

**PRESENTATION OF THE 2012/13 BUDGET SPEECH BY THE HONOURABLE  
MAYOR OF BELA BELA LOCAL MUNICIPALITY, CLLR FREDDY HLUNGWANI**

**MUNICIPAL COUNCIL CHAMBERS, BELA BELA**

**25 June 2012**

Madam Speaker

Honourable Members of the Executive Committee

Chief Whip of the African National Congress

Honourable Members of Council

Municipal Manager

Officials of the municipality

Members of the community

Comrades

Friends

Ladies and gentlemen

Good afternoon, avuxeni

Exactly a century ago on the 08<sup>th</sup> of January, a group of leading intellectuals, clergymen, teachers, activists and fellow South Africans from across our country met in Mangaung, Bloemfontein to discuss the destiny of Black Africans.

This following, as it was, in the face of the exclusion of the majority African people in the administration and governance of their country.

Today, many historians agree that, that historic meeting in 1912, was a watershed moment, not only in the history of our glorious movement, the African National Congress, but of our country.

We are therefore meeting here today, after a full century of a triumphed people's movement of resistance and defiant struggle against Apartheid, discrimination and dispossession of our people.

Madam Speaker

This year is also particularly important to both our nation and our people, as we also mark the 16<sup>th</sup> anniversary of the Constitution of the Republic.

It is this supreme world acclaimed document, which contains our people's hopes and aspirations that continues to guide the work of our government and in particular our municipality.

It is the same document that many of our people who gathered in Mangaung 100 years ago, sought for this generation.

To this end, we wish to pause and pay homage to our leading forebearers, who had the wisdom and the courage of their convictions, to steer us to this moment.

We therefore wish to acknowledge the phenomenal contribution that each of our liberation icons played in the democratization of our Republic.

We salute John Langalibalele Dube, Sefako Makgatho, Zac Mahabane, Josia Gumede, Pixley ka Isaka Seme, AB Xuma, JS Moroka, Chief Albert Luthuli, Oliver Tambo, Nelson Mandela and Thabo Mbeki for the magnificent contributions they made in leading us to today.

These, together with many outstanding South Africans many of whom lost their lives, remains the lights that still shines in our journey to building a better life for all, in a free democratic, non-sexist, non-racial and prosperous nation.

### **Madam Speaker**

Today, as per the prescripts of the same celebrated Constitution and other laws, we are presenting our annual 2012/13 Budget and IDP for approval by our Council.

This is our Council's first Budget after our popular election last year. As you may well be aware, Madam Speaker, when we took office we had to implement a Budget which was approved by the previous Council, which we diligently saw it through.

We therefore feel honoured and privileged that today, as a new Council, we are presenting a Budget informed by the resolve of the electorate following their decisive vote last May.

Madam Speaker

Our municipality has a mandate to provide basic services to the community in a sustainable manner and the provisioning of these services should be planned in such a way that it addresses the service delivery backlogs and contribute towards economic growth within the municipality and complements the provincial and national growth strategies.

The focus of this Budget therefore is directed at accelerating service delivery to our communities through the provision of quality services, improved revenue collection as well as greater efficiency and effectiveness of our municipality.

Central to this is to ensure that, as organ of State, we are properly arranged and positioned to respond to the growing needs of our community, in line with the Local Government Strategy and our IDP priorities.

Amongst major projects that we will be implementing through this budget, Madam Speaker, is the implementation of our Infrastructure Development Master Plan.

This plan is designed to enable us to revamp our aging infrastructure, especially our electrical network and municipal roads. We will seek, through this budget, to implement some of its key recommendations.

To this end, we have allocated close to R2 million towards the replacement of Switch Gear and the upgrading HT line in the township as part of our concerted effort to ensure uninterrupted supply of energy to our people.

We have also put aside another R2 million to improve not only access to water but to upgrade our water and sanitation services and the efficiency of our network.

Through this allocation, we will acquire an automated telemetry system for water and sanitation, installing communal stand pipes network in Rapotokwane and replacement of old water meters in Bela Bela.

We also intend to develop our Water Service Master Plan to help us position ourselves to meet the future growth demands, as our town and municipality continue to grow.

We have also allocated R1 million to develop Waste and Environmental Plans.

Approximately R25 million has been budgeted for the bulk infrastructure in x9, Road Paving, License Testing ground and upgrade of Moloto Street sport facilities.

These are some of our flagship projects that we will be implementing in the next financial year, using both the Municipal Infrastructure Grant and own sources.

**Madam Speaker**

I must state outright that this Budget is informed by the various inputs and contributions of all our stakeholders that we consulted during our Budget/IDP roadshows in all our nine wards.

These include our residents and ratepayers, organised and informal business, sector departments, people with disabilities, the sport, arts and culture fraternity, community based organisations, NGO's, CBO's and other interested parties in our municipality.

We are therefore confident that, this Budget is an expressive summation of the wishes and needs of the majority of our people.

Hence, we believe Madam Speaker that our Budget is not only geared to ensure compliance with the prescripts of the law, but to facilitate and deepen community development, social cohesion and a better life for all in Bela Bela.

**Madam Speaker**

Our budget had to follow a particular process prescribe to us by the law and related guidelines of the National Treasury.

Therefore it is important to indicate that ours has been compiled in line with Municipal Finance Management Act Circulars No 48, 51, 54, 55, 58 & 59 which details the budget content and format. Key concepts which were considered when preparing the budget were that the budget must be funded from

(a) Realistic anticipated revenues to be collected;

(b) Cash backed accumulated funds from previous years' surpluses not committed for other purposes; and

(c) Borrowed funds, but only for the Capital Budget

Other key issues which were taken into consideration to ensure a Credible Budget were,

(a) Funds were allocated to activities which are consistent with the revised IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the Municipality,

(b) Is achievable in terms of agreed service delivery and performance targets,

(c) Contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions;

(d) Does not jeopardize the financial viability of the municipality i.e. ensures that the financial position is maintained within generally accepted prudent limits and that obligations can be met in the short, medium and long term but most importantly,

(e) In view of the loss in domestic economy as a result of the disruption to world economic activities, municipal revenues and cash flows are expected to remain under pressure in 2012/13 therefore municipalities must adopt a conservative approach when projecting their expected revenues and cash receipts and also pay particular attention to managing all revenue and cash streams effectively, and carefully evaluate all spending decisions.

## **BUDGET ASSUMPTIONS**

In terms of circular 58 & 59 the following budget assumption were adopted in the preparation of the budget 2012/2013

### **National priority – creating employment opportunities**

Creating decent employment opportunities remains a national priority. In drafting 2012/13 budgets and MTREFs municipalities are urged to explore opportunities to mainstream labour intensive approaches to delivering services, and more particularly to participate fully in Extended Public Works Programme. Over and above our municipality ensuring that service delivery and capital projects use labour intensive methods where appropriate, the municipality has taken a positive, prudent and progressive decision to budget for EPWP at an amount of R 1m.

### **Spending on non-priorities**

Municipalities must pay special attention to controlling unnecessary spending on nice-to-have items and non-essential activities. There is an array on non-priorities that our municipality will look at in terms of expenditure but one of the salient features in this budget is the reduction of travelling and accommodation votes by 10.5%.

### **Under spending on repair and maintenance**

Often municipalities under-spend or under-budget for maintenance and that can shorten the life of assets, increase long-term maintenance and refurbishment costs, and cause a deterioration in the reliability of services. In view of this assumption, the municipality has taken a prudent step to increase its repair and maintenance budget by 28% to ensure that the existing infrastructure is well maintained for sustainability of services especially those that assists in generating revenue.

### **The Municipal Budget and Reporting Regulations**

The municipal budget and reporting regulations are designed to achieve a range of objectives, including improving the local government spheres ability to deliver services by facilitating improved financial sustainability and better medium term planning.

All municipalities must prepare annual budgets, adjustment budgets and in-year reports for the 2012/13 financial year in accordance with the municipal budgets and reporting regulations. If a municipality fails prepare its budget, adjustment budget and in-year reports in accordance with relevant formats, actions the National Treasury will take includes:

The municipality will be required to resubmit their documentation in the regulated format by a date determined by the National Treasury;

The municipality's non-compliance with the required formats will be reported to the Auditor-General; and

A list of municipalities that fail to comply with the required formats will be tabled in Parliament and the provincial legislatures.

### **Revising rates, tariffs and other charges**

When revising rates, tariffs and other charges for the 2012/13 budgets and MTREF, municipalities need to take into account the labour (i.e. the wage agreements with unions) and other input costs of services provided, the need to ensure financial sustainability, local economic conditions and the affordability of services, taking into consideration the municipality's indigent policy. Municipalities should also take into account relevant policy developments in the different sectors such as NERSA.

Municipalities should continue to explore appropriate ways of structuring the tariffs for utility services to encourage more efficient use of these services and to generate the resources required to fund the maintenance, renewal and expansion of the infrastructure required to provide the services.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges at levels that reflect an appropriate balance between the interests of poor households, other customers and ensuring the financial sustainability of the municipality. For this reason National Treasury continues to require that municipalities must justify in their budget documentation all increases in excess of the 6% upper boundary of the South African Reserve Bank's inflation target.

### **The budget was compiled based on the following guidelines**

## Headline inflation forecasts

Municipalities must take the following inflation forecasts into consideration when preparing their budgets for 2012/13 and MTREF.

Fiscal Year	2010	2011	2012	2013	2014
	Actual	Estimate	Forecast	Forecast	Forecast
CPI	3.3%	5.0%	5.4%	5.6%	5.4%

## Eskom bulk tariff increases

The Eskom price of bulk electricity supplied to municipalities will increase by 13.50 % on 1 April 2012. Based on this price increases, and increases in the price of other inputs NERSA has set a guideline increase for municipal tariffs of 11.03% as from 1 July 2012.

## Water tariffs must be cost-reflective

There continues to be an urgent need to promote the careful use of water. Ensuring that water is correctly priced is the most effective means of getting households and businesses to conserve water. When reviewing the level and structure of water tariffs, the following should be taken into consideration;

Water tariffs are on aggregate fully cost-reflective including the bulk cost of water which Magalies has increased by 8%, the cost of maintenance and renewal of purification plants and water networks infrastructure, and the cost of new infrastructure.

Water tariffs are structured to protect the basic levels of service, and

Water tariffs are designed to encourage efficient and sustainable consumption.

All the municipalities should ensure that they have appropriately structured, cost reflective water tariffs by 2014. Our current revenue is R10 948 000 and has been increased to R12 590 200. Our proposed increase is 15%.

## Salary increases

The period of the Salary and Wage Collective Agreement 2009/10 to 2011/12 has come to an end. In the absence of other information from the South African Local Government Bargaining Council, municipalities are advised to budget for a 5% cost-of-living increase adjustment, to be implemented with effect from July 2012. Our municipality, with no certainty on the outcome of bargaining, we have made provision for 8% increase for employees to give ourselves a room to manoeuvre in case of a different outcome higher than 5%.

## Councillors' allowances

For the determination of upper limits of salaries, allowances and benefits of councillors the municipality has made a provision of 5%.

## Conditional transfers to municipalities

Section 216 of the Constitution provides for national government to Transfer resources to municipalities in terms of the annual Division of Revenue Act (DORA) to assist them in exercising their powers and performing their functions. These allocations are announced and tabled annually in the national budget. Transfers to municipalities from national government are supplemented with transfers from provincial government. Further, transfers are also made between district municipalities and local municipalities

Madam Speaker

Our municipality has recently completed the Valuation roll which is now in the process of objections. Based on the calculations, the municipality is glad to announce that the property rates will remain unchanged from the 2011/12 rates. The increases in the tariffs for major revenue sources of the municipality will be as follows:

- Property rates: remain constant at-
    - R0.112 cents on land and improvements other than farm areas;
    - R0.0106 cents on bona fide farmers, public service infrastructure, public service organisations. These tariffs exclude VAT.
  - Waste removal: an increase of 7.0 per cent across all categories of consumers;
  - Sanitation: an increase of 8.0 per cent across the board;
  - Water: 15.0 per cent across the board;
  - Electricity: An Inclining Block Tariff (IBT) is introduced for the first time in line with the recommendations from NERSA. This means that larger consumers progressively pay higher tariffs. This follows the principle that “the more you consume the more you pay”.
- The average increase is 15.0 per cent.

The total revenue budgeted from service charges amounts to R134.0 million. This is an increase of 9.96 per cent compared to the adjusted 2011/12 budget.

The grant income from national government amounts to R47.5 million, of which R36.0 million (or 90 per cent) is from the equitable share.

The total operating income for the 2012/13 budget is R231.4 million, an increase of 10.4 per cent of the adjusted 2011/12 budget.

- On the expenditure side, the major increases in expenditure were as follows:  
Employee costs: an increase of 8.0 per cent. The 2009/10 to 2011/12 wage agreement came to an end and negotiations for the 2012/13 onwards are still under way. Should the wage increase agreement be lower than 8.0 per cent, the salary budget will be decreased accordingly;
- Electricity: an increase of 11.03 per cent;
- Water: an increase of 8.0 per cent.

With these increases, the total operating expenditure for 2012/13 amounts to R205.4 million, a decrease of 0.3 per cent compared to the 2011/12 adjusted budget.

The operating budget has a surplus of R7.9 million which will be added to the Municipal Infrastructure Grant of R18.1 million to fund the capital budget of approximately R26. million.

## INCOME

Based on the above background the following increases were made in terms of the income:

	<b>ADJUSTED BUDGET</b>	<b>2012/2013 DRAFT BUDGET</b>	<b>% INCREASE</b>
<b>OPERATIONAL INCOME</b>			
GRANTS	42,107,000	48,258,000	13%
SERVICE CHARGES	121,832,764	133,965,543	10%
OTHER INCOME	30,151,735	31,047,698	3%
<b>SUB TOTAL</b>	<b>194,091,499</b>	<b>213,271,241</b>	<b>10%</b>
<b>CAPITAL INCOME</b>			
MIG	15,518,000	18,104,000	21%
<b>TOTAL</b>	<b>209,609,499</b>	<b>231,375,241</b>	<b>10%</b>

#### **OPERATIONAL EXPENDITURE**

Our total Operational Expenditure has increased from R 203,815 million to R 203,613 million (15% increase) which can be categorized as follows:

	<b>ADJUSTED BUDGET</b>	<b>2012/2013 PROPOSED BUDGET</b>	<b>% INCREASE</b>
SALARIES	66,622,911	76,917, 758	15%
COUNCILLORS ALLOWANCE	2,765,251	4,698,464	79%
CONTRACT SERVICES	19,156,721	19,745,250	3%
BULK PURCHASE	47,932,180	54,122,851	13%
OPERATING GRANTS	8,423,656	10, 150,000	12%
OPERATING EXPENDITURE	24,772,953	33,966,919	37%
NON- CASH ITEM Provisions	36,457,091	6,500,000	-82%
<b>TOTAL</b>	<b>206,130,763</b>	<b>205,381,241</b>	<b>-0,36%</b>

#### **CAPITAL EXPENDITURE**

Our total Capital Expenditure is R 26,021 million which is funded from Municipal Infrastructure Grant(R 18,104) million and own source revenue(R 7,917) million.

	<b>ADJUSTED BUDGET</b>	<b>2012/2013 PROPOSED BUDGET</b>	<b>% INCREASE</b>
MIG	15,518,000	18,104,000	17%
CAPEX- OWN SOURCE	10,006,800	7,890,000	-21%
<b>TOTAL</b>	<b>25,524,800</b>	<b>25 994 000</b>	<b>1.8%</b>

Our expenditure has been allocated with the view of addressing the six local government performance areas and is divided into Operational and Capital Expenditure.

### **OPERATIONAL EXPENDITURE**

#### **KPA1: SPATIAL ANALYSIS AND RATIONAL**

#### **KPA2: BASIC SERVICE DELIVERY**

<b>STRATEGIC PROGRAMME</b>	<b>BUDGET 2011/2012</b>	<b>ADJUSTED BUDGET 2011/2012</b>	<b>BUDGET 2012/2013</b>	<b>% INCREASE</b>
Bulk Purchase: Water	R 3 531 350	R 5 094 064	R 5 501 589	8
Bulk Purchase : Electricity	R 42 838 117	R 42 838 116	R 48 621 262	13. 50
Maintenance: Streets	R 2 500 000	R 960 924	R 1 010 184	5
Maintenance: Electricity Network	R 1 900 000	R 1 698 302	R 1 862 000	10
Maintenance: Water Network	R 700 000	R 353 059	R 798 700	126
Maintenance: Sewer Network	R 527 000	0	0	0
Contracted Services - Dumping Site	R 1 261 990	R 1 361 990	R 1 550 000	13. 8
Contracted Services- Traffic	R 807 476	R 607 476	R 1 200 000	97.5
Parks and Grounds	R 450 000	R 371 966	R 392 000	5

#### **KPA3: LOCAL ECONOMIC DEVELOPMENT**

<b>STRATEGIC PROGRAMME</b>	<b>BUDGET</b>	<b>ADJUSTED</b>	<b>BUDGET</b>	<b>%</b>
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	<b>2011/2012</b>	<b>BUDGET 2011/2012</b>	<b>2012/2013</b>	<b>INCREASE</b>
LED Support	R 200 000	R 160 874	R 392 000	144

#### **KPA4: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT**

<b>STRATEGIC PROGRAMME</b>	<b>BUDGET 2011/2012</b>	<b>ADJUSTED BUDGET 2011/2012</b>	<b>BUDGET 2012/2013</b>	<b>% INCREASE</b>
Employee related costs	R 67 822 911	R 66 622 911	R 76 917 758	14
Remuneration to Councillors	R 2 765 251	R 2 765 251	R 4 698 464	79
Employee Wellness	R 400 000	R 261 744	R 196 000	-25
Contracted Services : Security	R 2 170 358	R 1 866 000	R 2 000 000	13
Contracted Services: Legal	R 1 857 461	R 1 457 461	R 800 000	-45
Contracted Services- Computer Licenses & Contracts	R 2 064 787	R 3 475 861	R 4 041 250	16

#### **KPA5: MUNICIPAL FINANCIAL VIABILITY**

<b>STRATEGIC PROGRAMME</b>	<b>BUDGET 2011/2012</b>	<b>ADJUSTED BUDGET 2011/2012</b>	<b>BUDGET 2012/2013</b>	<b>% INCREASE</b>
Contracted Services-External Audit	R 1 375 000	R 1 125 000	R 1 120 000	-0.44
Contracted Services- SARS Audit (VAT)	R 800 000	R 800 000	R 800 000	0.00
Contracted Services- Meter Reading	R 1 290 190	R 1 290 190	R 1 400 000	8.5
Contracted Services- Debt Collection	R 1 009 456	R 1 009 456	R0	-100
Risk and Asset Management	R 1 465 000	R 1 324 901	R 1 370 000	3.4

Depreciation and Assets impairment	R 7 077 440	R 34 141 977	R 3 500 000	Cost model (-897)
Contracted Services-Licensing	R 5 763 287	R 5 763 287	R 6 124 000	6.2

#### **KPA6: GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

<b>STRATEGIC PROGRAMME</b>	<b>BUDGET 2011/2012</b>	<b>ADJUSTED BUDGET 2011/2012</b>	<b>BUDGET 2012/2013</b>	<b>% INCREASE</b>
SALGA	R 320 000	R 489 398	R 441 000	-10
Community Outreach Programmes	R 450 000	R 453 966	R 294 000	-35.2
External Communication	R 100 000	R 90 437	R 98 000	8
Imbizos	R 70 000	R 128 889	122 500	-5
Ward Committees	R 1100 000	R 915 000	R 1 100 000	20

#### **B CAPITAL EXPENDITURE**

##### **KPA1: SPATIAL ANALYSIS AND RATIONAL**

<b>STRATEGIC PROGRAMME</b>	<b>BUDGET</b>	<b>FUNDING SOURCE</b>
Township Establishment on Remainder Portion 25 of the Farm at Het bad	R 200 000	OWN
Township Establishment on Remainder the farm Bela-Bela 611KR	R 60 000	OWN
Plotter & Scanner	R 250 000	OWN
Plan Filing Cabinet	R 80 000	OWN

##### **KPA2: BASIC SERVICE DELIVERY**

<b>STRATEGIC PROGRAMME</b>	<b>BUDGET</b>	<b>FUNDING SOURCE</b>
Pienaarsrivier/Masakhane cemetery	R 400 000	OWN
Waste and environmental plan	R 500 000	OWN
Parking Meters	R 500 000	OWN
Sports and Recreational Master Plan	R 900 000	OWN
MV Switch Gear Replacement	R1 500 000	OWN
Upgrade HT line in Bela-Bela township	R 300 000	OWN
Standby generator for pump station & Municipal building	R 600 000	OWN
Water service master plans and operation & maintenance plans WC & DMS	R 200 000	OWN
Installation of Stand Pipes at Rapotokwane	R 500 000	OWN
Replacement of Water Meters	R350 000	OWN
Telemetry system for water & sanitation	R 500 000	OWN
Rapotokwane installation of stands pipe network	R 500 000	OWN
Replacement of old water meter	R 350 000	OWN
Road Paving phase 3B	R 3 618 942	MIG
Bulk Infrastructure Bela-Bela x9	R 5 558 457	MIG
License testing ground	R 6 902 600	MIG
Upgrade Moloto street sports facilities	R 2 024 000	MIG

**KPA3: LOCAL ECONOMIC DEVELOPMENT**

**KPA4: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT**

<b>STRATEGIC PROGRAMME</b>	<b>BUDGET</b>	<b>FUNDING</b>
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		<b>SOURCE</b>
Network Wireless Solution	R 250 000	OWN
4 Servers	R 800 000	OWN

<b>CATEGORY</b>	<b>2012/2013</b>	<b>%</b>
<b>OPERATIONAL EXPENDITURE</b>	<b>R205 381 241</b>	<b>88.8</b>
<b>CAPITAL EXPENDITURE</b>	<b>R25 994 000</b>	<b>11.2</b>
<b>TOTAL BUDGET</b>	<b>R231 375 241</b>	<b>100</b>

## **RECOMMENDATIONS**

### **Madam Speaker**

In conclusion, I must remind the house that the purpose of this Council item is to obtain approval for the final budget for the financial year 2012/2013 in terms of Municipal budget and reporting regulations and section 16 and 17 of the Municipal Finance Management Act, 2003 (Act 56 of 2003).

I therefore present the following documentation for approval, in terms of section 24 of the Municipal Finance Management Act, 56 of 2003.

1. Revised 2012/2013 IDP
2. 2012/2013 Annual Budget
3. Revised Budget related policies
  - 3.1 Virement policy (Annexure)
  - 3.2 Tariffs' for municipal trading services
  - 3.3 Draft Sundry Tariffs
  - 3.4 Credit Control and debt collection policy
  - 3.5 Tariffs policy
  - 3.6 Property rates policy
  - 3.7 Indigent policy
  - 3.8 Writing off irrecoverable debts
4. 2010/2011 Annual Report
5. Request for rollover of Capital Projects to 2012/2013
6. Organisational Structure

Madam Speaker

I thank you

