

**BUDGET POLICY AND STATEMENT OF THE MAYOR: COUNCILLOR K.S KOALANE FOR 2011/12 FINANCIAL YEAR.**

Honourable Speaker, Councillor MM Lekaota  
Honourable Councillors  
Municipal Manager and his management team  
The Administrator, Mr. B.C Mokomela  
Community  
Leaders from political parties  
Our partners from private sectors  
Distinguished and esteemed guests, friends and comrades

**Introduction**

We present this budget today not only as a matter of obligation but to celebrate 10 years since the democratic establishment of our municipality. This reality provides for us an opportunity to positively reflect on the progress and antecedent challenges and those ahead of us always confronted by our people daily.

Honourable Speaker, the challenges referred herein are ones which are associated with more needs. It is difficult to comprehensively speak of needs outside Maslow's hierarchy of needs. Let me therefore quote Maslow: "People continuously want things. People always want more, and what they want depends on what they already have. As soon as one need is satisfied, another takes its place. People can therefore never be fully satisfied and they behave in a particular way to satisfy a need or a combination of need."

As we are gathered here today, let me take this golden opportunity to remind you of the significant event which we now have to commence some build-up activities towards, namely, the centenary celebration of the formation of the African National Congress (ANC) in the Free State. Mangaung is the birth place of this vanguard movement of the people, a city which Masilonyana Municipality shares boundaries with through Winburg and Brandfort. These two small towns of our province and country contributed immensely to our liberation of our people from political bondage.

The 2008/09 budget statement acknowledges the heroic contribution of our women veterans from Winburg to the struggle, in 1956, who stoically marched against the pass laws. In the previous budget statement, we acknowledged the Brandfort's place in the history of our country. The stalwart of our people's struggle was banished to Majwemasweu in the 80's. Her presence in the place inspired the fighting spirit of the people to take charge of their common humane destiny.

I would be committing a grave mistake if I did not mention Theunissen/Masilo people for their undisputed historical contribution to the struggle from 1984 onwards. In 1985, the late President of the ANC, Comrade OR Tambo, declared that year the year of Umkhonto We Sizwe and issued a clarion call to the youth to "advance to people's power, give the enemy no quarter by rendering South Africa ungovernable and apartheid unworkable". Many of our people in Masilo responded fearlessly to this call.

The liberation of South Africa was never automatic as some people want us to believe. It was achieved through blood and sweat of our martyrs like Solomon Mahlangu, who, when he was led to the gallows said "Tell my people that I love them and they must continue the struggle. My blood will nourish the tree of liberty".

This budget statement provides us with an opportunity to evaluate achievements and challenges in our pursuance of bettering the lives of our residents.

## **Staffing**

It is important to announce that we have finalized our organogram and is to be submitted to the Council for final approval. The redesign of the organizational structure will and must certainly address service delivery imperatives. This exercise is not meant to be cosmetic. The recent restructuring of the structure led to the appointment of the Unit Managers who continue to perform well and deal with operational issues as and when they arise.

The employment of internal auditor remains a thorny issue. For us to achieve the clean audit in 2014 as set out by government, we need to appoint a qualified, experienced and competent person to offer this indispensable service. We must do it.

Majority of our staff received training from the Development Bank of South Africa (DBSA) Vulindlela Academy in various fields. Some have begun to enroll for the Certificate Programme in Municipal Finance and Development, which is the prescribed MFMA minimum competency requirement for non-financial managers. The minimum competency requirement will become enforceable from 2013 onwards.

## **Youth Development**

The past budget statements have intimated about the consideration for appointment of additional youth development personnel in the office of the Mayor to deal with growing youth development issues. The two will be placed in Brandfort and Verkeerdevlei respectively. This is the urgent task of the coming term of council.

## **Top Management**

Madam Speaker, all the top posts of the management had been established and filled except, like we previously indicated, the Economic Planning and Development Directorate which remains priority of this institution. However the composition of our management remains a worrying factor with regard to gender consideration because it consists of only one our female out of four section 57 managers. That is in clear contravention of Employment Equity Act.

Madam Speaker, we all agreed that management is vital to any organization. Without management an organization is lifeless, thus in our case changes are inevitable at management level for us to meet the changing needs of our community and to provide water, electricity, waste removal and host of other services in efficient and effective manner.

It is of paramount importance that while the management is planning, leading, organizing and controlling, it ought to interdepartmentally coordinate, combine, allocate and employ resources in such a way that institutional goals which are in line with OUTCOME 9 are achievable.

The finance department is one of the service delivery essential components and has continued to perform bad to date and fortunately we were able so far to identify the main cause of the problem. Council will therefore be notified sooner than later about remedial action we are to take.

## **Performance Management System**

In 2010/11, I made mention of non-negotiable issues of non compliance i.e. signing of performance agreements and employment contract in terms of Municipal Finance Management Act (MFMA) and Municipal Systems Act (MSA) to bring credible Service Delivery and Budget Implementation Plan (SDBIP). Today I am at liberty to announce to this gathering that the above task had been attained thanks to commitment shown by the respectable administrator Mr. BC Mocomela.



<b>Masilonyana</b>	Brandfort	2,315	1,575	0	0	0	0	0
	Theunissen	4,777	3,529	100	68	68	1100	68
	Winburg	3,041	2,261	0	0	0	600	0
	Soutpan	400	400	0	0	0	0	0
	Verkeerdevlei	552	552	0	0	0	0	0
		11,085	8,317	100	68	68	1700	68

With majority of buckets having been removed at the turn of 2008, it is not far-fetched to argue that sanitation stats have increased significantly from the period of that survey in 2007.

In December 2007, the municipality had bucket backlog of 11 085 buckets. Since then, 8317 buckets have been eradicated, therefore improving the quality of life of many in our community. For the coming financial year, R7.242 million will be channeled towards eradication of the remaining 1261 buckets in Makeleketla. We have further requested R8 million to complete the remaining 2265 in Masilo.

The rest of other capital projects in the coming financial year include:

<b>Project</b>	<b>Location</b>	<b>Amount</b>
Upgrading of water purification plant	Brandfort/Majwemasweu	R3.921m
Upgrading of waste disposal site	Brandfort/Majwemasweu	R3.324m
Upgrading of streets from gravel to surface	Winburg/Makeleketla	R3.453m
Upgrading of oxidation ponds	Verkeerdevlei/Tshepong	R3.410m
Construction of community hall and sports complex	Soutpan/Ikgomotseng	R3.227m
Installation of water meters	All towns	R4.228m
Fencing of cemeteries	All towns	R1.5m
Procurement of fleet	All towns	R2 m

In addition, the municipality has requested funding for the following capital projects:

<b>Project</b>	<b>Location</b>	<b>Amount</b>
Repairs of potholes	All towns	R2.4m
Bulk water infrastructure (feasibility study completed)		R40m
Multi Purpose Centre	Masilo	R10m
Design and planning of library for 2012/13	Soutpan	

At the end of 2009 financial year, 4585 households were receiving free basic services, which constituted 66% of the equitable share. This subsidy ensures that the poor in our community benefits the fruits of democracy by receiving free water, electricity and refuse removal.

**2006 TO 2011 INFRASTRUCTURE PROJECTS REPORT  
THEUNISSEN MASILO**

<b>Contract No</b>	<b>Description</b>	<b>Project Cost</b>	<b>Funding Source</b>	<b>Commencing Date</b>	<b>End Date</b>	<b>Project Status</b>
MIG/FS 0103S/05/07	Masilo Bucket eradication 445 units	6,300,000.00	5,300,000 MIG 1,000,000 District	13/10/2006	29/02/2008	Completed
MIG/FS/0235/W/06/07	Masilo Water reticulation	4,589,809.00	MIG	10/10/2006	30/03/2007	Completed
MIG/FS/0199/S/06/07	Masilo Bucket eradication 680 units	12,260,000.00	MIG	Sep-06	13/06/2008	Complete
MIG/FS/0329/S/06/08	Masilo Bucket eradication 1267	11,950,321.00	MIG	6/1/2007	On hold	Project awaiting budget maintenance
MIG/FS/0597/S/07/09	Masilo Bucket eradication 2265 units	32,063,807.00	MIG	27/11/2007	1 – Mar -09	Complete
IG/FS/0332&0334/R,ST/06/08	Masilo upgrading of streets and storm water	18,240,000.00	MIG	21/08/2007	30/09/2010	Complete
<b>BRANDFORT MAJWEMASWEU</b>						
DWAF	Brandfort Bucket eradication 590	2,100,000.00	DWA	Dec-05	Jun-06	Complete
MIG/FS/0252/S/06/07	Brandfort Bucket eradication 740 units	5,776,783.00	MIG	17.08/2006	31/11/2007	Complete
MIG/FS/0324/S/07/09	Brandfort Bucket eradication 1050 units	7,576,000.00	MIG	17/8/2007	31/03/2009	Complete
MIG/FS/0577/S/07/08	Brandfort Bucket eradication 525 units	5,000,000.00	MIG	9/10/2007	1-Sep-09	Complete
MIG/FS/0201/W/06/07	Brandfort Water reticulation	1,564,718.00	MIG	22/08/2006	15/12/2006	Complete
	Brandfort Water reticulation	800,00.00	Own funding	11/4/2007	11-Jul-07	Complete

MIG/FS/0703/W/08/09	Brandfort purification plant	8,030,507.00	MIG	14/06/2010	On hold	Cogta still addressing technical issues
MIG/FS/0749/ST/09/10	Storm water drainage	1,594,003.00	MIG	1/1/2011	1-Jun-11	Site handed over

<b>SOUTPAN IKGOMOTSENG</b>						
MIG/FS/0202/CP(SP) 05/07	Ikgomotseng construction of a community hall	5,898,837.00	MIG	29/11/2006	1-Aug-11	Under construction
MIG/FS/0586/S/07/08	Ikgomotseng Bucket eradication 400 units	6,138,909.59	MIG	9/3/2007	1-Feb-11	Complete
MIG/FS/0131/W/05/07	Ikgomotseng upgrading of bulk water supply phase 2	1,900,000.00	MIG	Jan-05	Feb-06	Completed
MIG/FS/0267/S/06/08	Soutpan Upgrading of oxidation ponds	5,830,000.00	MIG	14/03/2007	30/12/2009	Under construction
MLM/FS/06/2010	Upgrading of streets	4,366,947.89	Dept of Roads	20/02/2011	31/05/2011	Under construction
<b>Contract No</b>	<b>Description</b>	<b>Project Cost</b>	<b>Funding Source</b>	<b>Commencing Date</b>	<b>End Date</b>	<b>Project Status</b>
<b>WINBURG MAKELEKETLA</b>						
MIG/FS/0106/S/05/06	Makeleketla Bucket eradication 200 units	1,437,540.00	MIG	Feb-06	Aug-07	Completed
MIG/FS/0116/W/05/07	Winburg 2ML Reservoir	3,77,000.00	MIG	Nov-05	Jun-06	Complete
MIG/FS/0356/S/06/07	Winburg Bucket eradication	8,631,650.00	MIG	15/01/2007	Dec-08	Completed
MIG/FS/0355/S/06/07	Winburg Bucket eradication 1000 units	9,325,000.00	MIG	4/7/2007	31/03/2009	Completed
MIG/FS/0575/S/07/08	Winburg Bucket eradication 1261 units	13,245,000.00	MIG	26/11/2007	On hold	On redesign stage by new consultant
	Waste water treatment plant	14,584,500.00	MIG	Apr-08	On hold	Cogta still engaging on technical issues
MIG/FS/0720/W/08/09	Winburg Upgrading of the water reticulation network(asbestos)	6,846,000.00	MIG	8/2/2010	1-Mar-11	Completed
MIG/FS/0776/W/09/10	Winburg Upgrading of the water reticulation network and isolation valves	5,850,000.00	MIG	29/06/2010	O+110n going	90% complete
MIG/FS/0007/W/06/07	Winburg Water reticulation	1,500,000.00	Own funding	11/7/2007	27/11/2007	Completed

MIG/FS/0749/ST/09/10	Winburg storm water drainage	1,594,003.00	MIG	5/1/2011	1-DZEC-11	Site handed over
<b>VERKEERDEVLEI TSHEPONG</b>						
MIG/FS/0335/S/06/07	Verkeerdevlei Bucket eradication 490 units	5,397,171.00	MIG	13/09/2007	25/04/2010	Completed
	Upgrading of streets	4,000,000.00	Dept of Roads			Under construction

MIPFS207/39/327	All towns water management	570,000.00			Completed	

MIG/FS/0199/S/06/07	Masilo Bucket eradication 680 units	12,260,000.00		Sep-06	13/06/2008	
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MIG/FS/0335/S/06/07	Tshepong upgrading of sewer main	5,397,171.00			Completed	
MIG/FS/0235/W/06/07	Masilo water reticulation	4,589,809.00		10/10/2006	30/03/2007	
MIG/FS/0208/W/06/08	Verkeerdevlei water reticulation	4,589,808.00			Completed	

MIG/FS/0332&0334/R,ST/06/08	Masilo upgrading of streets and storm water	18,240,000.00		21/08/2007	30/09/2009	
MIG/FS/0202/CF(SP)05/07	Ikgomotseng construction of a community hall	2,207,656.00		29/11/2006	On hold	
MIG/FS/0361/CL/06/06	All towns high mast lights	450 000.00		10/11/2006	28/07/2008	

MLM/FS/0008/W/06/07	Masilo water reticulation	1,000,000.00		11/7/2007	25/10/2007	
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MIG/FS/0007/W/06/07	Verkeerdevlei	200,000.00		11/2/2007	11-	
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	water reticulation				sep-07	
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MIG/FS/0597/S/07/09	Masilo bucket eradication 2265 units	23,238,900.00		27/11/2007		
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MIG/FS/0329/S/06/08	Masilo bucket eradication 1267 units	11,000,000.00				
MIG/FS/0324/S/07/09	Brandfort bucket eradication 1050 units	7,576,000.00		17/8/2007	31/03/2009	
MIG/FS/0355/S/06/07	Winburg bucket eradication 1000 units	9,325,000.00		4/7/2007	31/03/2009	
MIG/FS/0335/S/06/07	Verkeerdevlei bucket eradication 490 units	5,397,171.00		13/9/2007	25/04/2010	
MIG/FS/0577/07/08	Brandfort bucket eradication 525 units	5,960,000.00		27/11/2007	31/9/2009	
MIG/FS/0575/S/07/08	Winburg bucket eradication 1261 units	13,245,000.00		26/11/2007	On hold	
MIG/FS/0329/06/08	Masilo bucket eradication 1267 units	11,950,321.00			On hold	
MIG/FS/0586/07/08	Ikgomotseng bucket eradication 400 units	4,100,000.00				
MIG/FS/0267/S/06/08	Soutpan upgrading of oxidation ponds	5,830,000.00		14/03/2007	30/12/2009	
MIG/FS/0597/S/07/09	Masilo bucket eradication 2265	27,126,147.00		27/11/2007	On going	
MIG/FS/0202/CF(SP)05/07	Ikgomotseng construction of a community hall	2,207,656.00		29/11/2006	On hold	
MIG/FS/0720/W/08/09	Winburg upgrading of	6,846,000.00		8/2/2010	On going	



	the water reticulation				
MIG/FS/0597/S/07/09	Masilo bucket eradication 2265 units	32,063,807.00		27/11/2007	31/03/2009
MIG/FS/0267/S/06-08	Soutpan upgrading of oxidation ponds	5,830,000.00		14/03/2007	30/12/2009

MIG/FS/0586/07/08	Soutpan bucket eradication 400 units	6,138,909.00		3/9/2007	On going
MIG/FS/0332&0334/R,ST/06/08	Upgrading of streets and storm water	18,240,00.00			On going
MIG/FS/0575/S/07/08	Winburg bucket eradication 1261 units	20,244,000.00		26/11/2007	On hold
MIG/FS/0577/S/07/08	Brandfort bucket eradication 525 units	5,960,000.00		10/9/2007	31/09/2009
MIG/FS/0597/S/07/09	Masilo bucket eradication 2265 units	32,063,807.00		27/11/2007	On going
MIG/FS/0586/S/07/08	Soutpan bucket eradication 400 units	6,138,090.59		3/9/2007	On going
MIG/FS/0332&0334/R,ST/06/08	Upgrading of street and storm water	18,240			Completed
MIG/FS/0435/CF/09/10	Ikgomotseng construction of a community hall	5,898,837.00		4/10/2010	On going

### Housing

Housing remains a serious challenge afflicting our communities. Since 2006, 1357 houses have been built. For 2010/11 financial year, 550 houses have been allocated for Majwemasweu, Masilo and Makeleketla of which 124 are already under construction and 15 have been completed already.

Eight houses were built in Makeleketla for women who took part in the 1956 Anti-pass Law march.

106 houses have been allocated in January 2011 in Majwemasweu under the auspices of Operation Hlasela. Construction has started in 28 houses.  
In April 2011, 150 houses have been allocated in Majwemasweu and Makeleketla respectively as a special programme from provincial government.

### Progress on electrification

Local Municipality	Project Name	Funds allocated	Planned connections	YTD Connections completed	Challenges/Comments/Summary
Masilonyana FS 181	In-fills	17,810	13	141	
	Farm Worker Houses			15	
	Swaelfontein F/School	87,821	1	1	Completed February 2008
	Ammerensia P F/School	45,000	1	1	Completed March 2008
	Wynandsfontein P F/School	65,000	1	1	Completed March 2008

Local Municipality	Project Name	Funds allocated (Rand)	Planned connections	YTD Connections completed	Challenges/Comments/Summary
Masilonyana FS 181	Mkgomotseng Ext Palestina	1,665,000	177	205	100% Completed
	In-fills	Subject to applications received from customers		203	
	Farm Worker Houses			27	
	Karoo Primary Farm School	118,278	1	1	Completed Mar 2009

Local Municipality	Project Name	Funds allocated (Rand)	Planned connections	YTD Connections completed	Challenges/Comments/Summary
	In-fills	Subject to applications received from customers		97	
	Farm Worker Houses			24	

Local Municipality	Project Name	Funds allocated (Rand)	Planned connections	YTD Connections completed	Challenges/Comments/Summary
Masilonyana FS 181	Masilo Ext Horse Shoe (FBR) 482	4,160,967	449	443	
	Majwemasweu Ext 4	2,245,107	280	0	Under-construction
	In-fills	Subject to applications received from customers		131	
	Farm Worker Houses			15	

### Sites

79 title deeds have been issued since 2009. 281 residential sites have been allocated to community members in Majwemasweu. Township establishment in Theunissen has been finalised. The layout of the general plan will be finalised soon. Unoccupied derelict erven (45 in 3 towns) have been auctioned.

### Local Economic Development: Partnership with the mining sector and Cooperatives Development

One of our elements of IDP mission clearly stipulates that municipality has to promote and invite investments for local economic development. I am happy to announce and report in relation to the interest shown for construction of shopping complex in the buffer strip. Further submissions of architectonic in this regard were made in December to this august Council. The council and community will be kept updated on developments in line with the contract conditional clause that the municipal council will be empowered to take back the alienated land lest there is no development after two years.

As part of our mutually growing relationship with the mines, the brick making project to the value of R3 million was funded by all three mining houses in our vicinity. Most of the project rudiments have been secured, including training of Cooperative members, purchase of machinery, and construction of warehouse. Only flooring is outstanding. With the proper support from government at all levels, the project has the potential to grow and employ not less than 100 people.

The Reseamohetse Primary School benefitted handsomely from Beatrix mine to the tune of R3.1 million for the extension of class rooms. The project was launched on the 02 April 2011 by the Member of Executive Council responsible for Education in the province, Honourable Tate Makgoe.

We have already agreed with the Beatrix mine on the funding of the paper manufacturing factory. A study has been commissioned to determine the feasibility and is about to be concluded. This project will be one of the projects that will contribute to job creation target. I want to lobby my fellow councillors to allow me to persuade Goldfields to agree to the location of the factory in Brandfort for they have recommended that it should be in Theunissen.

Unemployment is glaring in Brandfort. This however, should not be understood to suggest that other towns of our municipality are better off when it comes to employment. I will shortly herein

speak to some of the interventions we will consider in implementing MIG projects for this coming financial year through Extended Public Works Program (EPWP).

Harmony Mine continues to play a major role in supporting and contributing to Mayoral bursary scheme. Since 2006 when we launched the scheme, we have spent slightly over R1m in supporting our financially needy and academically deserving youth. The mine has contributed over 70% of this spending in covering the tuition and accommodation fees of 24 students we have supported thus far.

Working together with Harmony Mine, the municipality initiated a process of registering about 24 cooperatives throughout. We will employ the services of some of them to run the two projects funded by our mining houses. Marching forward, we need to deliberately choose to support these cooperatives if they are to play meaningful role on job creation and poverty alleviation. In this regard, we have interacted with the MEC of Cooperative Governance and Traditional Affairs (COGTA) for possible technical and financial support. The negotiations continue.

The President of the country, Honourable Mr. Jacob Zuma, declared 2011 as the year of job creation in delivering the state of the nation. The Premier of the Free State, Mr. E Magashule, in his state of the province address, also drew a line of march. Both these addresses must be understood and appreciated for what they are and represent to all of us.

Taking queue from the injunctions, I therefore commit the Municipal Council to create 1500 jobs through EPWP method. This means more external project management should be commissioned and contracted to manage these projects.

Honourable Speaker, we will not be moving away from traditional practice of employing contractors. We are simply trying to do things differently. Expertise will still be sourced where a certain project requires technical expertise. More over my office will not be interfering with procurement process but where our mandate of job creation is not being adhered to, I will intervene.

### **Winnie Mandela Museum**

Winnie Mandela Museum is to be constructed this year. The steering committee comprising of tripartite entities i.e. Department of Sports, Arts & Culture, Lejweleputswa District Municipality and our municipality continue to meet regularly, we are waiting for notification as to when the project will start. This museum forms part of heritage and legacy government projects that government has committed to.

### **Business Information Centre**

The Business Information Centre (of about R3m) is almost complete despite numerous challenges experienced. Its operations will centre on training on critical skills be it vocational or ITC related.

### **Municipal Financial Viability and Medium-Term Expenditure Framework (MTEF)**

### **Free Basic Services: Basic Social Services Package**

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy.

A summary of the free basic services package is set out below:

All registered indigents, including consumers in the rural areas, will receive 50 kWh of electricity per month fully subsidised.

- All registered indigents will receive 10 kilolitres of water per month fully subsidised.
- All registered indigents shall be fully subsidised for refuse removal.
- All registered indigents shall be fully subsidised for sewerage.
- All registered indigents shall be fully subsidised for the payment of property rates.
- In the event of the death of a member of an indigent household, the municipality may exempt the household from the cost of digging and preparation of a grave, provided that the burial takes place in a municipal cemetery.
- All registered indigents shall be fully subsidised for the payment of site rental.

The cost of the social package of the registered indigent households is financed by National Government through the local government equitable share received in terms of the annual Division of Revenue Act.

### **Operating Revenue Framework**

For Masilonyana Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of the municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditure against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipal area and continued economic development;
- Efficient revenue management, which aims to ensure at least an 80 percent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges in relation to trading services;
- Determining the tariff escalation rate by calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs; and
- The municipality's Indigent Policy and rendering of free basic services.

### **Revenue enhancement**

The municipality's ability to generate income determines the level and extent of its capacity to provide services as required by the Constitution. Revenue collection therefore becomes an inescapable imperative in order to fulfill the task of ensuring quality of life for our people.

The municipality has been under-collecting for a significant period of time. We have set ourselves an improved 60% collection rate target by the end of 30 June 2011 in comparison with the current collection rate below 50%. We speak with certainty that working together with all the stakeholders and supported by community, we can achieve this target.

We are actively implementing our revenue enhancement strategy with a view to achieve 70% collection by end of December 2011.

### **Property Rates**

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. Public Benefit Organizations were added to this rate ratio with effect from 1 July 2010. The implementation of these regulations was done in previous budget processes and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R15 000 reduction on the market value of a property will be granted in terms of the Municipality's own Property Rates Policy;
- 100 percent rebate will be granted to registered indigents in terms of the Indigent Policy;
- Retired (at least 60 years of age) and Disabled Persons, not registered as indigents, qualify for special rebates according to monthly household income. For the 2011/2012 financial year the total monthly income and corresponding rebate is determined as follows:-
  - a. R0 to R2 500 per month - 100%.
  - b. R2 501 to R5 000 per month - 50%.
  - c. R5 001 to R8 000 per month - 20%.

As indicated during the 2010/11 budget speech, property rates tariffs will again not be increased in the 2011/12 financial year as the expected increased revenue from the phasing in of agricultural properties and the supplementary valuation roll will allow for an increase of approximately 9%.

### **Salary Bill**

Our salary bill is at 29% of the total operating expenditure, excluding Councillors allowances at 3%. We are satisfied that we have kept salaries well within acceptable norms for the local government sector. The budgeted salary increase of 6.4% is determined by the wage agreement reached at the Bargaining Council.

### **Bad debts**

The Council took a resolution to write off all bad debts incurred before the amalgamation of former Transitional Local Councils. The total amount written off was R48.1 million in the 2008/9 financial year. As part of the revenue enhancement strategy, we'll continue to identify and write-off other irrecoverable debt in the 2011/12 financial year.

### Medium – Term Budget

The Municipality's projected overall expenditure for the 2011/12 medium term expenditure budget is **R155 million(2010/11 – R153 million)**, which signifies an increase of **1.35%** over the approved adjustment budget of 2010/11. The 2011/12 consolidated operating income for Masilonyana Local Municipality is estimated at **R155.6 million (2010/11 –R153.2 million)** which is **1.6%** more than the 2010/11 financial year's adjusted revenue estimate.

The table below reflects the operating revenue and expenditure estimates for the medium-term budget.

Details	Budget (R'000)			
	2010/2011 Adjusted	2011/2012	2012/2013	2013/2014
<b>Revenue</b>				
Own Revenue	72,221	81,188	89,949	100,030
Grants & Subsidies	80,939	74,392	82,280	87,542
Equitable Share	67,189	72,352	79,980	85,192
FMG	3,000	1,250	1,500	1,500
MSIG	750	790	800	850
Support Cogta	10,000	0	0	0
<b>Total Revenue</b>	<b>153,160</b>	<b>155,580</b>	<b>172,229</b>	<b>187,572</b>
Total Operating Expenditure	152,995	155,054	164,997	176,778
Surplus / (Deficit)	<b>165</b>	<b>526</b>	<b>7,232</b>	<b>10,794</b>

The Municipality is projecting a surplus of approximately **R526,000** in the 2011/12 financial year, **R7.232 million** and **R10.794 million** for 2012/13 and 2013/14 respectively.

### Operating Budget

The total operating budget is allocated on a need basis amongst various users and is apportioned as follows:

#### Expenditure (R'000)

<b>EMPLOYEE REMUNERATION</b>	<b>COUNCILLOR REMUNERATION</b>	<b>WORKING CAPITAL</b>	<b>REPAIRS &amp; MAINTENANCE</b>	<b>INTEREST &amp; REDEMPTION</b>
44,924	4,835	31,437	7,288	514
<b>BULK PURCHASES</b>	<b>GENERAL EXPENDITURE</b>	<b>CONTRIBUTIONS TO CAPITAL</b>		

23,575                      24,680                      3,500

### Apportionment of Operating Expenditure

#### Income (R'000)

PROPERTY RATES	USER CHARGES	INTEREST EARNED	FINES	OPERATING GRANTS & SUBSIDIES	OTHER INCOME
14,455	63,457	3,146	67	74,392	64

### Apportionment of Operating Income

#### Medium – Term Capital Expenditure

Masilonyana Local Municipality is tabling a capital budget of **R34.1 million** for 2011/12. This represents an increase of **17.48%** on the 2010/11 adjusted capital budget. The medium-term capital expenditure will be funded from a combination of financial sources that includes grants and own revenue. The 2011/12 capital budget will be funded from National and Provincial Government Grants to the tune of **R30.3 million**. The remaining balance of **R3.8 million** will be funded from own revenue generation.

#### Schedule of the Capital Budget

CAPITAL BUDGET 2011/12				
FUNCTION	DETAILS	TOTAL	OWN	MIG
FINANCE & ADMINISTRATION	COMMUNITY HALL	3 227 391		3 227 391
	LOAN CAPITAL REPAYMENTS	320 000	320 000	
COMMUNITY & SOCIAL		3 547 391	320 000	3 227 391
	FENCING UPGRADING WASTE DISPOSAL SITE TIPPERS,LDV'S	1 500 000	1 500 000	
		3 323 784		3 323 784
WASTE WATER MANAGEMENT		4 823 784	1 500 000	-
	BUCKET ERADICATION			7 242
	BUCKET ERADICATION UPGRADING OF OXIDATION PONDS	7 242 154		154
		3 409 931		3 409 931



		10 652 085	-	10 652 085
<i>ROADS TRANSPORT</i>				
	<i>UPGRADING STREETS TO SURFACE PMU BUDGET</i>	3 453 600 1 516 085		3 453 600 1 516 085
		4 969 685	-	4 969 685
<i>WATER</i>				
	<i>WATER METERS</i>	4 228 097 3 920 958		4 228 097 3 920 958
	<i>WATER</i>	8 149 055	-	8 149 055
<i>ELECTRICITY</i>				
	<i>VEHICLES</i>	2 000 000	2 000 000	-
		34 142 000	3 820 000	26 998 216

**Tariff Increases:**

- Electricity tariffs to increase with 20.38% with effect from 1 Jul 2011 - 30 Jun 2012. The Eskom increase for bulk electricity is 26.7%.
- Water, sewerage & refuse removal tariffs to increase with 7%.
- 0% increase in the tariff for Assessment Rates. – 25% phase in for agricultural in 2011/12 – last year
- Other sundry tariffs to increase with 4.8 %.

**COUNCIL RESOLUTIONS TO APPROVE THE BUDGET:**

1. The Council of Masilonyana Local Municipality, acting in terms of section 24 of the Local Government: Municipal Finance Management Act (MFRMA), (Act 56 of 2003) approves and adopts:
  - 1.1. The annual budget of the municipality for the financial year 2011/12 and indicative allocations for the two projected outer years 2012/13 and 2013/14; and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 12 on page 17;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 13 on page 19;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 14 on page 21; and

- 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 15 on page 23.
- 1.2. The financial position, cash flow budget and cash-backed reserve/accumulated surplus are approved as set out in the following tables:
  - 1.2.1. Budgeted Financial Position as contained in Table 16 on page 25;
  - 1.2.2. Budgeted Cash Flows as contained in Table 17 on page 26;
  - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 23 on page 39;
2. The Council of Masilonyana Local Municipality, acting in terms of section 24(2)(c)(i) and (ii) of the MFMA, sections 74 and 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) and section 14(1) of the Local Government: Municipal Property Rates Act (Act 6 of 2004) approves and adopts the tariffs for the supply of electricity, water, sanitation, refuse removal and property rates as set out in Section 2, that were used to prepare the estimates of revenue by source with effect from 1 July 2011.
3. The revised Integrated Development Plan (IDP) is approved as reflected in the agenda.
4. That in terms of section 24(2)(c)(iii) of the MFMA, the measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in Supporting Table SA7 be noted.
5. That in terms of section 24(2)(c)(iv) of the MFMA, the amendments to the integrated development plan as set out in Annexure C be approved.
6. That in terms of section 24(2)(c)(v) of the MFMA, the Budget related policies including any amendments as set out in Section 2 are approved for the budget year 2011/12.
7. To give proper effect to the municipality's annual budget, the Council of Masilonyana Local Municipality approves that cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

#### **Personal acknowledgements**

Our term of office comes to an end on the 18<sup>th</sup> May 2011 when many of our people will be queuing to vote for the party of their choice in deepening and defense of our democracy. It was crucial to conclude this budget presentation today to enable the incoming council sufficient time to settle under no external or internal pressures.

As representatives of our respective political parties in this municipal council, we need to reiterate the call of our leaders that in this election period we all need to observe and adhere to the electoral code of conduct.

Let me take this opportunity to thank honourable councillors, management and community for their bankable support given to me as the mayor of Masilonyana Local Municipality. I am equally indebted to my family for their unwavering support.

Honourable Speaker, to those who will not make it back to council for whatever fathomable or unfathomable reasons, I would like to say to them, there is always tomorrow. You are the architects of one's fate. I therefore duff m hat for the services and commitment you have shown. Look around, Masilonyana has changed and we continue to make strides as far as service delivery is concerned despite challenges. Masilonyana is not like yesterday.

To my political home, the African National Congress, thank you once more for the privilege, not the entitlement, conferred to me to this lead this institution. I am honoured.

I table the 2011/12 budget for Masilonyana Local Municipality to accelerate job creation.

I THANK YOU.