The following aspects were taken into account when the budget was compiled.

The average payment levels for the past three years were as follows:

| | |
|-----------|--------|
| 2006/2007 | 77.00% |
| 2007/2008 | 85.78% |
| 2008/2009 | 87.66% |

The demarcation issue has been resolved.

Rand Water will increase its tariffs 14.10% for the 2010/2011 financial year.

Escom will increase their tariffs by 24.80% Council can only increase its tariffs by 19.0%

The implementation of the Property Rates Act in the previous year, and the exorbitant tariff increases by Escom had resulted in that a substantial portion of *the community found it difficult to afford councils tariffs. Especially the pensioners were really affected.*

The establishment of Khutsong 1, 2 and 3 necessitated that councils structure had to be restructured to ensure that council will be able to deliver with the increase demands.

- The uniform pre paid vending system that was rolled out to vend 24 hours enabled council to implement the 50:50 collections on arrear accounts.
- The large increases and changes in property rates, and the change of the local economic conditions such as the down turn in the property market, trends in household incomes and unemployment were counterproductive, resulting in higher levels of non-payment and increased bad debts.
- The unstable situation in Khutsong and resistance to pay for services in Kokosi and Wedela is a major concern that needs to be addressed as a matter of urgency.

PUBLIC PARTICIPATION

As provided for by legislation the process of developing this budget included interacting with communities for input and discussions on priorities and concerns. Council also conducted consultative meetings in all areas of Merafong.

All the venues were well attended and constructive inputs were received.

The budget and the IDP were made public and the local community was invited to submit representations in connection with the budget and the IDP.

Madam Speaker:

Council considered the views of the;

- The local community and
- The National Treasury and the Gauteng Provincial Treasury.

Madam Speaker: As part of a mandate from my party and its government we have taken into account representations made by the community and the budget before you today is informed by contribution from members of our communities.

The following public participation process was followed to identify the capital programmes that I will present to you tonight.

- All councilors workshop on IDP and Budget
- Ward committees and Sector leadership workshop
- Ward councilors together with their committees conducted intensive ward meetings to submit their needs.
- An analysis of changing circumstances as reflected in the situation analysis by each department.
- A review of organizational performance
- The adjustment of Councils Strategic Plan to revise strategies and targets.
- My Imbizo report backs on municipal programmes and projects and community inputs.
- Structured consultation with mining houses to integrate socio and economic plans of the mines.
- IDP representatives forum
-

Madam Speaker I table to you councils capital budget for the financial year 2010/2011

1) **CAPITAL BUDGET**

As a way of being responsive to the needs of communities, Council undertakes to deliver the following capital programmes for the 2010/2011 financial year.

1.1 **Infrastructure and Service Priorities.**

| | |
|-----------------------|--------------|
| Housing | R105 350 444 |
| Water | R 1 000 000 |
| Sewer | R 3 000 269 |
| Roads and Storm Water | R 37 080 731 |
| Public Works | R 4 925 000 |
| Electricity | R 18 800 000 |
| Waste Management | R 11 158 000 |

1.2 **Social Priorities**

| | |
|-----------------------|-------------|
| Parks | R 1 000 000 |
| Sport Facilities | R 563 400 |
| Recreation Facilities | R 4 000 000 |
| Public Safety | R 4 000 000 |

1.3 **Economic Priorities**

| | |
|----------------------------|--------------|
| Local Economic Development | R 10 000 000 |
| Housing Top Structures | R357 784 254 |

The capital budget for Merafong City Local Council for the financial year 2010/2011 amounts to R204 903 959, which exclude Housing Top Structures

Madam speaker:

Our location in the Gold belt of the Republic is placing a huge burden on the ability to deliver quality service to residents as expected. The situation is compounded by the fact that we are experiencing a steady stream of many South Africans abandoning their rural lifestyles for the bright lights of urban centers. As a result of this growing urban inflow informal settlements are mushrooming around our Municipality and our poverty alleviation programmes are taking this reality into consideration.

The inputs from the community had highlighted needs that must be addressed. Council had responded by increasing funding to the following areas.

Housing

Sanitation

Electricity

Roads and Storm water

Waste Management

2) **Operational Budget for the 2010/2011 to 2012/2013 Financial Years**

The Operational Budget for the 2010/2011 financial years was, to a certain extent, prepared on the zero-base principle. Each line item was compiled from current financial information.

In terms of the multi-year budget process the projections for the 2010/2011 to 2012/2013 financial years have been prepared on incremental bases, with adjustments for known variances.

The growth guidelines, which are in line with the Reserve Banks inflation targets, were used. Growth limits of 3% and 6% were used for the outer years, 2010/2011 and 2011/2012 budgets respectively.

Total Operational Budgeted Income and Expenditure for the financial year 2010/2011 is R1 260 707 919

Madam Speaker I would like to highlight certain Revenue and Expenditure votes.

▪ Madam Speaker

1. Revenue

2.1.1 Assessment Rates

In line with the requirement from National Treasury assessment rates will be increased by 6%. The rebates as approved by council in 2009/2010 will remain the same.

2.1.2 Electricity sales

Escom had increased its tariffs by 24.80% NERSA had issued instructions that council must implement Inclining Block tariffs

2.1.3 Water Sales

Rand Water had advised council that they will increase their water tariffs to municipalities by 14.1% from the 1 July 2010.

National Treasury had expressed their concerns about the quality of municipal drinking water and failures in the management of waste water.

2.1.4 Sewerage and Refuse removal

In line with the requirement from National Treasury the above-mentioned votes will be increased by 6%.

2.1.5 Conditional Grants transferred in terms of DORA

The following allocations in terms of the Division of Revenue Act are allocated to council for the three financial years in terms of the Act

| | <u>2010/2011</u> | <u>2011/2012</u> | <u>2012/2013</u> |
|---|------------------|------------------|------------------|
| Equitable Share | R147 257 000 | R166 393 000 | R183 414 000 |
| Finance Management Grant | R1 000 000 | R1 000 000 | R1 000 000 |
| Municipal Systems Improvement Grant | R750 000 | R750 000 | R750 000 |
| Expanded Public Works Programme Incentive Grant | R3 781 000 | | |

2.2 Expenditure

2.2.1. Salaries and Allowances

The multiyear agreement signed in the previous financial year will have a substantial financial impact on council's expenditure. The 2.5 per cent non-pensionable allowance, which is pensionable from July 2010, must be taken into account. The agreement reached reads that the increase for the 2010/2011 financial year will be the average CPI February, 2009 till January 2010 plus 1.5%

It is envisage that the average CPI will be 7.1% plus 1.5%. The financial implication will be 8.6% plus the 2.5% which will be pensionable from the 1 July 2010.

National Treasury requires that municipalities should not just employ more people without any reference to the level of staffing required to deliver effective services, and what is financially sustainable over the medium term.

2.2.3 Bulk purchases: Electricity

NERSA had an approved an increase of 24.8%

2.3.3 Bulk purchases: Water

Rand Water had advised council that they will increase their water tariffs to municipalities by 14.1% from the 1 July 2010.

National Treasury had expressed their concerns about the quality of municipal drinking water and failures in the management of waste water.

2.2.4 Repairs And Maintenance

Council had concentrate in the previous financial year on the delivery of new infrastructure to eradicate backlogs. Repairs and Maintenance were neglected. Council cannot continue deliver and install new infrastructure and not maintain the existing infrastructure.

Council's infrastructure is in a dilapidated state. The political unrest in Khutsong did not assist with the limited funds available. Roads need to be resealed and water networks needs to be upgraded. If water networks are not going to be upgraded water losses, will exceed the costs of upgrading.

It is recommended that repairs and maintenance budget grow by 40% on the previous year's budget.

The growth rate must increase by 20% for the next 2 years to ensure that council will extend the life span of the existing assets and not needs to replace them.

2.2.5 Capital Expenditure from own Revenue

Council's roll of an enabler must support meaningful local economic development (LED) initiatives that foster micro and small business opportunities and job creation.

Council must ensure that the initiatives identified in the growth and development strategy must be rolled out in the next 3 financial years.

In the past the biggest challenge that council faced was that MIG only funded certain projects. These projects must be identified and prioritised.

Council will have to restrict the services of the indigents within the limits of the subsidy.

2.2.6 Transfer to reserves

The large increases and changes in property rates, and the change of the local economic conditions such as the down turn in the property market, trends in household incomes and unemployment were counterproductive, resulting in higher levels of non-payment and increased bad debts.

The unstable situation in Khutsong and resistance to pay for services in Kokosi and Wedela is a major concern that needs to be addressed as a matter of urgency.

3 External loans

The municipality ought to focus on maximizing its contribution to job creation by:

- Ensuring that service delivery and capital project use labour intensive methods wherever appropriate;
- Ensuring that services providers use labour intensive approaches;
- Supporting labour intensive LED projects;
- Participating fully in the Extended Public Works Programme; and
- Implementing interns programmes to provide young people with on-the-job training.

Council could not secure grants to implement LED projects. Council will have to secure R10 000 000 to finance two LED projects in the 2010/2011 financial year

4. RECOMMENDED

Madam Speaker

Although there is still a lot of work to be done, it is my submission that this budget will indeed assist in realizing the age of hope and make it possible for our people to access services from a financially viable Merafong Municipality.

- ✚ Having access to clean water and electricity
- ✚ Having access to dignified houses
- ✚ Realistic economic growth and job creation
- ✚ Realising promotion of the interests of children, persons with disability, youth, women and older people better than before.

Madam Speaker:

- The substantial increases by Escom and Rand Water will necessitate higher tariff increases than the prevailing inflation figures. We acknowledge that the implementation of the property rates act and the Escom tariffs of the past two years had resulted in that a substantial portion of the community found it difficult to afford councils tariffs. Especially the pensioners were really affected.

We have in this budget strived to assist the pensioners and link tariffs to the usage of services of consumers

Due to the implementation of the inclining Block Rate tariffs for electricity tariff increases range from a decrease of 3.4% for users consuming 60 Kwh of electricity and 6KI water to an increase of 9.5% for consumers consuming 1000 Kwh Electricity and 30KI water.

5 Challenges

Council had commenced with the roll out of new paw pay points in Khutsong and Khutsong South. The pay point in Khutsong, Khutsong South and Khutsong Ext 3 will be re opened during July 2010.

An additional pay point will be opened in Blybank during July 2010. Council is the process to appoint a service provider to assist with the roll out off of the effective credit control procedures in all areas of Merafong.

It is of utmost importance that council's credit control policy must be implemented as approved by Council.

Council had in the past appointed twice debt collectors to recover council outstanding debt. In both instances it was not successful. Alternative options must be investigated. One of the options will be by establishing an in house debt collection department.

The management of indigents remains the biggest challenge. The identification of indigents and the curtailing of their services within the limits of the subsidy are off utmost importance.

6. Conclusion

We conclude by thanking
Members of the mayoral committee
All councilors
Ward Committees
MM and Team
The CFO and his Team
CDW`S and All Stakeholders who are consistent in participation of the IDP/Budget process

It is my humble recommendation that the budget for the medium term expenditure framework for 2010/2011 to 2012/ 2013 be approved and submitted to the Department of Finance and DPLG &H.