

MAYOR'S BUDGET SPEECH FOR 2017/2018 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK

Madam Speaker,
Honourable Councilors,
Municipal Manager and Directors,
Stakeholders and community at large, acknowledge my warm and heartfelt greetings to you all.

Madam Speaker, before I proceed, allow me to acknowledge the presence of the Pastors who have graced this occasion.

1. INTRODUCTION AND OPENING REMARKS

Madam Speaker, our mandate as local government is informed by the Constitution, which places an obligation on local government institutions to strive, within their financial and administrative capacity, to achieve the objects of local government and developmental objectives set in section 152 and 153 respectively.

Therefore, as we proceed to approve the 2017/18 budget we are called upon not to lose sight of the developmental agenda of local government and the responsibility we carry on our shoulders to make our contribution in an effort to bring about a better life for all our people.

As we strive to achieve the objects of local government, the road ahead of us will be somehow be tougher. The economic turmoil which saw our beautiful country being downgraded to a junk status calls for all stakeholders to work together: that is businesses and community organizations, labour and government.

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If we do not work together, the impact will be severe and detrimental on our poor and marginalized people. It is against this background that we must tell the community of Tswelopele and the people of Free State that our ship is stronger and we are better prepared than during our previous episodes of global turmoil.

Madam Speaker, the responsibility of this Council as a collective is to be realistic about the challenges the municipality is facing. As leaders, we also need to restore hope in the midst of uncertainty and tell our people about strategies and programmes to be implemented to mitigate these challenges.

2. OUR CHALLENGES

Madam Speaker and Coucillors at large, we need to acknowledge the challenges we are facing as the municipality. In so doing, we will speedily realise the need to develop strategies that will respond to such challenges:

- Our immediate challenges in service delivery include curbing water losses and electricity losses to the acceptable level. This losses translate to a very significant amount when they are converted to rands and cents;
- Sealing of potholes and rehabilitating road network;
- Sustainable waste collection on a regular basis;
- An aging service delivery fleet and lack of other service delivery equipment.

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These are a few examples of service delivery backlogs which require our urgent attention. Our efforts and response in this regard are always measured by the watchful eye of our communities.

- The culture of non-payment of services by the community has become one of the foremost challenges facing the municipality today;
- Increase in consumer debtors because of non-payment. This on the other hand translate to increase in outstanding creditors;
- The tariffs that are not cost reflective hampers the municipality to provide basic services in a sustainable manner;

Therefore, the ability of the municipality to operate as a going-concern becomes oblique if community is not paying for their services. The above challenges have led to the municipality being unable to service some of its debt (especially the bulk service accounts) and unable to pay suppliers within 30 days. The non-payment of suppliers within 30 days may have detrimental effects to SMME and may also work against progressive policies such as the policy on Radical Economic Transformation.

3. BUDGET PROCESS FOR 2017/18

The reviewed IDP and Annual Budget I am tabling here today for approval, are the tools that will guide us in becoming responsive to the needs of the communities we serve as well as addressing the challenges we face as the municipality.

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The IDP and Annual Budget review process started with the approval of timelines in August 2016. The process unfolded accordingly as per the requirements of the Municipal Systems Act and Municipal Finance Management Act, till this Council approved the Adjustment Budget and Draft Budget in February and March respectively. Madam Speaker, in compiling the 2017/18 annual budget...

- we have followed the Municipal Finance Management Act, the Municipal Systems Act; Municipal Property Rates Act and other legislation that regulates this process;
- we have observed the requirements of the Municipal Budget and Reporting Regulations;
- we have taken cue from the National Treasury Budget Circulars;
- we have consulted with strategic institutions such as NERSA,
- have taken cue from the State of the Nation Address (SONA) and State of the Provincial Address (SOPA);
- most importantly, we have consulted the community of Tswelopele and all stakeholders (such as Farmers Union) that will be affected by this budget.

4. ALIGNMENT BETWEEN NATIONAL AND PROVINCIAL PRIORITIES

The Municipality cannot change the lives of the people and pursue the developmental agenda in isolation from the other spheres of government. In this regard, our plans and strategies must take cue from the State of the Nation Address by the President as well as the State of the Provincial Address by the Premier of the Free State. This is to ensure optimum impact from the combined efforts of government.

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In this regard, we are committed as the municipality to ...

- improving access to sustainable basic services;
- fighting poverty amongst our communities;
- creating employment opportunities through government programmes;
- creating a conducive environment for our people to participate in the mean stream economy.

The municipality has programmes that talks directly to these objectives. The following are some of the key projects (which have been budgeted for) that impact positively in the lives of the residents of Tswelopele Local Municipality:

- poverty alleviation programmes;
- pauper burials;
- HIV/AIDS campaign;
- Provision of free basic services to indigent households;
- Rehabilitation and maintenance of our road infrastructure;
- creating employment opportunities in our infrastructure roll-out plan.

5. TARIFF INCREASES

South African economy has recently been declared as being in a recess. Therefore, consideration was taken in this regard when tariffs were being reviewed. In this regard, the tariffs are as follows:

Property rates

- Honourable Councillors, as much as we strive (within our financial means) to assist relevant stakeholders, we need to guard against the municipality

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being held at ransom by certain stakeholders. The power to approve tariffs is the sole responsibility of the Council and we should not be managed and influenced by external stakeholders in terms of executing this mandate.

- The Free State province was declared a disaster area due the drought that was experienced in the province in the past two years. We have taken this declaration into consideration when developing tariffs for farm properties. As such, Property Rates tariffs for farm properties will remain the same (that is 0.000734787) as in 2016/17. This means there is no increase to give the farming communities, an opportunity recover from the drought.
- Madam Speaker, as resolved by Council earlier today, we will also give the farmers an all-inclusive rebates of 50%, on the 2016/17 accounts, as part of our contribution towards the drought relief initiatives.
- It should be noted that this rebates / discount are applicable to accounts that are settled on or before 30 June 2017 and this has been communicated with the affected stakeholders.
- Property rates tariffs for other properties (like residential households, businesses, state owned properties; public service infrastructure and others) will increase by 6.36%.

Electricity

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- Madam Speaker, the electricity tariffs of the municipality are not yet cost reflective. Since 2013/14 financial year, the municipality has been increasing its tariffs with a margin above the inflation rate. This was done to cater for the years where tariffs were not increased adequately (or increased with a margin below the inflation).
- In light of the economic turmoil, for the 2017/18 financial year, we have only increase electricity tariffs with 1.88%.
- The tariff of 1.88% has already been approved by NERSA and will be implemented with effect from the 1st July 2017.
- We will continue to implement the Inclining Block Tariff as we did in the 2016/17.
- We will be introducing the Seasonal Tariff and Time-of-Use tariff during the 2018/19 financial year.

Therefore, our principle on electricity service is that ...

- the tariffs must be cost reflective;
- the tariffs must provide for marginal profit to cater for repairs and maintenance costs network;
- provide for network charges as Eskom is also charging the municipality the network charges

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We are humbly requesting the community to use electricity sparingly (especially during the winter months). When the communities are using too much electricity, this results in the Maximum Demand being exceeded and Eskom charges the municipality penalties and interest in this regard.

We also intend to engage with NERSA to make an application that the Municipality be the Supplier of electricity in the newly established townships (instead of Eskom). This will boost the revenue of the municipality and afford the municipality an opportunity to have sufficient cash reserves to pursue other developmental programmes within the municipality.

Those who have ideas on how the municipality can take advantage of the efficient power sources are welcomed to approach the municipality (that is Office of the Mayor), so that the municipality can explore and take advantage of such ideas and initiatives.

Service charges

- The tariffs for Water, Sanitation and Refuse will increase by an average of 6.36%.
- On water, we will be introducing a Consumption Based Billing for Tikwana and Phahameng with effect from the 1st July 2017.
- We will do away with a flat-rate which is currently being implement;
- Plans are in place to implement an Inclining Block Tariff (IBT) in the 2018/19 financial year on water services.

We will gradually increase the tariffs in the next 3 to 5 years to be cost reflective.

6. OVERVIEW OF THE BUDGET

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Our total budget for revenue is R141.4 million. This is anticipated to be collected from the following sources:

- Property rates R17 million
- Electricity R34.2 million
- Water R8.2 million
- Refuse R4.2 million
- Sanitation R6.6 million

Madam Speaker, the municipality is using accrual accounting. This means revenue budget on the above mentioned sources, is anticipated revenue, and it is dependent upon residents paying for their services.

The municipality will further receive Operating Grants (Equitable share; Municipal Finance Management Grant and Expanded Public Works Program Grant) to the value R62.6 million.

Other Revenue sources will amount to R8.6 million.

Madam Speaker, there will be no service delivery if communities, do not pay for their services. In this regard, we urge and call upon all communities to pay for their services...

"it is the right and sensible thing to do as a responsible resident"

However, Madam Speaker, it will not be business as usual for those community members who are not paying their services. We are collectively going to engage

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in a robust credit control measures to ensure that services are paid. We will take punitive measures for community members who are found to have tempered with water and electricity supply.

As the municipality, we are not only urging communities to pay for services, but we are also saying for those who cannot afford to pay for services, they must register in the municipality as Indigent.

We have taken note of the concerns raised by the community pertaining to late delivery of accounts. The municipality is addressing this challenge and striving to ensure that accounts are delivered on time throughout the 2017/18 financial year.

We have also taken note of the request for provision of the pre-paid metering system. Therefore, the municipality will start with this process in the 2017/18 financial year (prioritizing pre-paid electricity meters).

Madam Speaker, let me talk about expenditure ...

Our total expenditure budget is R141.3 million (which means the municipality has budgeted for a cash surplus of less than R100 000). This is allocated into the following expenditure items:

- Employee related costs is budgeted at R59.1 million. This is after factoring in an increase of 7.36%, as per the South African Local Government Bargaining Council collective agreement on wages and salaries.

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- We have taken note that despite these costs being in the norm of 33%, there is a need to perform Skills Audit so as to ascertain as to whether the skills we have within the municipality is commensurate with the skills required to execute our mandate.
- A budget of R6.1 million also goes towards Remuneration of Councillors. This is within the upper limits as provided for in the relevant legislation.
- Repairs and maintenance are budgeted at R8.3 million. This is the budget allocation to ensure that property plant and equipment are repaired timeously and that service delivery is not interrupted.
- As the municipality we are responsible for provision of water and electricity. Therefore, we have put aside R31.9 million for Bulk Purchases: water and electricity.

We have read in the media that municipalities across the country are having a challenge of servicing their bulk service accounts. Tswelopele is not immune to this challenge as we owe in excess of R12 million for bulk services. I believe and I'm optimistic that the strategies developed by the municipality will change the situation in the near future.

Our total Capital budget is R51.9 million, and the following are the identified projects:

- R10 million for the Upgrading of Electricity Network in Bultfontein and Hoopstad;

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- R25 million towards upgrading of Bulk Water Supply across the municipality;
- R9.8 million towards upgrading of Waste water Treatment works and construction of Toilets in Tikwana;
- R6.4 million for construction of 2 KM road in Phahameng;
- And R550 thousands towards upgrading of Sports Grounds.

Madam Speaker, this capital budget must transform the lives of the people of Tswelopele in terms of access to services and economic empowerment. For this reason, a minimum of 30% of this capital projects value must be awarded or sub-contracted to businesses and contractors within the municipal area. We will also ensure that our Youth is considered favourably in this endeavour. We dare not to fail in this regard!!

We have noted that the high rate of unemployment remains our greatest challenge, but our response to the unemployment challenge needs to be better coordinated. In particular, efforts to increase employment of young people have to be intensified and also increase skills development. This is the centre of our war against poverty.

Madam Speaker, we are considering the annual budget of 2017/18 during June, a month that has been declared a 'Youth Month'. As such, Madam Speaker, this budget should strive to cater for the needs of our young people.

- In this regard, we have set aside a budget of R70 000 for bursaries to assist students with registration at tertiary institutions in the 2018 academic year. We will be engaging other stakeholders to increase this amount to at least R170 000;

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- In line with the policy on radical economic transformation, about 600 hectares of land in both Bultfontein and Hoopstad respectively, will be made available to the Youth;
- The municipality is committing itself to the development of a Land Policy which will be biased towards provision of land to Previously Disadvantaged Individuals to pursue economic development,
- Furthermore, the Youth will be given an opportunity to group themselves and they will be assisted to establish a Hair Saloon, Beauty Saloon, a Massage Parlour and other related services;
- As part of the Township Revitalisation, the municipality will also be assisting two individuals (which will be identified by the community itself) to open 2 Viable Tuckshops (1 in Bultfontein/Phahameng and another in Hoopstad/Tikwana). Therefore, one of this Viable Tuckshops should be runned and owned by a Youth person.

As government, we need to robustly pursue the programme of human settlement. In this regard, we have embarked on a programme of site-allocation since December 2016. To date we have allocated sites as follows:

- 360 sites in Tikwana
- 190 sites in Phahameng

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(sites are continuously being allocated as and when the community members are paying the required deposits).

We urge the community to pay the required so that services (water, electricity can be provided in this new establishment. The challenge will still be on proving flushing toilet (which the municipality also address through the MIG program).

In the same breath, Honourable Councillors, we want to warn the community members who have a keen interest on invading land and open spaces around the municipal area. This practice is illegal and needs to condemn and transgressors will face the full might of the law.

Honourable Speaker, for a considerable time, our people have been residing at houses to which they do not have Tittle Deeds. They called those houses theirs, yet they did not have anything to prove ownership. This is about to change with the current Council. To date we have allocated Tittle Deeds as follows:

- Phahameng 108 Tittle Deeds (114 is remaining)
- Tikwana 1 044 Tittle Deeds (579 is remaining)

This Council has also seen the need for establishment of the Old Age Center in Hoopstad (next to where the new Clinic will be build).

There is a need to establish an NGO to deal with the unfair labour practices that are being reported within the municipal area (especially from the farm workers). As such we will be sourcing funds from the Free State government to pursue this initiative.

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Honourable Councillors, there will also be an impact-making programme of Piggery in Hoopstad and Bultfontein, respectively.

There will also be a poultry programme in Bultfontein and Hoopstad.

7. CONCLUSION

Honourable Speaker, my concluding remarks as follows:

- Since taking office last year in August, this Council has been faced with the challenge of using the least resources to achieve more. That is the true state of our municipality.
- We are quite aware of the inadequate decisions that were taken by both the Executive-arm and Administration-arm of the municipality in the last 10 years or so. In this regard, reports have been tabled to Council that makes reference to service delivery challenges as well as financial challenges facing the municipality today.

*It is about time we reframe from blaming each other,
It is about time that those that have left the course (for one reason or
another) reframe from speaking ill about the municipality.*

- Time has come for us to take a collective responsibility to turn around the situation. For in blaming each other and talking ill about the municipality, will bear no fruitful results but in unity we shall succeed!!

Ha e teteyane Tswelopele, Hae teteyane!!

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Each budget that we have presented to this council has been different. The important shift this year is that the global economy has changed; and South African economy has deteriorated.

Madam Speaker, to prepare a budget that will stand up to scrutiny requires an ability to take advises from many quarters to analyze and test them.

Amongst the sources of ideas, is the broader public consultation and engagement in the process and taking ownership of the budget. This year all stakeholders have shared their ideas with us, and I can assure you their inputs have been taken into consideration.

After having considered all the proposals, I am privileged to present this annual budget as a statement of collective responsibility for Tswelopele Local Municipality.

In this regard, Madam Speaker, allow me to extend my sincere appreciation to the entire Council of Tswelopele for their undivided support. Let me also acknowledge the support provided by the Municipal Manager and all Directors. The support provided by the staff in the Office of Mayor (led by the Manager in that office) and officials from the Budget & Treasury Office (led by the CFO) who have been with me throughout the IDP & Budget Consultations, your efforts are highly appreciated.

To my wife and children, thank you for your support and understanding, thank you very much for allowing me to take this course of serving the people of Tswelopele.

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Let the people benefit as outlined in the Freedom Charter.

Honourable Speaker and Councillors at large, I hereby table the Reviewed 2017/18 IDP and Annual Budget of Tswelopele Local Municipality for the fiscal year ending 30 June 2018 for your consideration and approval.

I thank you!!