

2019/2020 BUDGET BY THE HONOURABLE MAYOR OF TSWELOPELE LOCAL MUNICIPALITY, COUNCILLOR FT MATSHOLO DELIVERED AT BULTFONTEIN TOWN HALL ON THURSDAY, 27 JUNE 2019

Madam Speaker
Honourable Councillors
ANC Regional Chairperson
ANC Deployees
Leaders of All Other Political Parties
Acting Municipal Manager
Director Technical Services and Managers
The Leadership of Business, Labour and Civil Society
Residents of Tswelopele Local Municipality
Distinguished Guests

Acknowledge my warm and heartfelt greetings to you.

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

INTRODUCTION AND OPENING REMARKS

Thank you once again for affording me the honour to present the Medium Term Revenue and Expenditure Framework for 2019/2020. I deliver this Budget Speech on the 25th Anniversary of the birth of our Democracy. An important moment where we reflect on the journey we have undertaken as a nation. It is a journey that has been characterised not only by pain and suffering that our people have endured, but by their collective unsurpassable spirit and relentless pursuit for a better South Africa.

Honourable Speaker I deliver this Budget Speech fifty days after the sixth National Elections wherein the South African Nation has exercised their Democratic Rights and gave the ANC another five year lease to lead them again. It is important to mention that in this democratic elections Tswelopele Local Municipality has once again performed well and is number one in the country and the province. We therefore want to pass our sincere gratitude and appreciation to the community of Tswelopele. We promise to strive to provide exceptionally good municipal services to them.

Honourable Speaker and Councillors the 2018/19 Financial Year was not easy for the municipality and the country at large. The Free State Provincial economy has not recovered from the 2009 recession. Both the recession and effects of drought are felt by our communities on the ground. We have seen some businesses closing like SPAR in Bultfontein and some farmers being forced to retrench farm workers and eventually selling their farms. We have seen more than three thousand job losses in the last quarter of the 2018. All these had a negative financial impact for the municipality which has a bearing in service delivery.

Honourable Speaker and Councillors 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 these challenges.

OUR CHALLENGES

Our immediate challenges in service delivery include:

1. Curbing water losses and electricity losses to the acceptable level
2. Sealing of potholes and rehabilitating road network
3. Sustainable waste collection on a regular basis
4. Sustainable revenue collection

These are few examples of service delivery challenges 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, the President of the country Matamela Cyril Ramaphosa in his speech also called for a culture of paying for services rendered.

The other challenge the municipality is faced with is increase in consumer debtors because of non-payment of services by communities. Accordingly, no Councillor should owe the municipality for services. Arrear debt should be paid immediately to reflect only the current account as at 30 June 2019. Municipal officials are given two months to settle their arrear municipal accounts to be up to date.

The non-payment of services, translate to increase in creditors (as we are unable to pay creditors when they become due). The none-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.

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.

BUDGET PROCESS FOR 2019-20

The IDP and Annual Budget review process started with the approval of timelines in August 2018. The Process unfolded accordingly as per the requirements of the Municipal Systems Act and Finance Management Act, till this Council approved the Adjustment Budget and Draft Budget in February and March respectively.

The municipality exists to serve the interest of our communities. Legislation in this regard calls upon the municipality to consult communities on developmental issues within the municipal area. This is the reason why, this Council did not adopt the annual budget on 31 May 2019. We needed to consult our constituencies.

Honourable Speaker, in compiling the 2019/20 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;
- Most importantly, we have consulted the Community of Tswelopele and all stakeholders that will be affected by this budget.

ALIGNMENT BETWEEN NATIONAL AND PROVINCIAL PRIORITIES

The Municipality cannot change the lives of our 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 Province by the Premier of the Free State.

We are committed as the municipality to...

1. Improving access to sustainable basic services,
2. Fighting poverty amongst our communities
3. Creating employment opportunities through government programmes
4. Creating a conducive environment for our people to participate
5. Providing land (both business and residential purposes) to our people.

Honourable Speaker the municipality has a 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.

1. Poverty alleviation programmes
2. Pauper Burials
3. HIV/AIDS campaign.
4. Provision of free basic services to registered indigent households.
5. Creating employment opportunities in our infrastructure roll out plan.

Honourable Councillors and the community at large, the 2019/20 medium term budget I am presenting here today attempts to strike a balance between financial sustainability of the municipality (in light of the prevailing economic conditions within the municipality) as well as maintaining service delivery imperatives to ensure that basic services are provided in a sustainable manner.

In this regard, I would like to extend my sincere gratitude to all the residents and businesses who continue to sustain this municipality by paying for their services. It is my ardent wish that you continue with this good practice as responsible residents of Tswelopele Municipality.

Madam Speaker, the underlying principles of this budget are as follows:

1. Strengthening financial management and accountability within the municipality;
2. Striving for financial sustainability by ensuring that the expenditure is aligned to the revenue;
3. Observe the cost containment measures and eliminate spending on non-core services;
4. Ensuring that the municipality generates enough revenue to ensure positive working capital.

Operating revenue budget

Honourable Speaker, full details on allocations for each of the departments are contained in the budget book (agenda) circulated to Councillors. At a high level, the operating revenue budget of the Municipality is R156.1 million. This revenue is generated from the following major revenue sources:

- Property rates	R16 million
- Service charges for electricity	R39.5 million
- Service charges for water	R9 million
- Service charges for sanitation	R6.7 million
- Service charges for refuse	R4.5 million

The municipality is also receiving about R77.6 million in terms of the operating grants and subsidies. Included in this amount is Equitable Share which is also used to subsidise the registered Indigent Households and Financial Management Grant which is used to build capacity within the Budget and Treasury Office including employment of the Financial Management Interns. Other revenue sources are indicated in the budget document which is before Councillors.

Tariff structuring

Madam Speaker, the Municipality annually reviews its tariffs in line with the Municipality's Tariff Policy. The policy provides a broad framework within which Municipal Council can determine fair, transparent and affordable service charges that also promote the sustainability of service provision, taking into account the social, economic and financial imperatives of the Municipality.

We have learnt of the deficiencies on tariff structuring within the municipality. This has led to the municipality's tariffs not being cost reflective. The need has arisen for the municipality to gradually address this deficiency and we agree that it cannot be a once off endeavour.

Accordingly, tariff increase for the 2019-20 financial year is in line with the inflation. Our tariffs will increase with 6.5% on trading services (water service; refuse service; sanitation). Property

rates and other services will also increase with 6.5%. Honourable Councillors, the National Electricity Regulator of South Africa has approved a tariff guideline of 13.07% for municipalities on electricity. The municipality has applied for 13% and the approval is still pending from NERSA (expected on Friday, 28 June 2019). Tariff to be implemented will be in line with NERSA's approval.

A detailed tariff list is attached to the budget document and I urge both Councillors and Communities to familiarise themselves with the contents therein.

Operating expenditure budget

Honourable Speaker, the economic turmoil within in the country and specific to our municipality forces us to do more with less resources. Accordingly, I submit to this Council, an operating expenditure budget of R188.7 million. The major components of the expenditure are as follows:

Employee related costs	R66.1 million
Remuneration of Councillors	R6.7 million
Bulk purchases (water and electricity)	R39.1 million
Finance charges	R3.1 million

Included in the total operating expenditure budget is R32.9 million of non-cash items (Debt impairment and depreciation at R6.1 million and R26 million respectively). After accounting for other expenditure, the annual budget of the municipality is funded in line with the requirements of the Municipal Finance Management Act.

Capital expenditure and funding

- Construction of Toilet Structure – R 1 257 000.00
- Construction of Toilet Structure – R 6 073 000.00
- Upgrading of Sports fields – R 419 000.00

- Construction of Cricket Pitch (on final Phase) – R 323 000.00
- Construction of 2km paved Road and storm water – R 550 000.00
- Construction of 1.3km paved Road and storm water – R 5 022 000.00
- Construction of High Mast lights – R 1 544 000.00

The budget is funded mainly from Municipal Infrastructure Grant at R22.6 million and a small portion from internally generated funds. Honourable Speaker, we have noted with a concern that the municipality is unable to fund capital expenditure from its on internally generated funds. In this regard, we request the communities to improve their payment rate so that we can raise enough capital to pursue infrastructure development.

ACHIEVEMENTS

Madame Speaker the government in its endeavour to build economy understands that road infrastructure plays a critical role. The municipality has completed the 2 kilometre paved road in Phahameng and as a result of good work performed by the municipality on the road, we got the funding for additional 1.3 kilometre paved road extending from the 2 kilometre road completed. This road is currently under construction and is expected to be completed in the 2019/ 2020 financial year.

The country is facing serious challenges of water shortages due to draught and subsequently our municipality has been declared draught area. Focus has been directed to water by fighting the leakages in our townships in order to limit the water losses through the assistance of the district municipality. We completed Phase 2 upgrading of bulk water infrastructure with intend to increase the capacity if our water purification plan and bulk water supply.

We allocated sites to our people in the townships with the intention to eradicate informal settlement and improvement of quality life for our communities. We managed to formalize 499 sites, 616 sites in Hoopstad and extension 9 & 10 in Bultfontein. We are currently connecting sewer network and building of toilets at 499 sites in Hoopstad and the project is intended to be completed in 2019/ 2020 financial year.

The municipality has constructed a cricket pitch in Bultfontein and the project currently is 90% complete. This project aims to promote sports in our previously disadvantaged communities.

This will assist in reducing crime in our arrears as the focus of our youth will be directed to sports and recreation.

We have constructed 832 RDP houses with the assistance of the provincial department of human settlement. The project is completed and we are currently negotiating with the department to allocate more RDP houses for us to be able to address a backlog for Tikwana and new developments. We have issued 377 title deeds for Tikwana residents and 150 title deeds for Phahameng residents. We embarking of issuing of additional 120 title deeds to Phahameng and identified households in Tikwana.

We are committed to clean environment in our areas, we committed as the Municipal Council that all the councillors will be supplied with protective clothing and every Friday will conduct cleaning campaigns in order to promote clean environment. This will be done in line with Thumamina presidential campaigns. Councillors are requested to effectively contribute to the success of this campaigns.

CONCLUSION

Madam Speaker to prepare a budget that will stand up for scrutiny requires an ability to take advises from many quarters to analyse them 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 can assure you their inputs have been taken into consideration. This includes:

1. Prioritising basic infrastructure as opposed to social services
2. The need for installation of pre-paid meters
3. The rehabilitation of roads
4. Promotion of the local economy
5. Provision of job opportunities
6. Curbing the losses on both water and electricity
7. Community safety

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; Directors and every official who was involved in this process.

Honourable Speaker and Councillors at large, I hereby table Reviewed 2019-20 IDP and Budget of Tswelopele Local Municipality for the fiscal year ending 30 June 2020 for your consideration and approval.

