

Mayoral Budget Speech – 2010/2011

New Municipal Chamber, Bela Bela

28 May 2010

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

Ladies and gentlemen

Good afternoon

We are meeting here today with 14 days to go before the official kick off of the Greatest Sport festival on earth which is the 2010 Soccer World Cup.

This, Madam Speaker, has triggered a celebratory mood amongst our people who, like 20 years ago when our liberation icon Nelson Mandela was released from prison, are once again ready to celebrate with the world, the resilience of our people.

This positive mood also reflects the state of readiness of our government and people to welcome the world to our beautiful country.

In this regard, I wish to take this opportunity to call on all the residents of Bela Bela to support and participate in this great festival and indeed throw our full support behind our national pride, Bafana Bafana.

We must do our best to inspire our boys to deliver this cup.

It must remain here with our people.

Madam Speaker

The struggle for a better life for all our people continues. More so, because of the enormous challenges that many of our residents still face daily in accessing the fruits of freedom and democratic rule.

In our interaction with them during the IDP and Budget roadshow, it became clear that they remain hopeful that working together with us, we can improve their lot and achieve more.

They are convinced that the developmental challenges, reflected in the infrastructure backlog in roads, stormwater and housing shall be overcome.

Madam Speaker

Our people know that this council and government, led by the African National Congress, is committed to ensuring an equal society rooted in the principles of non racial, non sexist, democratic and prosperous South Africa.

Hence, we believe that to a large extent, our 2010-2011 Budget embodies the strategic needs and developmental goals of our community.

The 2010-2011 Budget derives its strength from the inputs made by residents in all eight wards.

This, Madam Speaker, is the people's budget.

It's a budget that outlines our core business objectives for the next financial year, starting in July 2010 .

It maps out how this council should translate our financial resources into implementable projects that will turn the tide against underdevelopment.

Madam Speaker

This is the final Budget that we are presenting as Council before our term ends.

In this regard, I wish to thank all Members of Council for the cooperation and dedication.

It was through this collective that we managed to approve and oversee the implementation of previous budgets. With your oversight, we have indeed seen a significant improvement in the management of resources as well as the implementation of the budget for service delivery.

We are proud as Council to report the following broad achievements over the past Five (5) years:

1. Eradication of the water backlog in Bela Bela
2. The revival and full establishment of the township of Masakhane
3. Resumption and revival of our commitment to service the people of Rapotokwane
4. The resolution to relocate the community of Vingerkraal and alleviate the service backlogs and ensure that there is proper planning of settlements in this municipality
5. The adoption of the Spatial Development Framework and subsequently the Land Use Management Scheme, both of which have become our key instruments of planning in the municipality
6. The overhaul of the organizational structure of the municipality and establishment of the fifth department which is Planning and Economic Development
7. The establishment of Extension 8 in Bela Bela Township
8. The revamping of the cemetery in Bela Bela
9. The Rebuilding of the new Municipal Building
10. Construction of 1430 houses in various parts of Bela Bela

On the other hand, there are few outstanding challenges relating mainly to roads and stormwater, the relocation of dumping site to

Masakhane and the establishment of municipal wide cemetery in Masakhane.

Given the overall performance of the municipality, we believe these challenges will be addressed.

No wonder, Madam Speaker our improvement in performance was confirmed through a number of independent reports in both the private and public sector.

The State of Local Government assessment report, compiled by the national Department of Cooperative Governance and Traditional Affairs, rated our municipality as one of the top 58 performing municipalities in the country.

In the province as well, a report by a Johannesburg rating agency Empowerdex rated Bela Bela as top performer.

To this end, I wish once again, to thank members of Council for the role they played in the improvement of performance in the municipality.

I also wish to take the opportunity to express our appreciation and gratitude to the administration of this municipality under the leadership of the Municipal Manager for the positive strides that the municipality has recorded in terms of performance.

## **Madam Speaker**

Our budget is premised on the following important factors.

### **1. IDP Process**

As we have already shown earlier, we have had to go on an extensive public participation process to review our integrated Development Plan as required by the law.

This process involved the sourcing of the needs of the community, through the Steering Committee as well as the Representative Forum.

## **Public participation input**

As we have indicated earlier on, there has been a number of inputs made by our community during the Public Participation roadshows.

Below is a summary of the issues, some of which have also found expression in this Budget:

- Upgrade quality of streetlights
- Minimise interruption of power supply
- Improve water quality
- Upgrading of roads and stormwater in Tsakane, Hostel View, and Rapotokwane
- Address housing for middle-income
- Need to have taxi ranks within Bela Bela Township
- Construction of RDP houses to accommodate people with disabilities.
- Suggestion Box – to enhance communication between municipality and community
- Publicise toll-free emergency number
- formal dressing code for municipal employees
- need to prioritise employment equity
- Improved communication between ward councillors and ward committees
- Revival of Tourism Festival
- Monitor the progress of SMMEs especially those trained by municipality and development agencies (SEDA and LIBSA)
- Post training assessment of councillors, ward committees and CDWs

Madam Speaker

I wish to take this opportunity to thank all our stakeholders for their inputs into the Budget in particular our business and farming community.

With the cooperation and the good relationship we have with them, we have been able to take this municipality forward in areas of development such as in the road infrastructure.

I wish to thank the leadership of business in Bela Bela for their support and unwavering dedication to improving our town and municipality.

This budget therefore should largely reflect the needs as expressed by residents.

Of course, Madam Speaker, through the Steering Committee both the municipality and sector departments have to guide the public participation process, based on the provincial and national priorities as well as legislation.

You would recall that in terms of Section 153 (a) of the Constitution, municipalities are required to priorities basic needs.

## **2. Employee related costs**

In relation to our operations, it is important that in our planning of personnel provision, we should not have a bloated organisational structure. We should therefore, adjust our organisational structure in line with the national guidelines as provided by National Treasury

Our personnel expenditure in this regard, constitutes 35, 9 % of the budget.

This falls slightly above the guideline bracket, which is 30-35%.

I must point out, Madam Speaker, that whilst we strive to follow the guidelines, this still leaves us with some serious constraints in as far as our personnel needs is concerned. There is still a need to further strengthen all the Departments within the municipality particularly Budget and Treasury, Planning and Economic Development as well as Technical Services.

In the Organisational Structure, that we are also tabling before this Council, it is evident that we do attempt to augment the capacity in Budget and Treasury.

However we are still falling short in terms of the capacity that is required in Planning and Economic Development and Technical Services.

Our approach in this regard is a gradual one wherein year on year, we should review and cumulatively add to the strengths of each department until we are at the required level of capacity.

Also to be considered in relation to employee related costs are salary increases across the board which are agreed to by the relevant authorities, in the negotiations for salary improvements.

This includes negotiated agreements between SALGA and Organised Labour as well as increase negotiated between Council and Section 56 Managers.

### **3. Inflation Forecast**

One of the important instruments that should guide us in the construction of the budget is the inflation forecast for the year under review.

The following is the picture with regard to the forecast over a period of four

years:

<b>Fiscal Year</b>	<b>2008/09</b>	<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>9.9%</b>	<b>6.7%</b>	<b>5.7%</b>	<b>6.2%</b>	<b>5.9%</b>

#### **4. Electricity Tariffs**

During the tabling of the draft budget in March this year, there was a provisional proposal for a 15.33% tariff increase.

Following our interaction with NERSA, we since adjusted our proposals as follows:

According to the directive by NERSA, municipalities which implemented, a 25% increase in 2009/10 are eligible to increase their tariffs by no more than 22% for the 2010/11 financial year.

Similarly, municipalities that implemented 34% increase in 2009/10, are eligible to increase their tariffs by no more than 19% for the 2010/11 financial year.

Since Bela Bela Municipality implemented the latter that is 34% in the preceding financial year, the maximum that we can increase our electricity tariff is 19%.

#### **5. Water and other trading services**

According to Municipal Budget Circular 51 of **2010/11 MTREF**

( **MFMA NO 56 2003**), it is imperative that water tariffs are cost-reflective and that more and more emphasis should be put on conservation. It is expected that over the long term environmental considerations will affect the sustainability of growth.

Government should promote efficient use of energy and water resources alongside measures aimed at mitigating the effects of climate change. Prices that reflect economic cost and well-structured environmental taxes should provide incentives for efficiency improvements and new investment.



In this regard, Madam Speaker, it is apparent that South Africa faces water supply challenges similar to those in electricity where the demand growth outstrips supply.

As municipalities we are, therefore, encouraged to review the level and structure of our water tariffs carefully, with a view to ensuring that they are fully cost-reflective.

This must include the cost of maintenance, renewal of purification plants, water networks, and the cost of new infrastructure.

Furthermore, water tariffs should be structured to protect basic levels of service, whilst encouraging efficient and sustainable consumption.

Madam Speaker, for us to ensure cost reflective tariffs on water by 2014, we do generally envisage to implement stepped – up price increases as advised by the **(Circular 51)** as follows:

2010/11 increase of 12%

2011/12 increase of 15%

2012/13 increase of 30 %

## **6. Property Rates**

Madam Speaker, Property Rates are important source of revenue for the municipality. In fact, they are our second biggest source of revenue from within the municipality.

You will recall that municipalities are faced with a specter of transformation and restructuring in electricity. The possibility for municipalities is that, we may lose electricity as our main source of revenue.

Property Rates therefore will become the key source of revenue for municipalities. It is therefore important for us to ensure that all properties are properly registered in all our settlements, farming community as well as all other commercial entities.

It is also important to accelerate the transfer of properties in areas which could previously not register full titles such as in the township and other previously disadvantaged communities.

I wish to express my appreciation to the current property owners particularly the farming community for the positive response when we

begun to implement the new legislation on property rates, where they were significantly affected.

As a municipality we remain committed to the service of all residents where we are required to provide these services.

We also wish to emphasize the importance of the partnership between the municipality, the business community as well as the farming community.

## **7. Grants and Transfers**

Section 214 of the Constitution provides for equitable division of revenue amongst the three spheres of government.

Transfers to municipalities from national government, where necessary, are supplemented with those from the provincial government.

Further, other transfers are also made between district municipalities and local municipalities.

Based on the above background, the following increase on trading services and property rates are tabled for approval, which also includes the amount of revenue they are expected to generate in the next financial year:

<b>Property Rates</b>	<b>R36 200 000</b>	<b>5.17%</b>
<b>Electricity</b>	<b>R50 591 000</b>	<b>19.00%</b>
<b>Water</b>	<b>R 9 520 000</b>	<b>10.89%</b>
<b>Sanitation</b>	<b>R 5 351 000</b>	<b>13.89 %</b>
<b>Refuse</b>	<b>R 5 622 000</b>	<b>13.89 %</b>

We propose not to increase the sundry income tariffs for the next financial year.

Madam Speaker

The VAT refunds have now been proven to be a steady income stream based on the poor revenue recovery of debtors.

Our current experience indicate that this component will realize in 2010/11 at least R 2 500 000 as the previous estimate of R 1 500 000 has been exceeded.

Traffic fines have increased with more than 200% in the current year under review, we therefore are positive that the previous year's estimates were correct and as such will keep to the previous year's estimates of this items to reflect and keep focus on this income stream.

Madam Speaker

Income from external sources is still important for the sustenance of the municipality.

This includes subsidies for our operations, in particular for the sustenance of basic services to indigents , as well as capital investment to eradicate service backlogs and upgrade our infrastructure.

Grants due to our municipality can be classified as follows:

1. Equitable Share	R 35 685 000
2. SETA Grant	R 617 198

3. District Grant Fire Brigade	R	311 384
4. Municipal Infrastructure Grant	R	12 903 000
5. Municipal Systems Improvement Grant	R	750 000
6. Department of Energy	R	3 000 000
7. Financial Management Grant	R	1 000 000

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

## **(A) OPERATIONAL EXPENDITURE**

### **KPA1: BASIC SERVICE DELIVERY**

<b>STRATEGIC PROGRAMME</b>	<b>BUDGET</b>
(a) Bulk Purchase: Water	R 3 701 000
(b) Bulk Purchase : Electricity	R 33 808 000
(c) Maintenance: Streets	R 2 100 000
(d) Maintenance: Electricity Network	R 1 900 000
(e) Maintenance: Water Network	R 700 000
(f) Maintenance: Sewer Network	R 527 000
(g) Dumping Site	R 1 500 000
(h) Parks and Grounds	R 450 000

### **KPA2: LOCAL ECONOMIC DEVELOPMENT**

<b>STRATEGIC PROGRAMME</b>	<b>BUDGET</b>
(a) Town Planning	R 300 000
(b) Contracted Services: Planning	R 200 000
(c) LED Support	R200 000
(d) Review of SDF	R235

**KPA3: MUNICIPAL TRANSFORMATION AND  
OGANISATIONAL DEVELOPMENT**

<b>STRATEGIC PROGRAMME</b>	<b>BUDGET</b>
(a) Employee related costs	R 58 248 000
(b) Remuneration to Councilors	R 2 609 000
(c) Employee Wellness	R 400 000
(d) New Vehicle Lease	R 1 500 000
(e) Contracted Services : Security	R 2 600 000
(f) Contracted Services: Legal	R 2 200 000

**KPA4 :MUNICIPAL FINANCIAL VIABILITY**

<b>STRATEGIC PROGRAMME</b>	<b>BUDGET</b>
(a) External Audit	R 1 375 000
(b) SARS Audit (VAT)	R 1 125 000
(c) Meter Reading	R 586 450
(d) Valuation Costs	R 495 000
(e) Debt Collection	R 630 000
(f) Risk and Asset Management	R 2 645 000
(g) Depreciation and Assets impairment	R 6 800 000
(h) Assets verification	R415 000

**KPA5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

<b>STRATEGIC PROGRAMME</b>	<b>BUDGET</b>
(a) Salga	R 320 000
(b) Community Outreach Programmes	R 450 000
(c) External Communication	R 100 000
(d) Imbizos	R 70 000
(e) Ward Committees	R100 000

## **(B) CAPITAL EXPENDITURE**

### **KPA1: (BASIC) SERVICE DELIVERY**

<b>STRATEGIC PROGRAMME</b>	<b>BUDGET</b>	<b>FUNDING SOURCE</b>
(a) Radium / Masakhane Internal Roads	R 1 200 000	MIG
(b) Rehabilitation of Streets : Spa Park	R 1 250 000	MIG
(c) Sewer Purification Plant	R 4 338 000	MIG
(d) Roads Paving Phase 3	R 4 640 000	MIG
(e) Discoloration of water in Township (Dead ends)	R 200 000	MIG
(f) High Mast Light at Masakhane	R 250 000	MIG
(g) Electrification of new houses (332HH) in Bela Bela Ext 8, Rapotokwane	R 3 000 000	DE
(h) Replacing HT Cables in Town	R 2 000 000	OWN
(i) Upgrade of switchgear and building at the main substation	R 2 500 000	OWN
(j) Recreational Park: Pienaarsrivier	R 200 000	OWN
(k) Resealing of Internal Roads	R 700 000	OWN
(l) Relocation of existing pump station	R350 000	OWN



## KPA2: LOCAL ECONOMIC DEVELOPMENT

STRATEGIC PROGRAMME	BUDGET	FUNDING SOURCE
(a) Formalisation of flea market	R 500 000	OWN
(b) Establishment of township at Welgegund, Ext 1, Masakhane	R300 000	OWN

## KPA3:MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

STRATEGIC PROGRAMME	BUDGET	FUNDING SOURCE
(a) License Testing Ground	R 500 000	MIG
(b) Testing Ground Machinery	R 250 000	OWN
(c) Office furniture for the new Municipal Buildings	R 2 000 000	OWN
(d) HR System	R 500 000	OWN
(e) 4 Servers	R 1 000 000	OWN

(a) The **Capital Projects** as per list above will be funded from MIG ( R 12 903 000), DE ( R 3 000 000) and **Own Revenue of R 9 150 000)**

## 8. EXECUTIVE SUMMARY STATEMENT

This budget has been compiled in line with MFMA Circulars No 28 & 51, 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 (although this not applicable to CDM since no loans were raised).

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.

Our total Operational Expenditure is **R 162 million** which can be categorized as follows;

<b>FUNCTIONAL AREAS</b>	<b>2010/2011</b>	<b>%</b>
Salaries and Wages	58 248 000	35.93
Councilors Allowances	2 609 000	1.61
Bulk Purchases	36 879 000	22.75
General Expenditure	43 836 000	27.04
Contracted Services	20,538 000	12.67
<b>Total</b>	<b>162 110 000</b>	<b>100</b>

This expenditure will be financed from the following sources;

<b>SOURCE</b>	<b>2010/2011</b>	<b>%</b>
Property Rates	36 200 000	20.87
Electricity	50 591 000	29.16
Water	9 520 000	5.49
Sanitation	5 351,000	3.08
Refuse	5 622 000	3.24
Grants	38 364 000	22.12
Other Income	27 819 000	16.04
<b>Total</b>	<b>173 467 000</b>	<b>100</b>

Our total Capital Expenditure is **R 15 million** which can be categorized in terms of the following functional areas;

<b>FUNCTIONAL AREAS</b>	<b>2010/2011</b>	<b>%</b>
Water	200,000	0.80
Roads	7 090 000	28.30
Electricity	7 700 000	30.73
Sanitation	4 338 000	17.32
Community Services	950 000	3.79
Governance, Finance & Admin	4 775 000	19.06
<b>TOTAL</b>	<b>25 053 000</b>	<b>100</b>

The total budget for 2010/2011 is as follows:

<b>CATEGORY</b>	<b>2010/2011</b>	<b>%</b>
<b>OPERATIONAL BUDGET</b>	<b>162 110 000</b>	<b>86.61</b>
<b>CAPITAL BUDGET</b>	<b>25 053 000</b>	<b>13,39</b>
<b>TOTAL BUDGET</b>	<b>187 163 000</b>	<b>100</b>

## **9. RECOMMENDATIONS**

**It is recommended that**

**(i)That the following tariff increases as per attached tariff list be approved**

Property Rates	5.17%
Electricity	19.00%
Water	10.89%
Sanitation	13.89%
Refuse	13.89%

**(ii) That the sundry tariff as per attached list be approved**

**(iii) The draft operational income budget of R 173 467 000 be approved.**

**(iv)The draft operational expenditure budget of R 162 110 000 be approved.**

**(v)The Capital budget of R 25 403 000 be approved.**

**(vi) That the accumulated surplus of R 1 857 000 be approved.**

**Madam Speaker**

As we approach the 2011 Local Government Elections, I wish to humbly sent my best wishes to members of Council in particular those wish to return to continue with the business of the municipality

**I thank you**





