

BUDGET SPEECH AND STATEMENT OF MAYOR, COUNCILLOR KS KOALANE FOR 2010/11 FINANCIAL YEAR

Honourable Speaker, Me MM Lekaota

Honourable Councillors;

The respectable Administrator, Mr. BC Mokomela

Esteemed Municipal Manager and his management team;

Municipal officials and government officials;

Ward Committees and Community Development Workers;

Representatives of our social partners from the mines and the larger business community

Leaders and members of African National Congress;

All distinguished guests;

Good community of Masilonyana

Ladies and gentlemen

Good morning!

We are presenting this budget speech and statement today as a matter of an obligation to us. We have consciously chosen this town, Brandfort, to honour and acknowledge the selfless and stoical contribution made by our mother, Comrade Winnie Madikizela-Mandela, who despite her banishment to the area in the 80s by the oppressive regime , continued to keep the fire of our struggle burning in pursuance of the freedom we enjoy today.

We pay tribute to those women who sacrificed and gave sanctuary to the liberators of our country. Our continued contribution to the agenda of nation-building and reconstruction is made in the honour of the ideas they held so steadfastly.

The presentation of this budget statement today takes place on the eve of recent violent protest in Soutpan/Ikgomotseng. The manner in which the community of this area expressed their dissatisfaction as far as their incorporation into Motheo District Municipality is concerned cannot be ignored. We must be frank that the municipality cannot be made a scapegoat of some pressure group which omitted to exercise its democratic rights conferred by demarcation processes as indicated by the Municipal Demarcation Act (1998).

On the same breadth, we equally condemn in the strongest possible terms connivance by some group in Masilo to want to frustrate the development taking

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place in that area. We put it on record that any attempt to unnecessarily create problems for the municipality will be met by the might of the law enforcement agencies. All problems should be tabled in proper structures and we need our community to understand that not all problems can be solved over night. We remain committed to discussions with the community on any other matter.

We cannot allow unjustifiable attacks on the committed councillors. It has become a fashion for councillors to be blamed and lambasted for issues that fall outside their competency. If left unattended, such utterances will continue to fuel antagonism between councillors and the community.

Affirmation of the strategic role of local government

The developmental local government derives its mandate from the Constitution of the Republic. This developmental local government mandate is further amplified by the White Paper on Local Government (1998). The democratisation of local government in 2000 sought to address the many skewed development patterns that characterised local authorities prior to democratic dispensation.

Since then, the local government has made a valuable contribution in the fight against poverty and under-development. Many strides have been registered. Many houses have been built for the poor; households have been electrified; sanitation has been expanded to many households; there has been upward increase on the number of households who benefit from refuse removal; significant number of poor households now benefit from Free Basic Services (FBS); many people now have access to clean portable water, etc.

These monumental achievements have not been devoid of the acute weaknesses though. The many problems prevalent in the municipalities saw the emergence and spiralling out of control of spontaneous and sporadic violent service delivery protests in recent years in the country. These marked communities' anger with regard to either slow delivery of services or poor quality of services delivered. The invariable nature of these protests prompted the newly formed Department of Cooperative Governance and Traditional Affairs to conduct a comprehensive study on all 283 municipalities in the country.

The report on the status of local government reaffirmed the strategic nature of local government in reconstructing South Africa. Essentially, it means that local government will also have to take lead in pursuance of realisation of the five key priorities of the current administration until 2014. The result was what has come to be known as Local Government Turn-Around Strategy (LGTAS). From this LGTAS, the municipality developed its Municipal Turn-Around Strategy (MTAS) in February this year in its effort to improve on the performance of its constitutional responsibilities.

The Municipal Turn-Around Strategy

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The MTAS affirmed the five key thematic areas of 2006-2011 local government strategic agenda, namely:

- Basic Services
- Municipal Transformation and organisational Development
- Local Economic Development
- Financial Viability
- Good governance and public participation.

The approach in developing the MTAS was premised on the analysis of the current development situation (the time of developing it) and challenges. It went further to identify key deliverables that could be achieved before 2011 and what resources would be needed to facilitate that.

The progress we have made and challenges we have experienced and continue to experience should be understood within the context of financial challenges that have beset the municipality since late 2008. These problems culminated in the Provincial Executive Council placing the municipality under Section 139 (1) (b) in December 2009.

Basic Services

Free Basic Services

The number of households qualifying for Free Basic Services has increased from 4585 last year to 4620 in terms of the existing indigent register. The indigent policy has been reviewed and it has been decided that the limit will increase from R1100 to R1200 per month per household to be qualifying for indigent households. The municipality, with the involvement of the ward committees, will soon embark on massive campaign to ensure that we have as accurate information on households as possible.

Package of services include:

- Burial assistance with cost of digging the grave if buried in the municipality cemetery;
- 50kw of electricity or alternative energy sources such as paraffin to the same value;
- 10kl of water per month
- Free refuse removal and sanitation; and

- Zero property rates.

Roads and storm water

A 7.2km gravel road is being paved in Masilo. The project value is R9.9m. The project connects various areas/units of Masilo and caters the main roads in the main. For long the taxi drivers have been complaining about the conditions of these roads especially after it had rained. This should then serve as response to this old complaint.

The Department of Police, Roads and Transport has committed an amount of R8m for 4km roads projects in Soutpan and Verkeerdevlei respectively. These are access roads that connect to the main roads.

The municipality will upgrade the storm water channels in Winburg and Brandfort. Each project will cost R1.6m. The Department of Police, Roads and Transport will also fund upgrading of streets in Masilo.

Electrification

Eskom will be electrifying 461 sites of Tshepong in Masilo. The project steering committee has been established already and the work will start in the near future. Eskom is doing the costing of electrification of Extension 3 in Majwemasweu and will confirm the funding around October 2010 when they review their projects. We are relying on the fact that there is low rate of electrification in Lejweleputswa area generally. Secondly, the current occupants of the former home of Mme Winnie Mandela have been relocated to this area. It therefore means that the faster the area is electrified the sooner the process of construction of Winnie Mandela museum can commence in earnest.

Water

- Water treatment plant in Brandfort to improve the plant capacity at R8m;
- Upgrading of Waste Water Treatment Works in Winburg at R14m;
- Winburg water reticulation in Boitumelo at R6.6m
- Oxidation ponds in Verkeerdevlei at R16.9m.

Sanitation

Honourable Speaker, most of the projects of the bucket eradication have not been completed. This has been as a result of a number of factors ranging from poor performance of contractors, absent consultants, inability to provide own additional funding, unforeseen hard rock that required excavation and over spending. To date, we have begun to terminate contracts of those contractors who delivered shoddy work. We further took a bold decision to review some of the certificates that were

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submitted for payment. We have decided that some of them will not be paid some of the monies they have claimed.

While most of the structures have been constructed, the challenge still lies with connections. In Soutpan, we will in the next financial year connect 400 structures. R2.8m has been allocated for this purpose. R3.1m has been allocated for sewer line in Masilo.

During the meeting we had with the Select Committee of the National Council of Provinces on Cooperative Governance and Traditional Affairs, the Member of the Executive Council (MEC) of Cooperative Governance, Traditional Affairs and Human Settlements made an announcement that the Provincial Executive Council has made available R36m to help our municipality in its drive to turn around. Upon transfer, we will use part of this money to complete all outstanding connections in all our towns, particularly in Winburg.

Despite the above mentioned challenges, over 13500 buckets have been removed to date. Again, despite our financial woes, we have taken the decision to ring-fence all conditional grants with a view to achieving spending on intended purpose. We have had numerous interactions with Municipal Infrastructure Grant office and it is worth mentioning that we have made this undertaking.

Infrastructure Master Plan

The Development Bank of Southern Africa (DBSA) has assisted the municipality by funding the development of the master plan. We are expecting the completion in the near future. The significance of this plan should be understood within the long-term planning on development. Infrastructure is crucial in any development.

The main challenges in terms of the infrastructure and services development for the municipality lies in addressing the imbalances which exist amongst the various communities, eradicating the backlog that exist and maintaining the current infrastructure.

Equitable development is essential to ensure that all towns that fall within the municipality are developed, rural areas such as Verkeerdevlei and Soutpan who are particularly poor are developed because they lag far behind the urban centre, especially in terms of levels of sanitation.

Housing

Housing continues to be a serious challenge confronting our people. This is evidenced by consistency of growing calls of our people over the years. We are still waiting for allocation of houses for next financial year. We must however indicate that since 2006, a total of 868 houses have been built in Masilonyana to provide shelter for our people.

Through the office of the Speaker, we will next year tighten measures to ensure that these houses get to intended beneficiaries. There is also a new tendency developing which must be fought as well. Owners of houses choose to stay in shacks and rent out their houses to other people. This reverses the gains the government is making.

There is an expression of interest by private investors to develop affordable middle income housing. The Municipality will interact with this process and provide the land accordingly.

Sites

The recent Integrated Development Planning (IDP) community consultations and various other interactions we have had through Mayoral imbizos and wards constituency meetings have revealed unavailability of sites as one of the big problems in our municipality. During the 2009/10 financial year, a new township was established in Mountain View , Brandfort consisting of 276 sites. 100 people who previously resided in informal settlement were given sites and handed title deeds. Some will be handed over in this coming year.

We have agreed that priority will have to be given to the elderly and women in allocation of sites. It has emerged that most of the beneficiaries have been mainly youth.

For the next financial year, 300 sites will be made available in Tshepong/Verkeerdevlei. Financial support from the province has been secured for planning and surveying. Still, we must acknowledge that there is still huge backlog of erven in the municipality. We will largely rely on provincial support financially in order to address this challenge.

Simultaneously, we have started the process that will culminate in advertising of derelict erven throughout the municipality. We had done this exercise in the past but it was not procedurally done. We are therefore going to repeat it.

Cemeteries

The new cemetery was planned and surveyed in Brandfort and was approved by the provincial government. There is a need for new cemeteries in Masilo and Makeleketla. The prevalence of HIV/AIDS in our municipality places us under extreme pressure to attend to this as a matter of urgency.

Fencing of cemeteries has remained a constant challenge in the last two financial years due to financial challenges of the municipality. We have budgeted R1m for this purpose. The municipality recently signed the Memorandum of Understanding (MOU) with the three mining houses namely, Harmony Gold Mine, Beatrix Mine and

Petra Diamonds. On the occasion of the historic signing, we have agreed with the head of Beatrix Mine operation that part of the partnership should look into possibility of being aided with the fencing of cemeteries.

Waste management

Waste management has been frustrated mainly due to unavailability of fleet and inadequacy of personnel. This continued to be the case despite the intervention of the Food for Waste Programme launched in November 2009 through the Expanded Public Works Programme and mass cleaning campaigns the municipality has waged. We are hoping to sustain the idea of cleaning campaigns into the next financial year. We have been humbled by the excitement of the community in cleaning the filth in our townships.

We have budgeted R1m for fencing of dumping sites and incinerators and further R1.1m for tipper and LDV.

Recreational facilities

R4m has been allocated for the first phase of upgrading the sports facility in Majwemasweu. The municipality will continue to source funds for the second phase of the Masilo Sports Complex. The first phase was completed in 2006/07 with the financial support from the Department of Sports, Arts and Culture.

The hall in Soutpan, which has been a nuance to the community for a very a long time, will receive attention after relentless efforts of seeking funding. R5m is funded by the MIG and additional R2.5m will be funded by the District Municipality. This will bring relief to the community of Ikgomotseng, the municipality and all other stakeholders as they will now have proper place to hold their meetings and other activities.

Libraries

The Department of Sports, Arts and Culture continues to provide the requirements of all libraries in an endeavour to quench the information and knowledge thirst of the community particularly the youth and learners.

The libraries promised to be built for Tshepong and Ikgomotseng communities are still outstanding. We will continue to interact with the department to pursue this matter.

Institutional transformation and organisational development

We have said before that human capital is the cornerstone of success of all organisations despite their size, shape and form. How this crucial capital is deployed becomes the determinant in the performance of the organisation.

The municipality has prioritised the issue of organisational redesign. We are intending to complete this function in the first half of the new financial year. This is preceded by the skills audit of the municipal personnel. In the end, the aim is to ensure that individuals will be placed in accordance with their skills to achieve maximum organisational efficiency. The aim is also to review and adjust job descriptions of the entire personnel to ensure all operations are included to effectively manage and maintain their functions.

During the 2009/10 financial year, a significant number of our employees participated in the DBSA Vulindlela Academy. We are hopeful that the new knowledge they have acquired will go a long way in turning the municipality around. We also had three officials at senior level participating in Certificate Programme in Management Development for Municipal Finance offered by the Wits Business School.

We will remain committed to the finalisation of the skills audit before the end of June in order to allow for timely submission to the Local Government Sector Education and Training Authority (LGSETA) for skills development funding. We have also taken the decision to ring-fence the money meant for this purpose.

Given the current persistent financial challenges, we will only fill critical vacancies during the adjustment budget. We are however mindful of the serious capacity gaps in the Directorates of Infrastructure and Social Services due to retirements, resignations and deaths of personnel. Such cases will therefore not wait for budget adjustment as we need to move with speed to deliver services better and smarter.

On the other hand, we must report on the achievement of appointment of Acting Unit Managers in Winburg, Brandfort, Soutpan and Verkeerdevlei. This development has facilitated accessibility of management and quicker resolution of operational problems. Equally, it has allowed senior managers to focus on strategic tasks of the organisation.

All these interventions are meant to help the municipality deal with issues of compliance which we have failed on in the past. The municipality was not able to compile Section 46 reports in the last two years in line with the Municipal Systems Act (MSA). We have since developed the Performance Management System Framework and it is due to be approved.

The finance department has particularly not performed well over the last few years. Consecutive disclaimers from the Auditor General indicate the stark reality of the status of our finance department. While the focus on staff development and performance is on all personnel, we cannot overemphasise the centrality of finance

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personnel when it comes to viability of the municipality. If the municipality is financially unviable, all other thematic areas of the municipality will be rendered useless. Already, the R1m has been allocated to support the Chief Financial Officer.

Generally, we need to work on the attitude of our workers so that they understand the value of customer care and Batho-Pele principles. We need to instil a sense of agency and urgency in our personnel. Indeed, Masilonyana has to build its own timber of “public service cadre”.

Municipal Systems Improvement Grant

The municipality is allocated R750 000.00 to implement systems that will assist the in-house capacity to perform legislative functions and stabilise institutional and governance systems. The focus of this grant for 2010/11 will be on:

- Support interventions for improvement of municipal audit outcomes and systems such as improvement of fixed assets registers that comply with the Generally Recognised Accounting Practices (GRAP) standards;
- Development and implementation of by-laws, policies and/or systems that support local government legislations;
- Improved ward committees in respect of functionality.

Good governance and public participation

It is indisputable that public participation is an important element in deepening our growing democracy. And by participation we do not make vague reference to mundane voting in every five years. We mean practical involvement in the development decisions taken by the leadership for community. We also mean empowerment of the community in order that they are able to keep the elected accountable.

Ward committees and Community Development Workers continue to be important agents of public participation since they act as buffers between the council and the community. They help to facilitate good values of corporate governance such as transparency, fairness, equity, responsibility, integrity, accountability, etc. The Service Delivery and Budget Implementation Plan (SDBIP) outlines an ideal public participation in elucidating the relationship between the administration and the Council on one hand and the Council and the community on the other hand.

All our ward committees are functional except in ward six. This ward is made up of mines and farms and this often hold no guarantees for the future. There is invariable migration to urban places. This therefore creates vacancies and incapacity of the structure to perform as expected.

The three vacant positions of CDWs have recently been filled by the department. This has completed the full team of our 10 CDWs.

During the 2009/10, there were two Mayoral imbizos convened. These meetings are important for development communication as community gets to interact one-on-one with the Mayor, Speaker, Councillors and senior management of the municipality. In addition, ward councillors convene their monthly and special constituency meetings as and when the need arises. This will be sustained.

We still have a challenge of improving the quality and relevance of information on our website. The organisational redesign exercise and consequent placement will indicate whether there is a need for capacity add and building. The quality of Masilonyana News publication has grown in recent times. The frequency of publication has also afforded community members who do not always have a chance to attend meetings an opportunity to be informed of the happenings in the municipality. R520 000.00 has been put aside for this purpose.

On 17 May 2010, the Auditor General visited the municipality as part of his outreach programme. The purpose is to interact with the municipalities on issues relating to good governance as Council was also encouraged to improve oversight but not to interfere with administrative issues.

Local Economic Development

We have set out for ourselves in the IDP to create a conducive economic environment by 2014. This is precisely because of our firm belief that the resolution of all great social problems confronting our community hinges on economic development and poverty alleviation. As part of our mission in pursuance of our strategic vision, we have set that we need to attract investors and facilitate local economic development.

Partnership with the mining sector

To this day, we have consistently been working hard with the mines in ensuring that we cushion our people from the plight of poverty and unemployment. The relationship that we have arduously built over the years has crystallised in signing of the MOU on 22 April this year. The MOU will see the establishment of the technical team that will meet regularly to discuss issues of development in the area. This technical team will report twice in a year to the high level strategic team comprising of the Mayor and Mines' Heads of Operations.

The old project of the brick-making in Masilo supported by the three mining houses will finally kickoff before the end of this financial year. The Beatrix Mine has committed R1.6 to the project, Harmony Mine R1m and Petra Diamonds has committed R500 000. To guard against the possible abuse of funds, Price Water

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Coopers have been appointed to manage the funds. This project will facilitate employment opportunities of about 50 people.

Harmony Mine has over the past two years supported the Mayoral bursary scheme with R525 000.00 to provide financial support to the needy but academically deserving young people from our shores. This has brought relief to 15 students in these two years. It must be reported that for 2010, the Harmony Mine is funding 100% of the bursary fees despite the 70% funding the municipality had initially requested. We commend the mine for this progressive intervention. Skills development and investment in education is important in local economic development. They constitute an integral component of the exit strategy from poverty.

Beatrix mine will be extending class rooms for Reseamohetse Primary School to the tune of R3.1m.

The MOU has also muted the issue of resuscitation of the LED Forum on the basis of inclusive participation. Consequently, we will extend participation to other business sectors like Agriculture and Banking and community based organisations.

Provincial government support

The provincial government, through the Department of Economic Development, Tourism and Environmental Affairs (DETEA) is funding the brick manufacturing project in Verkeerdevlei. The municipality has already provided site for the project. We have to connect the services to the site though. Processes are an advanced stage despite the communication that the project may be relocated to the Department of the Premier for more greater coordination. Over R1m has been made available. This project will create about 20 job opportunities for Tshepong community.

Cooperatives development

Honourable Speaker, truth must be told that we have not done enough to develop the 24 Cooperatives that we have facilitated their registration in 2008. This was evidenced by the growing frustration on the members' part which saw some of them approaching the office of the Premier late last year to register their concern.

Our financial constraints have once again prevented us from making an allocation for Cooperatives development. However, we will use some portion of the money the MEC spoke of to try to intervene in this regard.

The finalisation of the Land Use Management System will also help us to use the land productively for economic development. Most of these cooperatives require land as capital and we have been found wanting in this regard as well. We will also urge the Directorate of Social and Community Services to speed up the resolution of commonage question.

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I am happy to announce that since the beginning of this year, we have strengthened our relationship with Small Enterprise Development Agency (SEDA) and other government departments and institutions. We will build on this momentum in ensuring the productive activism of the cooperatives.

Small, Medium and Micro Enterprise Development

We have already invited service providers to register in our database for the next financial year. We will pay particular attention to the local SMMEs that will register. Government procurement is a significant factor that we may use to transform the economy. Government, as owner of the means of production, is an important consumer of goods and services. We will also encourage our SMMEs to register with various government departments in order to participate in their procurement.

The MOU we signed with the mines also provides an opportunity for the SMMEs to bargain. We will use the upcoming meeting with the Mines in July to raise the issue of SMME development sharply. We cannot dare to fail our people in this regard.

Our own municipal procurement must address the development objectives and transformation goal. We will in the next financial year introduce measures that will help to monitor the progress we are making in this regard. We mostly use SMMEs from Welkom and Bloemfontein even on goods and services that we can procure from our shores. The demand management of our supply chain can no longer be an end in itself.

We intend to convene the LED summit to evaluate the progress we have made since the adoption of the LED Strategy in 2006. We will review it on the basis of that evaluation. We also acknowledge that our performance on local economic development will be determined by the fact that we did not have a dedicated unit to champion this function. It is in this light that we are hoping that the process of organisational redesign should also help us to decisively resolve this issue amongst others.

Special groups will be given increased attention on issues of transforming the economy and ensuring their growing participation.

Business Information Centre

The construction of the Business Information Centre is nearing its completion in Masilo after numerous challenges that have plagued it. R3m has been committed to this project through cooperative governance. Its operation will see the local businesses benefiting generously from transfer of critical business skills that will lay basis for the sustainability and success of businesses. The project is using the EPWP strategy and has employed 22 people.

Winnie Mandela Museum

Since the last presentation of the budget statement, the family who is currently occupying the site where the museum is to be constructed has been built a home in Extension 3, Brandfort. The project steering committee comprising of the officials from the municipality, the District municipality and Department of Sports, Arts and Culture has been established and meets regularly.

It has been agreed by all that we need to move with speed in concluding this idea. In doing so, we will of course act with care sensitive to the needs and interests of all affected parties.

There will be future engagement with regard to availability of land for business complex. Already, a letter of intent has been written to the municipality to express interest.

Intergovernmental Relations

Chapter 3 of the Constitution of the Republic lays basis for the cooperative governance between the three spheres of government. In strengthening our intergovernmental relations, we need to reiterate that the national, provincial and local government are three spheres of government which are indispensable to one another. Emphatically, the African National Congress National Executive Committee Lekgotla report expounds that the intergovernmental relations between spheres of government and departments must be radically improved. This will directly contribute to building and supporting of local government in a coordinated manner.

Madam Speaker, our community will recall that in 2008, the municipality began to encounter serious financial problems in meeting its financial commitments. In seeking solution to the problem, the past administration was alerted about imminent financial crisis and financial management system that was not compliant with the legal accounting system.

I must indicate that these are some of the contributory factors that led this municipality to be subjected to the Section 139 (1) (b) of the Constitution. However, subsection (2) (c) stipulates that the council must, while the intervention continues, review the intervention regularly and may make any appropriate recommendations to the Provincial Executive Council. Haste upliftment of this mandatory provincial intervention ought to be averted in order to allow for complete recovery and fulfilment of all objects of local government. All in all, the appeal sought on provincial government for intervention was nothing else rather than a “cry for help”.

However, we commend the intervention that EXCO has taken in December 2009. Since that decision, we have scored various victories on areas which used to be problematic in the past, for example, spending of MIG allocation has increased from 12% to over 40 %. We are, indeed, grateful to the administrator, Mr. Chris Mekomela.

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Corruption

Masilonyana Local Municipality remains committed to clean corporate governance. We remain firmly committed to the fight against corruption in public service for we are certain that corruption and service delivery cannot co-exist.

Part of the elements of the administration includes the deployment of the KPMG. The KPMG is helping the municipality with the bank reconciliation as part of the turn-around strategy. But their mandate has also been expanded to investigate incidents where corruption is suspected. I must emphasise that we are fully supporting the KPMG in the execution of this task.

I further want to call on my fellow councillors, municipal officials and community members not to keep mum about suspect cases. The fact that we speak openly of corruption is because we are aware of its existence. Government has put a comprehensive strategy in place to combat it.

It is no use to make allegations of corruption against an individual or group of people while there is no willingness to come forward with facts. That attitude only amounts to slander and vilification and I trust I will enjoy the support of my colleagues in condemning it.

Municipal Financial viability and Medium Term Revenue and Expenditure Framework

Implementation of the Valuation compiled in accordance with the MPRA

During the 2008/2009 financial year the municipality completed the process to implement a valuation roll compiled in accordance with the MPRA with effect from 1 July 2009. This included completing the valuation of all properties, including agricultural and the mines, developing and publishing a property rates policy and by-law and approving a new tariff. However, the municipality experienced administrative issues with the actual levying of the new tariffs. The municipality continued to levy the old valuation roll which was contrary to the MPRA. In order to correct the situation the municipality sought advice from COGTA as well as legal counsel on the matter. We are left with the following two options:

- Implement the current Valuation roll before 30 June 2010 to ensure the legality thereof. This implies that the property rates levies in accordance with the new valuation roll will be implemented retrospectively as from 1 July 2009 including the newly rated properties such as agricultural properties. Current levies done in accordance with the old valuation roll will be reversed accordingly. Any property owner left with a balance on the rates account will be afforded the opportunity to make an arrangement with Council to pay it off without any interest levied.

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- Second option is to restart the process of compiling a valuation roll and get it implemented at the earliest 1 July 2011. This has associated cost implications to redo a new valuation roll with a new valuation date and new values. Property owners may also be faced with possible higher property values as the new date of valuation will be fixed at 1 September 2010.

Due to the phase in applicable on newly rateable properties from 25% to 50% of the promulgated tariff there will be no tariff increase on property rates for the 2010/2011 financial year as the expected increase in revenue from these properties will be sufficient.

Municipal Infrastructure Grant

All projects that will be funded through the Municipal Infrastructure Grant such as tarred roads, stadium construction and upgrading, taxi ranks, etc, are all at business plan stage. These projects will cost R25 Mil for the 2010/2011 financial year.

There will be a need for a special MIG funding to address other infrastructure projects not currently provided for in the current Division of Revenue Act (2010/11). Amongst others, this includes the 45km water pipeline from Theunissen to Brandfort.

Corporate

An amount of R 100 000.00 was budgeted for the purchasing of a new LDV for Corporate Services as the Department is currently without a vehicle and cannot fulfil their duties effectively without a vehicle.

Turn-around strategy

The following interventions constitute the pillars of the turn-around strategy of the municipal finances:

1. ***Continuation of Data Purification*** (accounts cleansing): ensuring that consumer accounts reflect the actual amount owed to the municipality. Be performed whilst debt collection process is undertaken.
2. ***Debt collection and revenue enhancement:*** with the municipality is getting assistance to ensure that consumers who are in the position to pay for services that they receive, in fact do so. Strict measure will be implemented to enforce the policy, for example the cut-off of the electricity supply and the restriction of the water supply.
3. ***Free basic services:*** ensure strict conformity to the Indigent Register and Policy

4. **Registration and verification of indigent consumers:** this will help to curb false beneficiaries, involvement of Ward Councillors and Ward Committees is an imperative
5. **Implementation of the Municipal Property Rates Act:** this will ensure the market related levying of rates and taxes, including levying farms and Public Service Infrastructure for the first time
6. **Installation of new Financial Management System:** replacement of the old Data-M system with Pastel Evolution.
7. **Conversion to GRAP Standards:** Currently the Municipality is being assisted with conversion from IMFO Standards of reporting to that of GRAP Standards as required by legislation.
8. **Compilation of GRAP Annual Financial Statements:** The Municipality is being assisted in the compilation of GRAP compliant AFS for 2009/10.
9. **Review of Credit Control and Debt Collection Policy:** this review should ensure compliance with the stipulations of Section 97 of the Municipal Systems Act of 2000 with the necessary support.
10. **Audit queries and PROPAC resolutions:** As part of the implementation of the financial recovery plan in terms of Section 146 of the Municipal Finance Management Act (2003), the municipality is also addressing concerns raised by the Auditor General and the Public Accounts Committee

Salary Bill

Our salary bill is at 31% of the total operating expenditure. (Inclusive of Councillors allowances). As part of the turn-around strategy, our eyes will be on the ball to ensure that this should rather be kept lower than to rise. The review of the organogram and the skills audit should help us achieve that feat.

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 fulfil 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 a 57% collection rate target by the end of 30 June 2010 in comparison with the actual collection rate of 45% the previous financial year. We speak with certainty that working together with all the stakeholders and supported by community, we can achieve this target.

We are consistently subjecting our revenue enhancement strategy to scrutiny and adapting accordingly to achieve 70% collection by end of December 2010.

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 R48.1m. in 2008/9 financial year. Further strategies and methodology will be developed to write off other irrecoverable debt in the 2010/2011 financial year. This will go hand in hand with the debt collection and revenue enhancement strategies.

Medium – Term Budget

The Municipality's projected overall expenditure for the 2010/11 medium – term budget is **R 147,584, (2009/10 – R 133,474m)**, which signifies an increase of **9.6%** over the approved adjustment budget of 2009/10. The 2009/10 consolidated operating income for Masilonyana Local Municipality is estimated at **R 152,003, (2009/10 – R 133,890,m)** which is a **11.9%** more than the 2009/10 financial year's income.

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

Details	Budget			
	2009/2010	2010/2011	2011/2012	2012/2013
	Adjusted			
Revenue				
Own Revenue	58,756,655	82,063,541	91,334,286	101,922,926
Grants & Subsidies	65,438,000	69,939,000	76,674,000	84,163,000
Equitable Share	51,953,000	66,189,000	74,634,000	82,113,000
FMG	2,750,000	3,000,000	1,250,000	1,250,000
MSIG	735,000	750,000	790,000	800,000
Spatial Planning	10,000,000			
Support Cogta	00	0	0	0

Total Revenue		133,890,290	152,002,541	168,008,286	186,085,926
Total Expenditure	Operating	132,314,561	147 584,474	161,851,126	117,922,234
Surplus / (Deficit)		1 575 729	4,418,067	6,157,160	8,163,692

The Municipality is projecting a surplus of approximately **R 4,418m** in the 2010/11 financial year, **R 6.157m** and **R8.164m** for 2011/12 and 2012/13 respectively.

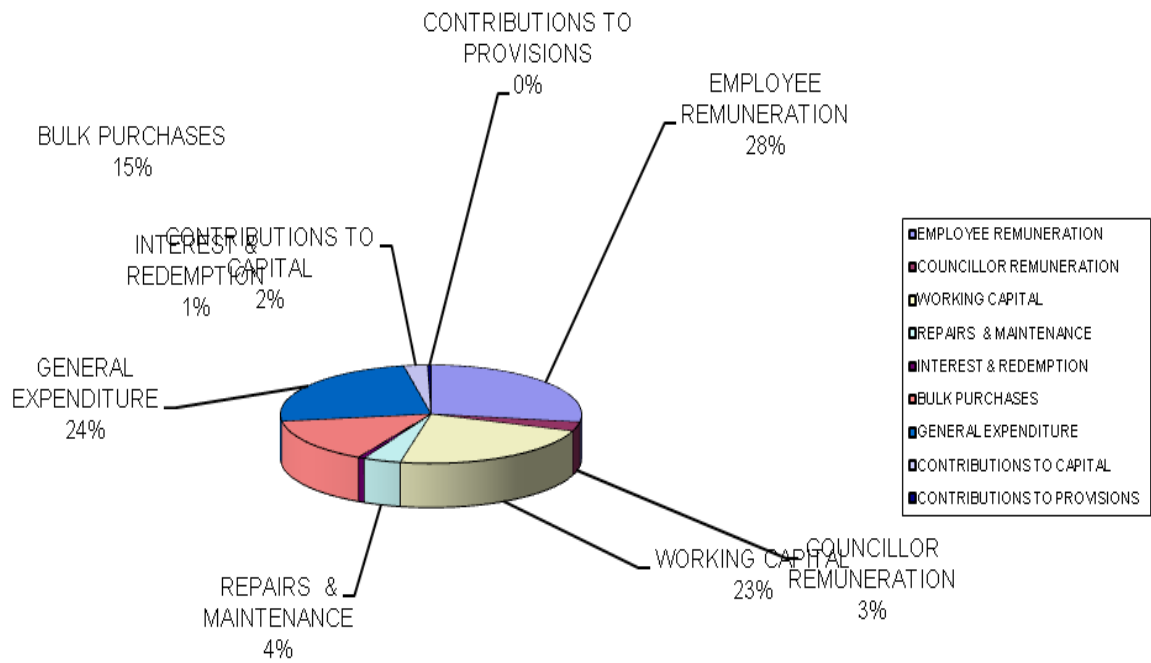
Operating Budget

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

Expenditure

EMPLOYEE REMUNERATION	COUNCILLOR REMUNERATION	WORKING CAPITAL	REPAIRS & MAINTENANCE	INTEREST & REDEMPTION
41,587,853	4,544,000	34,114,542	6,076,000	1,006,165
BULK PURCHASES	GENERAL EXPENDITURE	CONTRIBUTIONS TO CAPITAL		
22,098,370	36,807,544	3,850,000		

APPORTIONMENT OF OPERATING EXPENSES

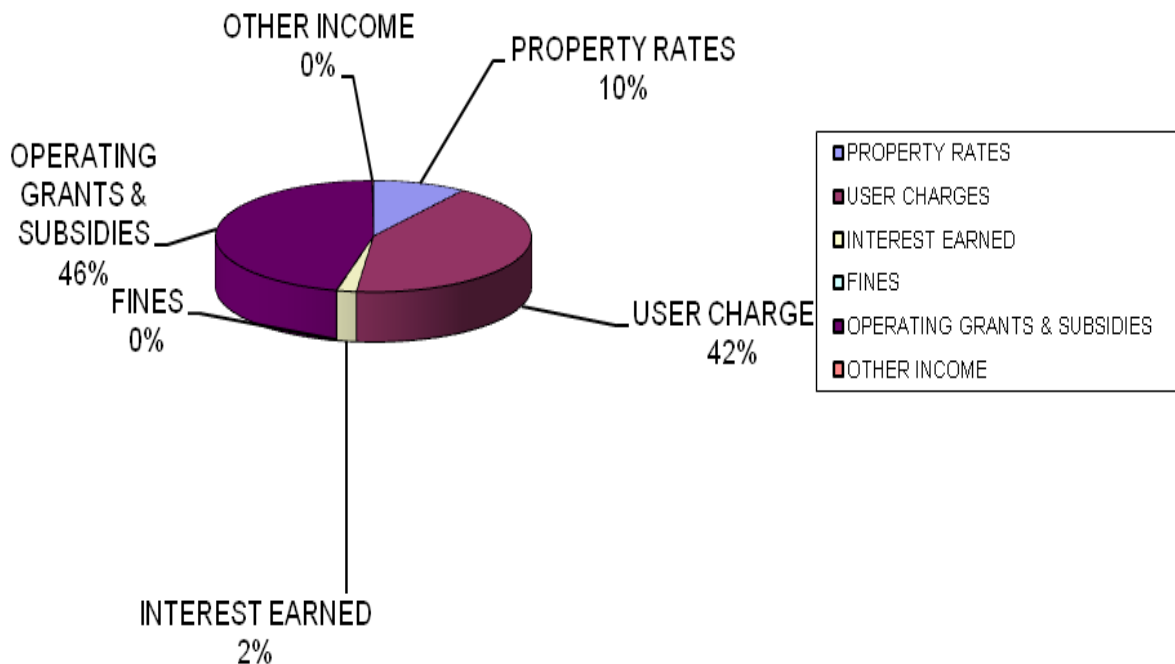


Income

PROPERTY RATES	USER CHARGES	INTEREST EARNED	FINES	OPERATING GRANTS & SUBSIDIES	OTHER INCOME
14,556,280	63,969,097	3,018,364	10,300	69,939,000	230,500

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APPORTIONMENT OF INCOME



Significant Characteristics of the Operating Budget

The above pie chart depicts the graphical representation of operating expenditure composed of many activities which has a bearing on the total operating expenditure. The operational budget of the Masilonyana Local Council is comprised of the following significant activities:

Infrastructural Services

Medium – Term Capital Expenditure

Masilonyana Local Municipality is tabling an estimated draft capital budget of **R 29,061,000** for 2010/11. This represents an increase of less than 1% (**R 27,738,000**) on the 2009/10 capital budget. The medium-term capital expenditure will be funded from the combination of financial sources that includes grants and funds. The 2010/11 draft capital budget of **R 29,061,000** will be funded from National and Provincial

Government Grants to the tune of **R 25,211,000**. The remaining balance of **R 3,850 000** will be funded from own revenue generation.

Schedule of the Capital Budget

<u>FUNCTION</u>	<u>DETAIL</u>	<u>TOTAL</u>	<u>OWN</u>	<u>MIG</u>
EXECUTIVE & COUNCIL				
CORPORATE SERVICE	CORPORATE BAKKIE	100 000	100 000	
COMMUNITY & SOCIAL				
CEMETERY	CEMETERY FENCING	1 000 000	1 000 000	
CEMETERY	CEMETERY VEHICLES	650 000	650 000	
WASTE MANAGEMENT				
REFUSE	FENCING & INCENERATORS	1 000 000	1 000 000	
REFUSE	TIPPERS,LDV'S	1 100 000	1 100 000	
WASTE WATER MANAGEMENT				
SOUTPAN/ IKGOMOTSENG	UPGRADING OF SEWER PONDS	1 399 078		1 399 078
WINBURG/MAKELEKETLA	UPGRADING OF STORMWATER DRAINAGE	3 188 007		3 188 007
WINBURG/MAKELEKETLA BRANDFORT/ MAJWEMASWEU	WASTE WATER TREATMENT WORKS	600 000		600 000
THEUNISSEN/ MASILO	1050 BUCKETS	241 337		241 337
SOUTPAN/ IKGOMOTSENG PMU	2265 BUCKETS 400 BUCKETS ALL TOWNS	2 000 000 548 926 1 260 309		2 000 000 548 926 1 260 309
ROADS TRANSPORT				
THEUNISSEN/ MASILO	UPGRADING STREETS TO SURFACE	8 390 891		8 390 891
WATER				
BRANDFORT/ MAJWEMASWEU	WATER RETIC NETWORK	800 000		800 000
WINBURG/ MAKELEKETLA	(ASBESTOS) RETIC NETWORK	5 043 847		5 043 847
WINBURG/ MAKELEKETLA	(ISOLATION VALVES)	1 738 605		1 738 605
		29 061 000	3 850 000	25 211 000

1. BUDGET RELATED RESOLUTIONS

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In terms of the Municipal Finance Management Act, No 56 of 2003, the following resolutions are submitted for consideration and approval by Council:

1.1 Operating Budget

It is recommended:

That the total operating expenditure of R 147,584,234 and total operating revenue of R 152,002,541 be approved.

1.2 Capital Budget

It is recommended:

(a) That the capital budget of R 29,061,000 be approved.

1.3 Property Rates

It is recommended:

(a) That, the following new property rates in respect of the Masilonyana Local Municipality be implemented as follows:

- (i) Residential Households – one comma two cents (1.2 cents) per rand on the market value;
- (ii) Businesses - two comma four cents (2.4 cents) per rand on the market value;
- (iii) State Properties – two comma four cents (2.4 cents) per rand on the market value;
- (iv) Agricultural – (25% of the residential household tariff) zero comma zero zero three cents (0.3 cents) per rand on the market value. From 1 July 2010 the second year of phase in applies;
- (v) Public Service Infrastructure - exempted from property rates;

1.4 Water Tariffs

It is recommended:

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- (i) The Masilonyana water tariffs are not commensurate with the cost involved in the production of provision of a kiloliter hence the 25% increase and introduction of block tariffs in the current financial year. Tariffs be structured as follows:

Description	2009/2010	2010/2011
Minimum Charge	40.34	50.43
0-6 Kiloliter	Free Indigents	Basic Free Basic Indigents
0-6 Kiloliter	3.75	4.69
6-12 Kiloliter	4.98	6.23
12+ Kiloliter	5.46	6.83

- (ii) Repair work be actual cost plus 10%
- (iii) Reconnection fees be increased from R 186.77 (2009/2010) to R 233.46 (2010/2011)

1.5 Electricity Tariffs

During the 2009/2010 financial year Council also increased the Minimum charge for electricity by 34%. For the 2010/2011 financial year the minimum charge will not be increased in order to phase the excessive increase applied in 2009/2010. The proposed increase on consumption is only absorbing the tariff increases enforced by Eskom on bulk purchases of electricity.

It is recommended:

- (i) That electricity tariffs be increased by 19% on consumption only as approved by NERSA.

Description	2009/2010	2010/2011
<u>Domestic</u>		
Minimum Charge	41.86	41.86
50kwh free	Free Basic	Free Basic – Indigents

Per kwh	0.75	0.89
<u>Business</u>		
Minimum Charge	104.32	104.32
Per kwh	0.86	1.02
<u>Bulk Consumers</u>		
Minimum Charge	128.79	128.79
Per kwh	0.42	0.49
<u>Departmental Usage</u>		
All Users	0.80	0.96

(ii) Repair work be actual cost plus 20%

(iii) Reconnection fees be increased from R 254.37 (2009/2010) to R 279.80 (2010/2011)

1.6 Other Tariffs

It is recommended:

That other tariffs be increased by 7% which entail, refuse removal, cemetery fees, caravan park, pound fees, dog licenses, halls, clearance certificates.

Sewerage tariffs to increase with 25% as the delivering of a sewerage services is reliant on water consumption and therefore be increased in line with the water tariffs.

Conclusion

We take this opportunity to wish Bafana Bafana well in these remaining few days before the kickoff of this historical moment of the first FIFA World Cup in this continent of Africa. We say nothing is impossible in any soccer game. FEEL IT, IT IS HERE!

We also take this occasion to acknowledge the loss through death of former Councillor J. Schmidt, Councillor JC Van Straten, Mayor of Naledi Local

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Municipality, Councillor Motlatsi Motlohi for such coward and brutal death, comrade Teboho Sikisi, comrade Tankiso Mofokeng and many other councillors and municipal officials. MAY THEIR SOULS REST IN PEACE!

Madam Speaker, I also wish the Premier of the Free State, Honourable SE Magashule, well in his second year in office. I wish him and his cabinet success in execution of his duties to the people of the Free State.

In closing, I want to thank my family for their unbroken support they have been giving me in almost seven years of my services as the Mayor of this wonderful Masilonyana Local Municipality, particularly at times when I was in the state of despair when municipality woes seemed ceaseless. Since this is my last term in local government, it would be a grave mistake on my part if I were to forget my colleagues/Councillors in arms whom we have been through thick and thin in our endeavour to better the lives of our people.

I will always give respect to anyone who once served as a councillor for it was never an easy thing to be. To those who will be retained I wish them well.

I also thank all municipal managers and management teams that I have worked with during this period. I thank the municipality officials for their contribution to the bettering of the quality of the lives of our people.

Lastly, I thank my own political home and party, my glorious African National Congress for the confidence it has shown in me. I am humbled by this honour. I am grateful

Madam Speaker, I table the 2010/11 budget to turn around this municipality and invite my colleagues to adopt it.

I THANK YOU.