

**2020/2021 BUDGET BY THE HONOURABLE MAYOR OF TSWELOPELE LOCAL MUNICIPALITY, COUNCILLOR FT MATSHOLO DELIVERED AT BULTFONTEIN COUNCIL CHAMBERS ON TUESDAY, 30 JUNE 2020**

Madam Speaker

Honourable Councillors

Leaders of All Other Political Parties

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.

**INTRODUCTION AND OPENING REMARKS**

Thank you once again for affording me the honour to present the Medium Term Revenue and Expenditure Framework for 2020/2021. I deliver this Budget Speech at the time the whole world is faced with the challenges of unforeseen Covid19 pandemic which is continuously taking the lives of our beloved ones and put the country in a predicament where the economy has fallen and this has been justified by the Minister of Finance Mr. Tito Mboweni. The minister reiterated that in South Africa and around the world, we have made the decision to protect each other. We have quickly adapted. We all now wear masks. We wash our hands more often. We maintain a safe social distance. As a result, millions have stayed safe. We remain deeply concerned about the path of the virus. But, in common with several other countries that adopted a stringent, early lockdown, we have “flattened the curve” and saved lives.

He further indicated that as a country we have accumulated far too much debt; this downturn will add more. This year, out of every rand that we pay in tax, 21 cents goes to paying the interest on our past debts. COVID-19 has turned the global economy upside down and this has also affected our municipality, business and the residents in an adverse manner. Honourable speaker we see day in day out the increase in unemployment and Covid19 has result in the more increase to unemployment rate which is now 30.1% country wide. This rate is expected to increase as the pandemic still exists and the economy still going at its slowest rate.

Honourable Speaker and Councillors the 2019/ 20 Financial Year was not easy for the municipality and the country at large. The Free State Provincial economy has not recovered from the recession. Both the recession and effects of drought are felt by our communities on the ground. Many businesses were closed during the time of Covid19 lockdown and even though the lockdown is been phased out in stages some businesses are operating in limited days and hours which continues to put pressure to our local economic development. Even though the municipality is trying by employing the youth in vacant positions and EPWP projects it will not be enough to address the level of unemployment in our municipal areas.

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
5. Water and sewer reticulations in new developments.

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 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 2020/ 21**

The IDP and Annual Budget review process started with the approval of timelines in August 2019. The Process unfolded accordingly as per the requirements of the Municipal Systems Act and Finance Management Act, till this Council approved the Adjustment Budget, draft budget and special adjustment budget in February, March and June 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 2020. We needed to consult our constituencies. Note should be taken that as a result of the Covid19 the Mayor has to use social platforms, municipal website and regional radio stations to consult the public. Honourable speaker I appreciate the efforts made by the community and stakeholder to participate in this kind of public participation process.

Honourable Speaker, in compiling the 2020/21 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 2020/21 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 R165 million. This revenue is generated from the following major revenue sources:

- Property rates	R21 million
- Service charges for electricity	R42.5 million
- Service charges for water	R6.3 million
- Service charges for sanitation	R7.3 million
- Service charges for refuse	R4.9 million

The municipality is also receiving about R82 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 aroused for the municipality to gradually address this deficiency and we agree that it cannot be a once off endeavour.

Accordingly, tariff increase for the 2020/21 financial year is in line with the inflation. Our tariffs will increase with 5% on trading services (water service; refuse service; sanitation). Property rates and other services will also increase with 5%. Honourable Councillors, the National Electricity Regulator of South Africa has approved a tariff guideline of 6.24% for municipalities.

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 R165.9 million. The major components of the expenditure are as follows:

Employee related costs	R70.3 million
Remuneration of Councillors	R6.8 million
Bulk purchases (water and electricity)	R41.3 million
Finance charges	R2.5 million

Included in the total operating expenditure budget is R33 million of non-cash items (Debt impairment and depreciation at R13 million and R20 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**

<b>Project description</b>	<b>Total Planned Expenditure foe 2020/2021</b>
Tikwana/Hoopstad: The construction of 2km paved road and storm water drainage (Ward 6&7) (MIS:356848)	R 1 547 149.62
Phahameng/Bultfontein: Construction of 837 toilet structures (MIS:309573)	R 10 486 447.94
Tikwana/Hoopstad: Construction of toilet structures & sewer connections – reticulation (499 sites) (MIS:270187)	R 2 893 652,58
Refurbishment of Sewer Pump stations in Tikwana (WSIG)	R 4 500 476
Construction of Sewer reticulation and toilet structures in Ext 9 Phahameng. (WSIG)	R 5 499 524
The Construction of Sewer and Water Reticulation in Phahameng Extension 10	R1 477 749,86
	R26 405 000,00

The budget is funded mainly from Municipal Infrastructure Grant, water and sanitation infrastructure grant at R26.4 million. 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.

## **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 2020-21 IDP and Budget of Tswelopele Local Municipality for the fiscal year ending 30 June 2021 for your consideration and approval.

