

# MASILONYANA MUNICIPALITY



**BUDGET SPEECH 2012/2013**

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**Budget Speech by the Honourable  
Mayor Kunatu Stephen Koalane.**



# MASILONYANA LOCAL MUNICIPALITY

## BUDGET SPEECH 2012/2013

Masilonyana Local Municipality on the occasion of the Ordinary Council Sitting, 30 May 2012, Brandfort.

Honourable Speaker,  
Honourable Chief-whip,  
Honourable Councillors,  
Municipal Manager and the rest of the management team,  
Leaders of political parties,  
Our partners from private sector,  
Leaders of the business, sports, traditional religious sectors, NGOs and CBOs  
Leadership of the Security cluster,  
Distinguished and esteemed guests,  
Members of the community and fellow South Africans,



**Dumelang, molweni, good day, goeie dag!**

It is an honour to speak to our community at this occasion of the first budget speech since 2011 Local Government Elections and since the upliftment of section (139) (b) provincial intervention.

Our sincere appreciation goes to the provincial government for their timely intervention when it was needed and for its upliftment when it was realized that the municipality was now better positioned to be led by the Council and its management. Indeed it can be said that a lot has been achieved during the period of intervention and it has done enough but could not do everything.

This Budget Speech takes place during a significant year in the history of our country, the centenary of the ruling party, the African National Congress.

In marking this occasion we acknowledge the work of all South Africans in bringing about a truly free, non-racial, non-sexist, democratic and prosperous country.

Honourable Councillors,

Compatriot and friends,

The year 2012 is also special because it marks the 16<sup>th</sup> anniversary of the Constitution of the Republic, which gives full expression to our democratic ideals.

The Constitution is South Africa's fundamental vision statement, which guides our policies and actions. As the municipality we reaffirm our commitment to advance the ideals of our country's constitution at all times.

Our sincere appreciation goes to everybody who has taken the time to honour this occasion as we report on our past financial year achievements and challenges, including our vision for the year ahead.

### MASILONYANA MUNICIPAL STRATEGIC PLAN

On August 4-5 2011, the municipal council commissioned a strategic planning session in response to the challenges facing the institution and in an attempt to develop a responsive action plan as a means to accelerate and improve service delivery to all residents.

The Planning Session was able to produce flagship objectives such as clean audit, clean governance and clean municipality.

## Clean Audit

The planning session held to:

- Establish a functional internal Audit unit and both performance and audit committee.
- Establish a functional Supply Chain Management unit.
- Address all legacy issues (e.g. Land, HR, Assets and Inventory).
- Develop and improve Budget controls.

## Clean Governance

The following outcomes were reached at the planning session in order to achieve Clean Governance.

- Review and implement Performance Management Systems.
- To finalize the Organogram.
- To develop HR Procedure Manual.
- Address Salary Disparities to enhance staff morale and ensure parity.
- Monitor and Evaluate all Municipal Staff Performance.
- Develop a realistic SDBIP and section 56 Managers Performance Plans that are aligned to the outcome of the Strategic Planning and Outcome 9.
- Hold senior Management accountable for duties and functions assigned to them and their respective municipal departments.

## Clean Municipality

To achieve an objective of a clean Municipality the Strategic Planning held to:

- Capacitate Council to exercise oversight.
- Address Public Perception and Improve Public Participation.
- Accelerate and improve Basic Service Delivery.
- Implement Infrastructure Master Plan by registering two new Infrastructure Projects Annually.
- Improve inter-Governmental Relations.
- Establish a functional Project Management Unit.

Honourable Speaker,

Allow me to highlight to this august sitting of the council and to the fellow South Africans, that during this financial year, the council went through an intensive Public Participation process with our Annual Report and we are honoured to announce that the final draft of the Annual Report was adopted by Council at a council sitting of 29 March 2012.

Honourable Member, our municipal departments continue to be our strategic operational vehicles and tools, designed to ensure that we achieve our service delivery objectives. Therefore, following is a report on the achievements and challenges, including vision for the new financial year from our departments.

## STAFFING

### Top Management

Honourable Speaker,

It is imperative to report and remind council that the employment contracts of our top management are coming to an end this year. The Council is urged to take cognizance that the Municipality has amicably parted ways with former Municipal Manager, Mr. M Mpakane. The post of Municipal Manager has been advertised and Me. ME. Maphobole who is Director Social and Community Services, is still the Acting Municipal Manager and will continue to act until the Municipal Manager post is filled by July 2012 and this extension was endorsed by MEC for COGTA.

- The Organogram and placement policy have been finalized through the proper channels and will be tabled before council for approval. Therefore the implementation of placement process will start during the month of July 2012.
- In improving service delivery in the community of Masilonyana, the Municipality will in partnership with Corporate



- Governance and Traditional Affairs department (COGTA) and SALGA has being reviewing the by-laws and policies that will give effect to the above.

## LOCAL ECONOMIC DEVELOPMENT



Honourable Speaker and Councillors,

National Cabinet has taken the decision that we should do more to grow the country's economy, in particular municipal economies, in order to get rid of the persistent triple challenge of unemployment, poverty and inequality, despite the progress made. Africans, women and the youth continue to suffer most from this challenge. Those are the three things that we will face head on, this year and in the coming years.

The recent endorsement by council of our Local Economic Development Strategy ought to be aligned with District Economic Development and a Free State Growth and Development Plan, to synergise a shared vision and plan for our municipality in line with the New Growth Path launched in 2010 and in line with Vision 2030 being developed by the National Planning Commission.

A comprehensive and expeditious establishment of a functional Economic Development and Planning Directorate will go a long way in positioning our municipality as a new driver of economic growth in the district and province.

In the new financial year we will focus our procurement more on cooperatives and EPWP (Extended Public Works Programme).  
 Re tla potlakisa ho thehwa le ho hodiswa ha di Cooperatives, ha holo tsa bomme le batjha.

Honourable Councillors,

In both the State of the Nation Address by his Excellency, President Jacob Zuma and the State of the Province Address by the Honourable, Premier Ntate Elias "Ace" Magashule, it was indicated that there is a greater need to empower economically, a broader spectrum of our people by introducing procurement policies which are in favour of Cooperatives.

### Z.R Mahabane Brick and Paving Manufacturing Project



As mentioned in the previous budget speech of 2011 / 2012 that most of the project rudiments were secured, including training of Cooperative members, purchasing of machinery, and construction of warehouse. The project has since then, commenced and the production of bricks has taken place. However, moving forward, my office is in discussion with the mining houses and the office of the Premier in,

1. Securing take-off agreements or procurement concession for this project and all our operating Cooperatives and future operating Cooperatives.
2. Securing funding for facilitation of financial management skills, marketing skills and technical support to ensure that these Cooperatives play a meaningful role on job creation and poverty alleviation.
3. Ensuring maximum outputs for a far reaching and wider market.

### **Construction of Theunissen Shopping Complex**

One of our elements of IDP mission clearly stipulates that municipality has to promote and invite investments for local economic development. In relation to the project status of a construction of Theunissen shopping complex, the project is hindered by Provincial requirement for Traffic Impact Study and Environmental Impact Assessment Study which is said to be a prerequisite for rezoning. I must indicate that such bureaucracies regress development so desired and awaited by the unemployed masses and it must be stamped out.

### **Bursaries**

Our partnership with Harmony Mine continues to play a major role in supporting and contributing to Mayoral Bursary Scheme. The mining contribution has been covering the tuition and accommodation fees of 24 students we have supported thus far. Driven by sharp increase in higher education CPI, it is expected that the 2011 cohort will be the last until ultimate successful completion of their studies. This year we have 6 students who are continuing with the bursary scheme.

### **Winnie Mandela House in Brandfort**

In his State of the Nation Address, the President alluded that, and this was emphasized by the Free State Premier in his State of the Province Address that the Winnie Mandela house in Brandfort has been declared a national heritage site and the house will be rehabilitated.



### **Training Maize Farm Academy**

Senwes Limited has approached my office with intentions of establishing a Training Maize Farm Academy. The aim of the academy will be to develop aspirant and passionate Black maize farmers and transform emerging farmers from a developmental stage to sustainable farming enterprises.

Potential benefits of this initiative in the medium to long term will be:

1. Farmer graduates will be able to create employment for themselves and others in their communities, and generate economic

activity in rural areas across South Africa.

2. Farmer graduates will benefit from a hands – on experience, skills transfer and mentoring, before they could operate on any farm unsupervised.

Our municipality is expected to contribute a land to the success of the academy.

## **YOUTH DEVELOPMENT**

Subsequent to the expiry of contracts of the previous staff in the office of the Mayor and intimation of previous budget speeches, two new Youth Development Officers were appointed in November 2011. The two are placed as follows: one is responsible for Theunissen and Windburg and the other one for Brandfort, Verkeerdevlei and Soutpan.

Since the occupation of office by these two incumbents there have been some strides in the establishment of youth structures and implementation of youth programmes.

On the 8<sup>th</sup> February 2012, the office of Youth Development and COGTA launched a Youth Mock Council of Masilonyana, whose Speaker is Mziunani Letsie and the Mayor is Dieketseng Nyila.

The purpose of these mock councils is to introduce youth to the operations of the legislative wing of local government. In the month of March, my office led by the YDO's embarked on the following activities:

1. Establishment and launching of town based youth structures across the municipality.
2. Creation of town based and Masilonyana Arts and Culture Councils, which led to Masilonyana Arts and Culture Council to represent us at the Provincial Arts and Culture Conference in Bloemfontein, on 16 – 18 March 2012.
3. Youth consultative meetings across all towns of Masilonyana were held, for various learnership programmes. We appreciate an interest shown by the youth to these learnership programmes mentioned underneath:
  - Road patching
  - Mechanical skills
  - Electrical skills
  - Plumbing and
  - Law Enforcement

These identified skills are critical, essential and can provide many of our youth with necessary niche to enter into the labour market and or become future entrepreneurs.

I have initiated engagements with the Mayor of Matjhabeng Local Municipality for training of 10 young people from Masilonyana as Law Enforcement Officers at their Law Enforcement Academy. It is anticipated that as soon as the first intake commences we will be able to enrol these youths.

Youth Career Exhibitions were held in conjunction with Department of Labour and Free State Development Cooperation. The exhibitions were held on these following dates: Branfort 16 January 2012, Soupan 25 January 2012, Theunissen 09 February 2012, Winburg 13 February 2012 and Verkeerdevlei on the 16<sup>th</sup> February 2012.

Compatriots and Friends,

In the coming month of June, my office will be hosting a Masilonyana Youth Summit aimed at:

- Developing a Youth Plan and Strategy in line with National Youth Plan and Strategy by NYDA.
- Establishment of youth based cooperatives and development of Youth Empowerment Plan to source funding from NYDA, DTI, private sector and other sources.
- Creation and establishment of Youth Skills Academy and I must mention that this Academy will require a spacious building.



## Ntshetso – Pele ho Batjha



Batjha motseng wa Makeleketa ba satswa ho fumantshwa dithupello tlasa lenane tsamaiso la EPWP le eteletsweng pele ke lefapha la Public Works, moo teng baneng barupellwa ho kenya motlakase (electricity), hopenta, ho sebetsa ka lepolanka (carpentry), le ho sebetsana le dipeipi (plumbing).

This programme which started with a group of 16 young people commenced on the 15<sup>th</sup> August 2011 and ended on 15<sup>th</sup> February 2012.

## WOMEN, CHILDREN AND PEOPLE WITH DISABILITIES.



Honourable Speaker,

In 2009, the State President introduced a new ministry known as the Department of Women, Children and People with Disabilities, and in keeping up with innovative trends at National and Provincial Governments, the municipality has created an office of Women, Children and People with Disabilities, located in my office.

This office will be responsible for coordinating, protecting and promoting the rights of these previously disadvantaged groups. In the coming months the Coordinator of Women, Children and People with Disabilities will be instrumental in the development and formulation of policy on Gender and People with Disabilities, an HIV / AIDS plan and strategy including, ensuring that there is an HIV / AIDS workplace plan in conjunction with the HR department.

Currently there's a continuing plan and process of finalizing the establishment of a Local Aids Council in line with Lejweleputswa District Aids Council and National Aids Council.

## SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

Creativity and innovation are the cornerstones of an interventionist developmental municipality. Our initiatives to confront the challenges that face service delivery have been frustrated by a plethora of limitations. These limitations range from lack of operational resources such as machinery and fleet to competent, skilled personnel and lack of sufficient cash flow to fund our capital and operating expenditure budget.



We are glad to report that our service delivery problems have mainly been solved due to the fact that we have received five new tipper trucks for refuse removal and 10 Nissan light delivery vans that we leased from the Government Garage.

The vans were allocated as follows: 4 vans for Brandfort and Winburg with each town getting two respectively, Verkeerdevlei and Soutpan one each, Theunissen three and one for public participation. The trucks are also used for removal of refuse heaps to the landfill sites and also to pick up garden waste from parks, cemeteries and recreational facilities.

One Civil Technician, one Electrical Artisan both for Brandfort and two Electrical Artisans, one for Theunissen and the other one for Winburg respectively, were appointed at the Technical and Infrastructure Department.



## TOWNSHIP ESTABLISHMENT

In this financial year the municipality has eradicated 296 informal settlements in an area of Tshepong in Masilo. During the Mayoral Imbizos the community raised a need for further eradication of informal settlements and establishment of new townships. Bopa-Lesedi Consulting was appointed to propose applications for the following towns: Verkeerdevlei, Soutpan and Winburg. The proposed applications were submitted to the Provincial Department of Corporative Governance and Traditional Affairs and to the Land Use Advisory Board. The Soutpan and Winburg Township Establishment projects are funded by the municipality while the Verkeerdevlei project is financed by the Department of Human Settlement.

I must reiterate the statements I made during the Mayoral Imbizo in Verkeerdevlei that the availability of sites is subject to the approval of applications by the Land Use Advisory Board.

It is important to emphasise that South Africa is a constitutional state and any violation of the constitution and other legislation is illegal. There will be no land-grabbing that will take place in the municipality, be it for residential or agricultural purpose. We strongly condemn the conduct of those who want to settle illegally on any land without taking the existence of legal processes into account.

## DERELICT ERVEN

Derelict sites were identified for auction, which was done by Attorneys. The auction took place at Majwemasweu on 18 March 2011, Makelekettle on 25 March 2011, Verkeerdevlei on 29 April 2011, Theunissen on 3 August 2011 and Winburg on 16 September 2011.

The total revenue generated was R261 590.00 and the outstanding amount is R124 117.00. The Attorneys were instructed to take steps to recover the outstanding amounts.

## TITLE DEEDS HANDOVER



During the Mayoral Imbizos in the month of November 2011, a total of 157 Title Deeds were handed over to Title Deeds holders

in Masilo and a total of 20 title deeds were handed over in Makeleketla, by my Office and the department of Social and Community Services.

## CEMETRIES

A consultant has been appointed for the planning and establishment of new cemeteries in Masilo and Makeleketla as the old ones are reaching their full capacity.

Project cost estimations in Masilo is R 340 925.28 and Makeleketla R 340 343.88. These projects are funded by the Municipality. The Lejweleputswa District Municipality made funds available to fence “Vaalkoppies” cemetery in Makeleketla but we were informed that these funds were used for another project in Lejweleputswa District Municipality.

A Provision has been made on the 2011/2012 budget for fencing of cemeteries in all towns to the amount of R 1.5 million. Unfortunately the municipality did not have the cash flow to start these projects.

## INTERGOVERNMENTAL RELATIONS

### Sustainable Human Settlement and Improved Quality of Household Life

The integration of our communities must be the starting point that drives human settlement, because this will inevitably lead to sustainability in the economic development and social inclusion. The municipality of Masilonyana is mindful of the legacy of apartheid spatial development that continues to haunt the democratic South Africa, the Province and the Municipality. Our human settlement approach is driven by our resolve to improve the quality of life for our communities. Our intention over the years going forward is that our communities, in particular the historical disadvantaged, must be provided with shelter—clearly, the process of providing ownership of houses has ensured the creation of relative economic assets and security to many member of our society.

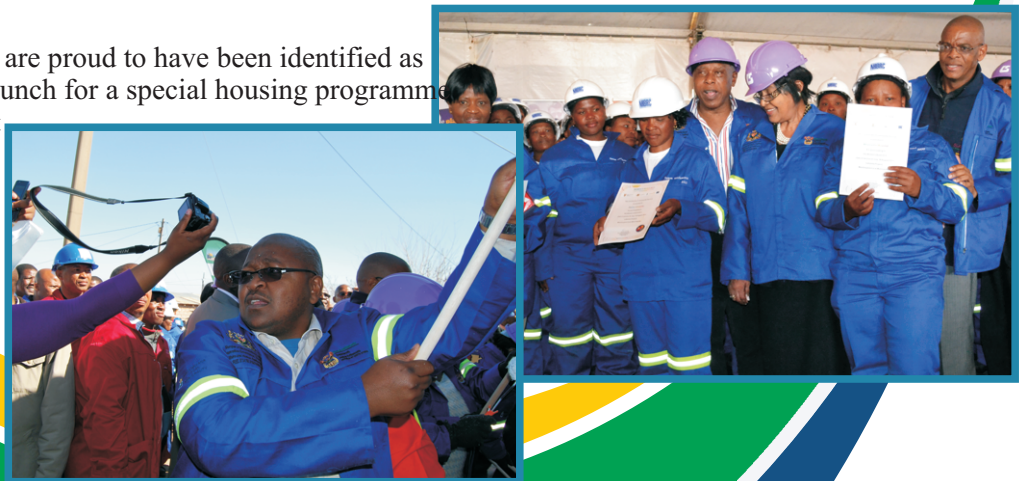
Honourable Councillors,

We welcome a sustained call made by the Premier in his State of the Province Address that there will be a renewed focus on completing unfinished housing projects, I quote:

**'Mohlomphehi Speaker, Selemong sena re fla tsepamisa maikutlo haholo phethelong ya diprojeke tsa bodulo tse sa phethelwang. Ke boetse ke laetse hore re lokela ho qoholla bodulo ba maqheku, haholoholo ba dilemong tsa bomashome a supileng, le ho feta, bao e sale ba le lenaneng le emetseng matlo ho tloha ka 1994. Ruri re hloka ho shebana le ditlhoko tsa karolo ena ya baahi ba rona e hlohang thokomelo hanghang'** close quote.

### Women's Built

As municipality, Brandfort in particular, we are proud to have been identified as a beneficiary municipality and a host of a launch for a special housing programme called Women's Built. This housing project was launched on 1st August 2011 by the Deputy Minister of Human Settlement Me. Zoe Kota. The focus of the project was in two folds i.e. providing housing and providing brick laying skill to 56 local women, who were then issued with certificates. These houses were handed on the 18th August 2011 at a ceremony attended by amongst others the struggle icon Me. Winnie Madikizela Mandela.



The following is the allocations we received in the past two financial years and the status of the projects:

TOWN	NO. OF ALLOCATION	FINANCIAL YEAR	TYPE OF ALLOCATION	CONTRACTOR	HOUSES COMPLETED
MAKELEKETLA	100	2010/2011	RDP	ZIGANA MBELE	38
	50	2011/2012	SPECIAL PROJECT	ZIMVO TRADING	5
MASILO	150	2010/2011	RDP	DISTINCTIVE CHOICE	134
MAJWEMASWEU	100	2010/2011	RDP	MORATHOKO	49
	200	2010/2011	RDP	CLEAR CREEK	70
	109	2010/2011	OPERATION HLASELA	NHLANE CONSTRUCTION	101
	256	2011/2012	WOMANS BUILT	KALANE CLEANING & PROJECTS	66



The municipality has on a number of occasions interacted with various sector departments in particular DWA, including the office of the Minister of Department of Water Affairs requesting assistance to address water crisis in the municipality particularly Brandfort and Winburg. The outcomes of these engagements resulted in a high level meeting being convened between the municipality and DWA.

The meeting was held on the 26<sup>th</sup> March 2012, amongst what was resolved in the meeting are:

- DWA appointed Bloemwater as an implementing agent of a project to do repairs and maintenance of pumps and motors and do installation of fault detection signals and other operational defects, in Brandfort.
- DWA confirmed and committed an allocation of R8 Million from their Regional Bulk Infrastructure Grant (RBIG) towards a Bulk Water Infrastructure project for a main pipeline from Theunissen to Brandfort.
- Both DWA and the municipality have further committed towards working together to ensure that the municipality will improve its Blue drop and Green drop status and generally the quality of drinking water.
- It was agreed that there must be a convening of Masilonyana Water Summit to engage on how to address the challenges faced by the municipality in supplying sustainable water.

In 2011/2012 the Department of Water Affairs (DWA) undertook a project to train Water and Waste Water Process Controllers to ensure that Water and Waste Treatment works meet the regulatory requirements and operational compliance. Our municipality was one of the municipalities that were prioritised and in total 27 municipal process controllers were trained in the following programmes:

- Skills Programme: NQF Level 2
- Learnership: NQF Level 2
- RPL

### **Masilonyana Water Summit**

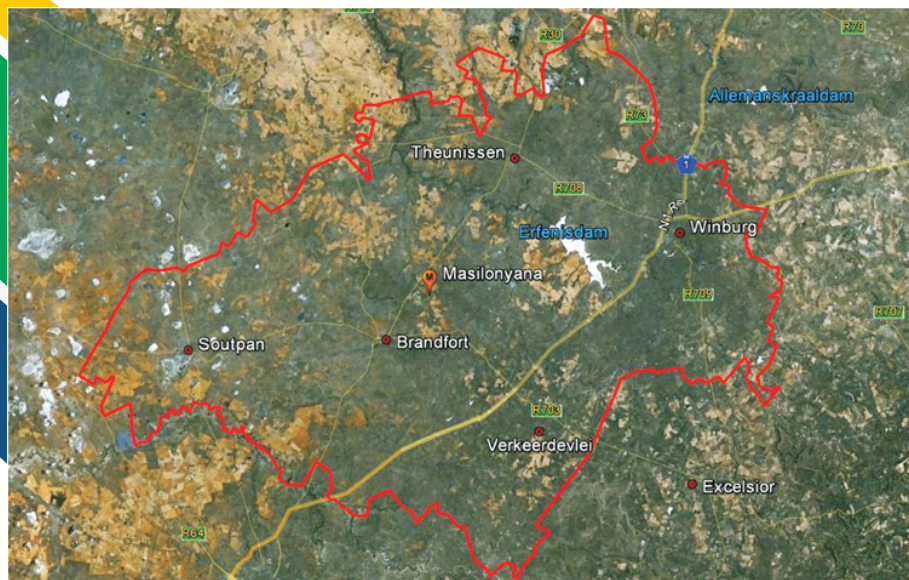
Masilonyana local municipality held a two day water summit in Brandfort on the 23<sup>rd</sup> to 24<sup>th</sup> May 2012.

### **Objectives of the summit:**

- To discuss our water supply, infrastructure development needs and develop a plan.
- To request support from different stakeholders on Water and Waste water quality management requirements and Water Conservation and Water Demand Management.
- The purpose of the summit is for the municipality to seek assistance with regards to strategic plans on how to address our water issues, institutional development and capacity building.
- In adhering to acceptable levels of blue drop and green drop, the summit resolved that the municipality sign a pledge ensuring implementation of all resolutions from the summit.

### **Project location**

The following map shows the project location with the proposed water supply alternatives:



## Infrastructure Development Projects

PROJECT PREFERENCE	PROJECT NAME	BUDGET	START DATE & COMPLETION	STATUS	LABOUR
MIG/FS/0575/S/07/08	Winburg/Makeleketa bucket eradication 1261 units	R 28 571 963.00	01 Sept 2011 till 12 Sept 2012	Under Construction	(Adult)M=2 F=1 (Youth)M=9 F=7
MIG/FS/0655/W/08/09	Soutpan/Ikgomo tseng Provision of 1ML storage reservoir	R 2,500,000.00	18 June 2012 till 15 October 2012	Design and Tender stage. Site inspection on the 09/05/2012.Tender closing on the 25 /05/2012	
MIG/FS/0855/W/11/11	Theunissen/Masi lo: Installation of 3720 water meters, 2 Zone Meters and 4 Bulk Water Meters	R10,013,760.00	1 June 2012 till 5 November 2012	Consultant has been appointed. The supply has also been appointed and will start to deliver next week Monday on the 14th of May 2012.Plumbers to be called to start the installation on the 1 <sup>st</sup> of June 2012	
MIG/FS/0856/W/11/11	Verkeerdelei/Tshepong: Installation of 505 domestic water meters, 2 Zone Meters and 5 Bulk Water Meters	R 1,722,540.00	1 June 2012 till 5 November 2012	Consultant to be appointed on the 1 <sup>st</sup> of June 2012.	
MIG/FS/0857/W/11/11	Brandfort/Majwemasweu: Installation of 2719 Water Meters, 3 Zone Water Meters and 3 Bulk Water Meters	R 7,503,252.00	1 June 2012 till 5 November 2012	Consultant has been appointed. The supply has also been appointed and will start to deliver next week Monday on the 14th of May 2012.Plumbers to be called to start the installation on the 1 <sup>st</sup> of June 2012	
MIG/FS/0858/W/11/11	Soutpan/Ikgomo tseng: Installation of 1027 Water Meters, 2 Zone Meters and 5 Bulk Water Meters	R 3,259,716.00	1 June 2012 till 5 November 2012	Adjudication stage. Consultant has been appointed.	
MIG/FS/0859/W/11/11	Winburg/Makeleketa: Installation of 3122 Water Meters and 3 Zone Meters	R 8,513,976.00	1 June 2012 till 5 November 2012	Adjudication stage. Consultant has been appointed.	
To be registered	Winburg/Makeleketa Construction of a reservoir	R 3,900,000.00	1 June 2012 till November 2012	Feasibility stage	
RBIG/001/12/13	Construction of the raw water pipeline from Theunissen to Brandfort, Phase 1	R 8 000 000.00	2 July 2012 till 1 April 2012	Consultant's proposals to be adjudicated and the consultant to be appointed on the 1 <sup>st</sup> of June 2012.	
MIG/FS /0822/R,ST/11/11	WINBURG/MAK ELE KETLA Construction of 0.8km residential distributor street	R 5,996,040.00	20 September 2011 till 2April 2012	Complete	(Adult)M=10 F=1 (Youth)M=8 F=2
MIG/FS/0665/W/08/09	Winburg/Makeleketa Upgrading of Storm Water Drainage	R 3,188.007.00	1 February 2011	Under Construction	(Adult)M=8 F=1  (Youth)M=26 F=3



The Finance department has been previously characterized as one of the essential delivery components which continued to perform unsatisfactory and prompted a remedial action to be taken. The Chief-Financial Officer has been suspended and the hearings against him are continuing. Mr. Kobus Vermeulen is now the Acting CFO.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship and to improve service delivery. In this regard, road maintenance, pothole repairs, and replacement of electrical and water infrastructure has been identified as priority areas.

The drive by the Municipality is to achieve the targets of Operation Clean Audit 2014. Significant progress has been made with the implementation of the financial turnaround plan; including the clean-up of the billing system, the compilation of a GRAP compliant asset register and the implementation of internal controls.

National Treasury's MFMA Circulars No. 58 and 59 were used to guide the compilation of the 2012/13 MTREF.

The main challenges experienced during the compilation of the 2012/13 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Aging and poorly maintained roads, storm water, sanitation, electricity and water infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the backlog in infrastructure maintenance;
- The increased cost of bulk electricity, due to tariff increases from Eskom (albeit lower than the prior three years but still well over the consumer inflation) which is placing upward pressure on service tariffs to residents. This is further resulting in refuse removal, sewerage and property rates tariffs not increased sufficiently in order to “balance the basket of tariffs”. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable to the community;
- The need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2012/13 MTREF process; and
- Availability of affordable capital/borrowing.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

**Consolidated Overview of the 2012/13 MTREF**

	<b>Final Budget 2011/12</b>	<b>Budget Year 2012/13</b>	<b>Budget Year +1 2013/14</b>	<b>Budget Year +2 2014/15</b>
Total Operating Revenue	155,580,000	161,885,000	177,594,000	193,431,000
Total Operating Expenditure	155,054,000	160,895,000	176,842,000	193,226,000
(Surplus) Deficit for the year	527,000	990,000	751,000	205,000
Total Capital Expenditure	34,142,000	45,542,000	54,801,000	62,045,000

Total operating revenue has grown by R6.3 million for the 2012/13 MTREF when compared to the 2011/12 Final Budget.

Total operating expenditure for the 2012/13 financial year has been appropriated at R161.895 million and translates into a budgeted surplus of R990,000. When compared to the 2011/12 Final Budget, operational expenditure has grown by R5.8 million in the 2012/13 MTREF. The operating surplus will be used to ensure cash backing of reserves and funds.

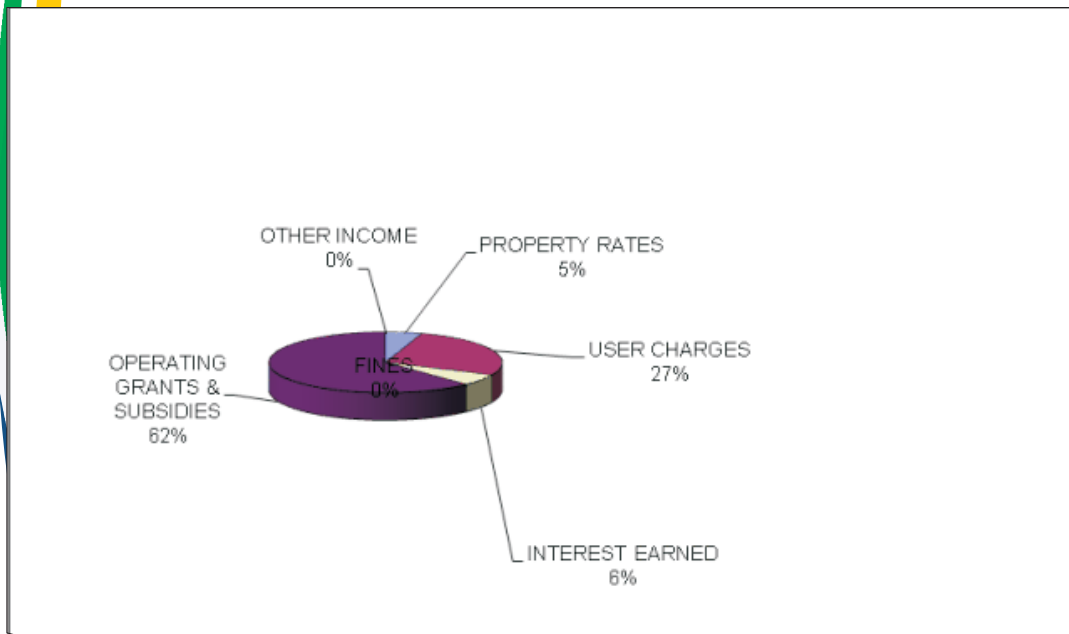
The capital budget of R45.582 million for 2012/13 is R11.4 million more when compared to the 2011/12 Final Budget. The bulk of the capital budget will be funded from the Municipal Infrastructure Grant allocation with the balance to be funded from internally generated funds.

## 1.1 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 following table is a summary of the 2012/13 MTREF (classified by main revenue source):

### Summary of revenue classified by main revenue source



In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Rates and service charge revenues comprise approximately 49 per cent of the total revenue mix. In the 2012/13 financial year, revenue from rates and services charges totalled R78 million. This increases to R88 million in 2013/14. This increase in revenue is due to the increments in service charges as per National Treasury Circulars.

Electricity revenue increased by R2.7 million to R 23.6 million compared to last year, as a result of the regulated increase of 11.03% as approved by NERSA. Property rates, water and sanitation contribute approximately total R36 million whilst revenue from refuse removal services totals R6 million. Other revenue consists of various items such as income received from permits and licenses, traffic fines, building plan fees and connection fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R83.4 million in 2012/13.

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 percent upper boundary of the National Treasury Circulars no's 58 & 59. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom electricity bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilized for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc.

The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

### Property Rates

Property rates partially 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 2012/2013 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 2011/12 budget speech, property rates tariffs will again not be increased in the 2012/13 financial year. The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2012/13 financial year based on a nil percent increase from 1 July 2012.

## Comparison of proposed rates to be levied for the 2012/13 financial year

TARIFFS MASILONYANA MUNICIPALITY	APPROVED TARRIFFS 2010/2011 RAND	APPROVED TARRIFFS 2011/2012 RAND	APPROVED TARRIFFS 2012/2013 RAND
<b>PROPERTY RATES</b>			
RESIDENTIAL	0.012	0.012	0.012
STATE (ALL TOWNS)	0.024	0.024	0.024
BUSINESS (ALL TOWNS)	0.024	0.024	0.024
<u>AGRICULTURE</u>	0.003	0.003	0.003
PHASING IN REBATE	30%	25%	0%
PUBLIC SERVICE INFRASTRUCTURE	0.024	0.024	0.024

### Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 13.5 percent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2012.

Considering the Eskom *increases*, the consumer tariff had to be increased by 11.03 percent (as per NERSA approval) to offset the additional bulk purchase cost from 1 July 2012.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

It should also be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

The following table shows the impact of the proposed increases in electricity tariffs on the electricity charges for domestic customers:

### Comparison between current electricity charges and increases (Domestic)

FS MASILONYANA MUNICIPALITY	APPROVED TARRIFFS 2010/2011 RAND	APPROVED TARRIFFS 2011/2012 RAND	APPROVED TARRIFFS 2012/2013 RAND
<b>ELECTRICITY</b>			
<b>DOMESTIC</b>			
Minimum Indigents 50 Kwh Free Per Kwh	4 982 Free basic to indigents 0.80	5 997 Free basic to indigents 1.07	5 558 Free basic to indigents 1.10

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh.

The aim is to subsidise the lower consumption users (mostly the poor). The Municipality must enter into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those already being implemented by the Municipality already.

Until the discussions are concluded, the Municipality will maintain the current structure of its electricity tariffs. Currently the Municipalities' FMS cannot cater for the implementation of the stepped tariff structure

### Refuse Removal and Impact of Tariff Increases

A 6 percent increase in the waste removal tariff is proposed from 1 July 2012. The following table compares current and proposed amounts payable from 1 July 2012:



### Comparison between current waste removal charges and increases

TARIFFS MASILONYANA MUNICIPALITY	APPROVED TARIFFS 2010/2011 RAND	APPROVED TARIFFS 2011/2012 RAND	APPROVED TARIFFS 2012/2013 RAND
<b>REFUSE REMOVAL</b>			
Households	44.73	47.86	50.73
Businesses	55.17	59.03	62.57
Garden refuse removal	173.82	185.99	197.15
Building material removal & cubic metre	171.74	186.76	194.78

### Sale of Water and Impact of Tariff Increases

A 6 percent increase in the water tariff is proposed from 1 July 2012. The following table compares current and proposed amounts payable from 1 July 2012:

### Comparison between current water charges and increases

TARIFFS MASILONYANA MUNICIPALITY	APPROVED TARIFFS 2010/2011 RAND	APPROVED TARIFFS 2011/2012 RAND	APPROVED TARIFFS 2012/2013 RAND
<b>WATER CONSUMPTION</b>			
Minimum charge	50.43	53.96	57.19
0 – 10 Kiloliter	Free basic to indigents	Free basic to indigents	Free basic to indigents
0 – 10 Kiloliter	4.69	5.02	5.32
10 – 12 Kiloliter	6.23	6.66	7.06
12+ Kiloliter	6.83	7.30	7.74

### Sewerage and Impact of Tariff Increases

A 6 percent increase in the sewerage tariff is proposed from 1 July 2012. The following table compares current and proposed amounts payable from 1 July 2012:

### Comparison between current sewerage charges and increases

TARIFFS MASILONYANA MUNICIPALITY	APPROVED TARIFFS 2010/2011	APPROVED TARIFFS 2011/2012	APPROVED TARIFFS 2012/2013
<b>SEWERAGE TARIFFS</b>			
Buckets	75.91	61.22	86.10
Households	75.91	81.22	86.10
Business	265.76	284.37	301.43

### 1.1 Operating Expenditure Framework

The Municipality's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;

- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of “no project plan no budget”. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

### Summary of operating expenditure by standard classification item

The budgeted allocation for employee related costs for the 2012/13 financial year totals R54.2 million (up from R44.9 million), which equals 34 percent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.4 percent for the 2012/13 financial year. As part of the Municipality's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

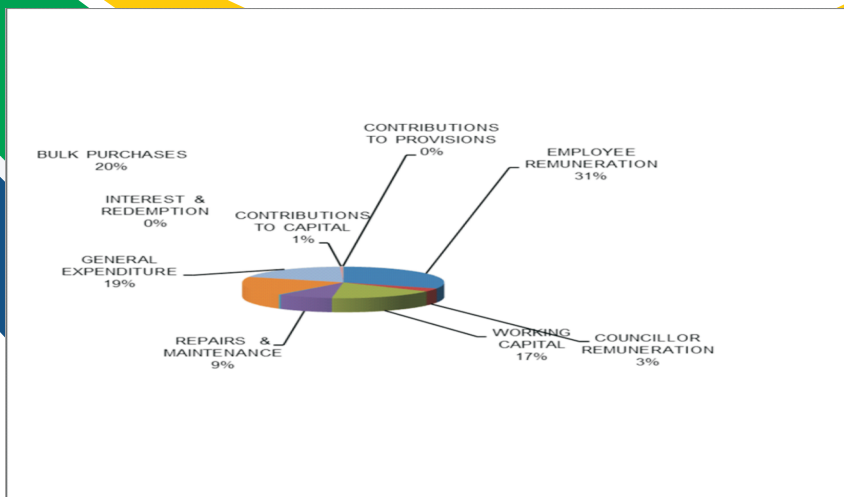
The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision for debt impairment was determined based on an annual collection rate of 60 percent and the Debt Write-off Policy of the Municipality. For the 2012/13 financial year this amount equates to R26.7 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues. Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R4.0 million for the 2012/13 financial year and equates to 2.5 percent of the total operating expenditure.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up R555 000 of operating expenditure excluding annual redemption for 2012/13. Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure. For 2012/13 the appropriation against this group of expenditure is 8.5% or R 13.7 million (prior year 4.7% or R7.3 million).

The following figure gives a breakdown of the main expenditure categories for the 2012/13 financial year.



## 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.

## 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 (MFMA), (Act 56 of 2003) approves and adopts:

1.1. The annual budget of the municipality for the financial year 2012/13 and indicative allocations for the two projected outer years 2013/14 and 2014/15; 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 2012.

**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 2012/13.
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.

#### **CONCLUSION:**

The municipality alone cannot solve the challenges faced by the community, but working together, solutions are possible.

#### **Compatriots,**

**Allow me to use this opportunity to remember our fallen heroes and heroines, comrades and friends who have contributed immensely to bringing about a truly free, non-racial, non-sexist, democratic and prosperous South Africa**

**We sympathise with the family of former FS Salga executive committee member, former ANC REC member and Councillor, the late Elisa Lande, we pass our condolences to family of the late Comrade Florence Nyanda, let's sympathise with the Shiceka family for their recent loss of the former minister of COGTA and ANC NEC member, the late Sicelo Shiceka, we remember the late minister of Public Service and Administration honourable Roy Padayachie. And our heartfelt condolences go to the family of former speaker and the first speaker of a democratic Free State Legislature, mama Reverend Motlalepule Chabaku.**

**MAY THEIR SOULS REST IN PEACE!**

**I THANK YOU  
KE A LEBOHA**







***\*\*\*Issued by: Office of the Mayor\*\*\****