

MASILONYANA LOCAL MUNICIPALITY



BUDGET SPEECH 2015/2016

TABLED BY MAYOR OF MASILONYANA,
HONOURABLE K.S KOALANE





Budget Speech by: Kunatu Stephen Koalane, Honourable Mayor of Masilonyana Local Municipality on the occasion of the Ordinary Council Sitting, 28th May 2015, Theunissen.

Honourable Speaker,
Honourable Chief-whip,
Fellow Councillors,
Municipal Manager and the rest of the management team,
Leaders of political parties,
Leaders of the Sports, Traditional and Religious sectors, NGOs and CBOs
Esteemed guests and
Members of the community and fellow South Africans,

Molweni, dumelang, good day, goeie dag, agee!

I wish to thank the Speaker and this august house for creating an opportunity to speak to the people of Masilonyana, nine (9) months since the Handover and the Reburial of the Mortal Remains of the late Sechaba Lesimola. Lesimola, was an anti-apartheid activist, freedom fighter and an MK Combatant who was born in Theunissen in 1969 and left the country in 1985 to swell the ranks of the African National Congress (ANC) Military Wing, Umkhonto we Sizwe (MK).

This historic ceremony took place 26 years after he and other four (4) MK Combatants were killed by the then Apartheid Government's security forces. We pay tribute to this fallen hero of our society whose blood nourished the tree of our liberation.

We acknowledge the presence of his family whom are here with us as our special guests and the families of Moeketsi Philemon (Willie) Motseoile, Papi Steyn, J.J Kotoyi and families of many other liberators not mentioned but whose families are also our special guests.

The year 2015 also marks 60 years of historic moment in our Country, when South Africans from all walks of life adopted the Freedom Charter in 1995, in Kliptown, Soweto.

They declared amongst other things, that **South Africa Belongs to All Who Live in It, Black and White**, and that no government can justly claim authority unless it is based on the will of all the people. This year 2015 has also been declared a year of Unity in Action to Advance Economic Freedom.

Operation Hlasela

Honourable Speaker,

It is an honour to address the house and our community a week after an Operation Hlasela visit in Winburg by the Premier of the Free State Province, Hon. Ace Magashule and his Provincial Cabinet. Operation Hlasela is a Programme of Action of the Free State Provincial Government aimed at aligning the activities, resources and programmes of the three spheres of Government in a coordinated manner that avoids duplication and waste of resources in response to the attainment of the objectives of government as articulated in the five key priorities.

We appreciate massive impact and intervention brought by Operation Hlasela to address amongst others housing backlogs, road infrastructure, Township Revitalisation Program and other service delivery challenges. I must also mention that Operation Hlasela will be also becoming to Theunissen in the coming weeks.

We are grateful to the Provincial Government for the Operation Hlasela Outreach which offered social relief such as 400 blankets, 100 food and vegetable hampers, 100 school shoes (20 per school), 300 mattresses to preschools, 7 wheelchairs, 5 walking sticks and sanitary towels to the identified individuals and were distributed during this campaign. Recipients of Title Deeds were also issued with their Title Deeds.

Honourable Speaker,

Furthermore the Free State Department of Public Works and Infrastructure has budgeted an amount of R7 million for the 2015/16 financial year for the implementation of the EPWP Township Revitalisation Program. In his State of the Province Address the Premier, also stated that there will also be work undertaken in Soutpan.

“Ha re Hlaseleng, Working Together We Move Masilonyana Forward”

Naming and Renaming of the Streets and Public Places

Honourable Speaker,

To bolster social cohesion and in recognizing the contribution and freedom our fore-bearers bequeathed to us, we have decided to embark on a process of naming and renaming of the streets and public places. An Advocacy Workshop on Naming and Renaming of the streets and Public Places was held for Ward Councillors, Ward Committees and CDWs by the Free Geographical Names Council in February this year. Subsequently a Draft Policy Framework on Naming and Renaming of the Streets and Public Places was approved by Council on the 31st March 2015.

Council's Section 79 Committee will be holding public hearings to solicit inputs and nominations from the community. We encourage all our communities to make use of this opportunity to nominate dignified and reputable citizens of our country.

Speaker, allow me to share with the House, the work that the ANC led council has done and continues to do whilst also outlining the challenges on this journey in realizing the aspirations of the Freedom Charter.

Education and Youth Development Programs

Students studying abroad

Honourable Speaker,

Many including the media and the opposition were questioning the cost and the purpose of my international trip as part of the Free State Government to Cuba, the main purpose of the visit was, inter alia, to strengthen already existing relations with the Cuba province of Matanzas, open opportunities for establishment of direct municipality-municipality co-operation; look at trade and investment opportunities in line with the lifted trade embargo between the United States and Cuba. Most importantly, the visit was anchored in the support visit to our more than 200 medical students in Cuba including six from Masilonyana.

Our municipality together with other municipalities will benefit from the 40 Cuban Engineers recruited to provide support to our Housing and Water Programs and 40 Medical doctors. I must highlight that one or two Engineers who are water specialists will be seconded to the municipality at the Provincial Government's cost. The municipality also has two (2) students that are studying Chinese Language Program in China. In addition five (5) students from Soutpan will be sent to India to study Information and Technology (IT) and five (5) matriculants from Winburg with maths and science will study Pharmacy in India.

Bursaries

Honorable Speaker,

The Free State has achieved a pass rate for the 2014 National Senior Certificate examination of 82.8 %. A significant number of our schools achieved a pass rate of above 80 %. We congratulate Taiwe Secondary School for achieving a 100 % pass rate in two consecutive years and also wish these other schools who also achieved 100 % pass rate: Hoerskool Staat President Swart in Brandfort, Hoerskool Theunissen and Winbrg High School.

Since the inception of the Mayoral Bursary Scheme in 2010, the Municipality in partnership with Harmony Gold Mine has been assisting academically performing grade 12 learners of Masilonyana who are from previously disadvantaged backgrounds with bursaries to further their education and to obtain tertiary qualifications. Eight (8) of these students have completed their studies in the following fields: B Com Economics, Civil Engineering, Media Studies, Geology, Electrical Engineering and B Com Accounting.

This year in 2015 we have awarded 9 students with bursaries including two (2) in Winburg. The Department of Education has promised to award 30 matriculants in Makeleketla with bursaries to further their studies.

Learnships

LGSETA has funded a Law Enforcement Program for Five (5) unemployed youths from the municipality in June 2013. The aim of this program is to assist the municipality in the enforcement of By-laws and to enhance municipal revenue. These learners have since completed their 12 months training at Matjhabeng Traffic Academy and are now permanently employed in the municipality as Law Enforcement Officers.

Free State Youth Environmental Service – this is another youth targeting program by the Department of Environmental Affairs who appointed a service provider by the name of Mashalaba Consulting for the implementation and recruitment of 35 beneficiaries across the municipality.

On the 15th May 2015 the Municipality in partnership with National Youth Development Agency (NYDA) hosted Youth Economic Development Dialogue. The purpose of the activity was to provide young people with an opportunity to interact with both government and private sector on youth intervention programs such as building social capital through youth owned enterprises.

The platform was also used to provide young entrepreneurs with an opportunity to access both the financial and non-financial business development support to establish their survivalist businesses. The agency indicated that it is focusing on youth entrepreneurs who are just coming into existence and beginning to display signs of future potential but are not yet fully developed. The NYDA committed to providing interventions through business mentorship program, business consultancy services voucher program in the form of business grants that starts from R1000 to a maximum of R100 000 for either individual or youth cooperatives. The agency further committed to provide interventions through education intervention in the form of payment of outstanding fees.

ECONOMIC DEVELOPMENT AND JOB CREATION

Economic Development

Our country in general and our municipality in particular still continues to grapple with the triple challenges of poverty, inequality and unemployment. We are committed to ensuring that we utilize the purchasing power of the municipality in a much more strategic and efficient manner. Our procurement strategy will increasingly focus on procuring through three year contracts from local Cooperatives and SMMEs to increase maximum value and efficiencies.

We have advertised 9 tenders to be procured from local enterprises and cooperatives. These tenders are as follows: Supply of Building and Maintenance Material, Supply and Delivery of Office Furniture, Supply and Delivery of Stationery, Supply and Delivery of School Uniform, Provision of Transport, Supply and Delivery of Road Patching Material, Supply and Delivery of Blankets and Food Parcels, Supply and Delivery of Cleaning Material and Repairs and Maintenance of Vehicles.

In addition, thirty percent of big projects will be allocated to local enterprises and cooperatives. This is in line with the 2014 Elections Manifesto of the ANC, the State of the Province Address and the State of the Nation Address.

Mining is by far the largest consumer of goods and services in our jurisdiction. Hence we are currently engaging with both Harmony Gold Mine and Sibanye Gold Mine on hosting a summit on Integrated Procurement Strategy. The integrated strategy will provide our local enterprises and cooperatives with a niche into the provision of goods and services in the mining sector.

Fellow Coucillors,

My Office initiated engagements with the National Department of Tourism on the completion of the Masilonyana Business Development and Information Centre in Theunissen. The department has advised that a tender to complete the project was advertised in April 2015 and the evaluation and adjudication process will be followed. The department also indicated its commitment to complete the Masilonyana Business Development and Information Centre project. As previously indicated in my last year's Budget Speech the centre will also be used to house the LED Directorate and the LED Forum.

The municipality was approached by an entity by the name of **African Carbon Energy (Africary Investment)** which is a South African mining and minerals solutions company, with regard to building and operating the first commercial Underground Coal Gasification (UCG) Power Generation Plant in Theunissen.

Africary bought the Theunissen Coal field of 1 billion ton Inferred resource from BHP Billiton. This project will create about 2000 jobs and an economic growth Masilonyana. The project has been classified as Strategic Infrastructure Project - SIP 8 Green Energy Project. It is envisaged that after both the Municipality and the Investor have signed a Memorandum of Understanding (MOU) the project will be registered with Treasury as a PPP project.

Thunissen Shopping Complex – the municipality has approved the layout plans for the development of Theunissen Shopping Complex by Nuripro Investment who are developers of the project. The said investment is projected at R52 million for the first phase and it will create 300 jobs on construction and 200 jobs on completion.

Job Creation

The Expanded Public Works Programme (EPWP) continues to be a vehicle for creating jobs in the municipality and the country. 86 jobs were created in the current financial year in the following fields: Cleaning of Parks and Cemeteries, Road and Storm Water Maintenance and Community Safety (Security Guards at Ikomotseng Community Hall).

The department has allocated the municipality R1 112 000.00 for the 2015/16 financial year. In addition to the above mentioned allocation we have budgeted R500 000.00 from own Capital funding towards patching of potholes. Due to budget allocations a total of 100 jobs will be created for a period of seven months rather than a three months period. These jobs will be in the following fields:

- Roads and Storm Water maintenance.
- Cleaning of Cemeteries for Theunissen, Winburg & Soutpan. It must be noted that Verkeerdevlei and Brandfort will be covered by the Department of Public Works and Infrastructure as per the MEC's commitment that he is extending the duration of this project from 01st April 2015 until 31st March 2016.
- Development of Parks and Township Beautification.
- Pothole Patching.

In consideration of the critical role that EPWP plays in alleviating poverty amongst communities, the Department of Public Works and Infrastructure has taken a decision to extend the duration of all the current Cash for Waste Projects and Cemetery Maintenance Projects in Brandfort and Verkeerdvlei respectively. The continuation period will be until March 2016.

Upgrading of Theunissen Landfill Site Project has created 134 jobs. This project is funded by the National Department of Environmental Affairs. Its implementation and labour recruitment is EPWP based.

ORGANIZATIONAL DEVELOPMENT AND INSTITUTIONAL TRANSFORMATION

Honourable Councillors,

Let me acknowledge selfless contributions of the former Municipal Manager, Mr. Siphon Mtakati who has left the municipality to ply his trade at the Department of Health. We are proud to have positively contributed to his career development.

We must also acknowledge contributions and services rendered by other municipal employees who have left the employment of this institution due to retirement or in search of greener pastures.

The Organizational Structure of the municipality was revised and approved by Council on the 1st October 2014. The structure was realigned for strategic execution. The total number of approved posts is 938 while our current staff complement is 378. The municipality has 560 vacancies and this means that with such high vacancy rate our municipality is operating with skeleton staff. 94 positions were filled during this financial year of which most of them were identified as critical posts.

Salary disparities have been addressed and job descriptions has been revised and new job descriptions has been developed. A process to get all job descriptions signed is underway and it is expected that by the end of June 2015 all employees will have signed their job descriptions. Therefore the Job Evaluation process will unfold in the 2015/16 financial year.

A total of 21 HR – Human Resource policies were developed and approved by Council in July 2014. A municipal HR manual has been developed which we will be utilised as our tool to induct new employees. We will also conduct policy workshops for all employees on an annual basis.

The Workplace Skills Plan was developed and submitted to LGSETA on the 30th April 2015 in order to address identified skills gaps. In addition A further 13 bursaries were approved to qualifying employees to study at institutions of higher learning such as FETs and Universities. The total budget allocation for this program is R200, 000.00 per annum. I once again wish to challenge our employees to take advantage of such opportunities.

Skills Development

The following training initiatives have been undertaken for this financial year:

- ❖ Municipal Finance Management Programme: 22 employees are attending classes and 3 have completed
- ❖ Water & Waste Water Treatment Operations: 36 employees were attending training.
- ❖ Adult Basic Education & Training (ABET): 56 employees are attending

LGSETA has funded the following Learnerships and Skills Programmes which are facilitated by Central University of Technology:

- Municipal Finance Management Programme: 12 employees
- National Certificate : IDP 3 employees
- National Certificate : LED 3 employee
- National Diploma Public Finance Management and Administration: 5 employees

Labour Relations

Local Labour Forum meetings are being held regularly. Workshop on disciplinary code was conducted with Managers and Supervisors to enhance discipline in the municipality.

Management has been holding regular staff meetings with the work force to inform them of issues that are directly applicable to them and these engagements will continue to take place even in future.

Legal Services Division conducted employee workshops in order to mitigate the negative implications caused by Garnishee Orders against them. The workshops also sought to empower them on how to defend themselves against such litigations.

After extensive Public Participation processes Council is proud to announce that we have adopted and promulgated 42 By-Laws.

After a review of 65 Service Level Agreements, 24 of them were found to be high risk agreements for the Municipality, 5 were found to be high to medium risk and 36 were found to be low risk agreements. The Legal Service Division has been working hand in hand with Supply Chain Management Division to review future Service Level Agreements. This will provide the SCM division with templates for all the SLAs to be concluded on behalf of the Municipality and the service providers. Moving forward no agreement will be prepared by service providers on behalf of the Municipality unless per-agreement.

On Health and Safety, I am proud to announce that medical surveillance on employees is performed regularly as per legislative requirements and employees are issued with protective clothing as per the legislative requirements.

We have made strides to improve on our Information Technology (IT). I can announce that we have developed and approved seventeen (17) IT policies to enable us to manage our IT effectively. We have procured a new a server and it has been installed.

We have established a fleet management unit that will manage our fleet. This has been done to ensure proper maintenance and utilization of our fleet. The unit is also tasked to concentrate on the misuse of our fleet.

BASIC SERVICE DELIVERY

Honourable Councillors,

The National Department of Environmental Affairs appointed Mmadichika Proprietary Limited and Ngwedi Designs as Implementing Agents for the Upgrading of Theunissen Land fill Site and Winburg Landfill Site respectively. Both sites were allocated R7 million each.

Construction of fencing, construction of guardhouse and installation of access control gate at the Theunissen Landfill Site has been completed. The weigh pad and the concrete recycling area are still under construction. One hundred and thirty four (134) jobs were created through EPWP.

Initially it was proposed that the Winburg Landfill Site be relocated to make way for Township Establishment but the department held that the relocation will exceed the allocated budget. It is anticipated that the project will commence in June 2015.

The Brandfort, Soutpan and Verkeerdevlei landfill Sites were operating without licenses. Tailor-Made Risk Solutions was appointed for the licensing of these sites and they were all approved. This means that all the landfill sites within the Municipality are now licensed and therefore the business plans will be developed for the upgrading of the above mentioned sites.

Honourable Councillors,

The functions of library services were taken over by the Provincial Department of Sports, Arts, Culture and Recreation as of May 2014 and as a result 13 of our library personnel were absorbed by the department.

A contractor for the construction of Ikgomotseng Library in Soutpan has been appointed. A new site for the Ikgomotseng library has been identified i.e. a land inside the Ikgomotseng Community Hall but behind the hall. A sod turning process has already been conducted and it is anticipated that the construction will soon commence and be completed by 2016. The total cost of the project is R13 million.

A project for Tshepong Library in Verkeerdevlei has been approved and the site has been allocated for construction. Structural designs and the Environmental Impact Assessments were completed. A contractor has commenced with construction work and it is expected that construction will be complete by 2016. The total cost of the project is R14 million.

The Disaster Management Unit has been established. The Disaster Management Coordinator and Disaster Management Officer have been appointed on an acting capacity as of 01st May 2015. Fire fighters will be appointed before the end of the financial year and this unit will assist with the prevention and rapid response in cases of incidents and disasters.

According to the approved Organisational Structure Urban or Town Planning is a function of Economic Development and Planning Directorate, however, Social and Community Services has been performing the function throughout the years. But Township Establishment was outsourced due to capacity challenges.

In terms of the Spatial Planning and Land use Act 16 of 2013 (SPLUMA), municipalities are expected to establish Municipal Tribunal Committees which will be responsible for the Spatial Planning and Land Use Management. In December 2014 we advertised for the appointment of a Municipal Tribunal Committee and once the Tribunal has been appointed a division of Urban Planning will be responsible for the implementation of SPLUMA.

Township Establishment was approved for 98 residential sites in Soutpan and for 312 residential sites and 5 public sites in Verkeerdvlei. Surveying of sites and allocation of sites was completed in both towns in March this year. 60 informal settlements and 119 informal settlements were eradicated in Soutpan and Verkeerdevelei respectively. 193 sites and 33 sites were allocated for the community members in Verkeerdevelei and Soutpan respectively as per the beneficiary list.

The Winburg Township Establishment Process was initiated in 2011. The Municipality appointed Bopa-Lesedi to perform a Township Establishment of 1000 sites. After surveying it was found that the initially identified areas were not suitable for Township Establishment. These areas are an area between Masakeng and Phahameng, an area between Truck Stop and Sewer Treatment Plant and Baipehing Informal Settlement. These areas are all below flood level and are without proper drainage systems and were not suitable.

It was then decided that new suitable areas had to be identified but they were not included in the municipal Spatial Development Framework (SDF). A submission was therefore made to Council for approval on 31st March 2015 and after Council's approval a submission was made to the Surveyor General for inclusion or incorporation into the SDF.

An application to the Land Use Advisory Board was submitted on the 12th May 2015 and it will follow the Land Use Advisory process and not the SPLUMA process because the application was initiated before the passing of the SPLUMA. During Operation Hlasela in Winburg the provincial government pledged to assist the municipality by expediting the Winburg Township Establishment process and with funding for all Township Establishment processes across the municipality.

New areas that have been identified for Township Establishment are as follows: an area next to Winburg High School, an area next to the electricity substation towards the hospital, an area next to DIY towards prison and an area next to Municipal stores.

The Municipality was allocated 1022 houses 2010/11 financial year in Brandfort, Theunissen and Winburg. The department is currently completing all incomplete houses within the municipality. A contractor has been appointed for a construction of houses to replace 101 two rooms in Soutpan. Currently 23 foundations have been casted.

The Municipality is facing challenges in rolling out the Commonage Program due to limited grazing land available. The number of cattle owned by emerging farmers exceeds the available land. But currently we are conducting livestock audit so that the business plans for the acquisition of land can be concluded.

INFRASTRUCTURE DEVELOPMENT

Honourable Speaker and fellow Councillors,

Our municipality has a 'good story to tell' and over the past two decades we have made tremendous progress but we still remain highly critical of ourselves because we know a lot still needs to be done.

The Census results of 2011 indicate a substantial progress in the expansion of basic services such as water, sanitation, electricity and housing. The percentage of households with access to clean running water has increased from 60 percent to over 90 percent. Access to electricity has increased from 50 percent of households to approximately 85 percent.

Underneath is a breakdown of our completed, current and future Infrastructure Development projects:

Water and Sanitation Projects

- Upgrading of Theunissen Water Treatment Works (Pump Station Phase 1) for R6 546 122.00 – project is complete.
- Refurbishment of Theunissen Waste Water Treatment Works for R2 811 808.46 – project is complete.
- Rapid Bucket Eradication Program (RBEP): construction of 549 Toilets in Lusaka 1, Lusaka 3 and Tshepong for R4 756 536.00 – Phase 1 is complete – Phase 2 of Top Structure and House Connections is to be implemented.
- Rapid Bucket Eradication Program (RBEP): installation of mainline pipes and house connections in Masilo for R43 560 145.33 – project is under construction.
- Upgrading of Winburg Waste Water Treatment Works for R14 584 500.00. The contract has been terminated due to poor performance and we will be effecting an emergency appointment of a new contractor for the completion of the project. The project was 90% complete. Clarifier and digesters for oxidation purposes.
- Refurbishment of Winburg Sewer Pump Station no. 2 for R1.5 million. The project is funded through ACIP (Accelerated Community Infrastructure Projects) and the project is complete.

- Rapid Bucket Eradication Program (RBEP) – construction of mainlines in Mekeleketla for R6 200 000.00 for phase 1 is complete. An allocation for a second phase of construction of Top Structures and House Connections must still be made. Currently a surveying by Babereki Consulting is being conducted to determine the number of houses.
- Construction of a Bulk Raw Water pipeline from Theunissen to Brandfort for a value of R82 785 382.13 – the project is under construction and is 80 percent complete.
- Upgrading of Water Treatment works for R15 063 590.16 – project is under construction and is 90 percent complete.
- Refurbishment of Brandfort Water Treatment Works for R1 800 000.00 – project is funded by ACIP and is 75 percent complete.

Fencing Projects

- Fencing of Winburg Water Treatment Works for R2 186 486.00 – the project is complete.
- Fencing of Winburg Reservoir for R2 046 693.00 – the project is complete.
- Fencing of Makeleketla Cemetery by Lejweleputswa District Municipality for R1 million – the project is complete.
- Fencing of Phahameng Cemetery in Masilo and building of Ablution Facilities for R4 005 755.79 – project is complete.
- Fencing of Theunissen / Masilo Reservoir for R1 145 075.00 – project is complete.
- Fencing of Brandfort reservoir for R1 250 580.00 – the project has been completed.
- Fencing of Majwemasweu Cemetery for R2.2 million – project is under construction
- Fencing of Ikgomotseng Cemetery for R1 964 927.00 – project is complete.
- Fencing of Soutpan Oxidation Ponds for R1 891 260.00 – project is complete.

Sports Facilities

- R8.8 million was allocated for a construction of Winburg Sports Centre in 2012/2013 financial year. A contract of the previous contractor was terminated due to poor workmanship and a tender for the appointment of a new contractor to complete the project was advertised and closed on Friday, 08 May 2015. Currently the project is at an evaluation stage.
- Construction of Majwemasweu Multi-purpose Sports Centre for R18.1 million – the project is under construction and it is 75 percent complete.
- Upgrading of Old Masilo Sports Ground for R12 196 388.33 – the project went on tender for the appointment of a consultant and the advert closed the 20th May 2015. Currently the project is at an evaluation stage.
- The Verkeerdevlei Sports Ground will given attention in the coming 2015/16 financial year.

Future Projects

- Electricity Projects – an application for funding of R80 million was submitted to the Department of Energy for the replacement of the conventional meters to prepaid electricity meters, upgrading of the overall electricity infrastructure such as substations, transformers, high mast and streetlights in all towns. The department has released R1.5 million for this financial year for the appointment of a consultant. The project is at a tender stage and the advert is closing on the 20th of May 2015.
- Construction of a 0.8 Mega litre reservoir in Verkeerdevlei to increase portable storage to 2.5 Mega litre for R1 194 014.25 – the project will be implemented in the 2015/16 financial year.
- Upgrading of Oxidation Ponds in Verkeerdevlei for R7 200 000.00 – the project to implemented in the 2015/16 financial year.
- Construction of a 2 kilometer Block Paving Road and 10 speed humps in Masilo, Theunissen for R18 816 313.89 – the project went on tender for the appointment of a project manager and the advert closed on the 20th May 2015. Currently the project is at an evaluation stage. The project will be implemented as a 10 key project.
- Construction of a 3,5 kilometer Storm Water Channel in Masilo, Theunissen for R5 264 152.11 – the project is awaiting to be advertised.

Winburg Bulk Raw Water Supply – construction of Bulk Raw Water Pipeline, Reservoir and Water Treatment Plant for R90 million. A consultant has been appointed and is currently doing feasibility studies.

Honourable Speaker,

In addition to the above mentioned projects I wish to state that we've also taken into account issues raised during both the IDP and Budget Consultations hence we have budgeted R14 050 000.00 from own Capital Budget for the following items:

- Procurement of yellow fleet (2 Graders and 1 cherry picker) budgeted for R7 500 000.00 for grading and graveling of our roads. The project went on tender and is currently at an evaluation stage.
- The procurement of Cherry Picker is critical for utilisation by our Revenue Division during the cut-offs of bad debtors' services and to respond to challenges of street lights that need to be repaired.
- The state of our roads is another common challenge raised during the consultations and we have budgeted R3 million for resealing of roads in Theunissen.
- R250 000.00 has been budgeted for computers, IT equipment and meter reading scanners to ensure accurate billing.
- We have also budgeted R3.3 million for High Mast Lights and Water Reticulation in Informal Settlements.

STRATEGIC PLANNING AND CLEAN AUDIT

Honourable Speaker,

For the 2013/14 audit year we have managed to sustain the audit opinion attained in past two financial years. This is our third qualified audit opinion in succession after the 2011/2012 and 2012/2013.

Not only have we not regressed in the financial year ending 30 June 2014 but the Auditor General expressed his satisfaction on our significant improvement on key controls, reducing irregular expenditure, reducing fruitless and unauthorised expenditure and significant reduction on matters of emphasis.

A Municipal Strategic Planning Session was held from the 20th to 21st May 2105, the objective of the planning session is to move us further into an unqualified audit opinion and ultimately a clean audit. The session also interrogated the budget and the IDP to address all service delivery related challenges which were raised by the community.

MUNICIPAL FINANCIAL VIABILITY

Honourable Speaker,

According to our Debtors Age Analysis the municipality is as at 30 April 2015, is per consumer group owed R346 million for rates and services. Government Departments – Provincial and National owe the municipality a total of R10 193 931.59. Farmers owe the municipality a total of R13 035 981.46. Businesses owe the municipality a total of R9 122 400.02 and households owe the municipality a total of R223 964 291.69.

As a result the municipality launched Operation Patala on the 05th May 2015 and resolved as follows:

- We will offer incentives of up to 50% write-offs on interest on arrears to households and businesses.
- Regular rate payers will be discounted in terms of inflation rate.
- Pensioners will be offered rebates and indigents consumers' accounts will be written-off. We encourage all the indigents to register for basic services.
- We are going to implement aggressive Credit Control Policy measures by cutting services of businesses including offices of various lawyers, government departments such as schools, clinics, correctional facilities, etc and households.
- Those who are connecting illegally are warned that we will lay criminal charges against them and remove services or meters from their properties.

The revenue collection rate has inconsistently improved in the third quarter of the financial year and it is largely due to recent payments made as a result of letters issued and cut-off notices. The capturing of direct and cashier deposits are done on a daily basis to ensure the correctness of information.

However, our municipality is heavily dependent on grants and this negatively affects the financial viability of our institution. It is therefore necessary to challenge all councillors and the administration to double our efforts in ensuring that we enhance our revenue collection by 75 percent and reduce our provision for bad debt by 30 percent by 30 June 2015. This is in line with our recent Municipal Strategic Planning Session held at Amanzi outside Brandfort.

The municipality has increased the threshold of indigent amount from R1 500.00 to R2 500.00 I therefore call upon those members of the community who can't afford to pay for their municipal services to register as indigents and that those who can afford to pay to settle their municipal accounts or make arrangements.

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.

National Treasury's MFMA Circulars No. 71 and 74, CPI which is 5.8 percent and section 71 reports were used to guide the compilation of the 2015/2016 Medium Term Revenue and Expenditure Framework- MTREF.

The Municipality's business and service delivery priorities were reviewed as part of this year's strategic planning and budget process. Where appropriate, funds were allocated from low- to high-priority programmes so as to maintain sound financial stewardship and to improve service delivery as indicated below.

In this regard, also in response to our current water and sewer challenges, the upgrading and maintenance of our water and sewer network and distribution, has been given high priority and special focus. Road maintenance, the procurement and maintenance of Municipal fleet, as well as the filling of critical vacancies in service delivery departments, 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; the compilation of a GRAP compliant asset register and the implementation of internal controls.

Progress has been made with regards to the clean-up of the billing system. The municipality has been capacitating and further plan to capacitate its staff to ensure that the system in place is used effectively. The Municipality has managed to retain the qualified audit opinion for the 2013/2014 financial year. It must therefore be noted that the appointments and capacitating of Finance Department will move the municipality from Qualified to Unqualified Audit opinion. The main challenges experienced during the compilation of the 2015/2016 MTREF can be summarised as follows:

- The ongoing difficulties in the local economy;
- Aging and poorly maintained roads, storm water, sanitation, electricity and water infrastructure;
- Property association (Rates Payers Associations) threatening the municipality for not following the correct budget process
- 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 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;
- Availability of affordable capital/borrowing.
- Low collection of revenue

The following table is a consolidated overview of the proposed 2015/16 Medium-term Revenue and Expenditure Framework:

Consolidated Overview of the 2015/2016 MTREF

	Adjustment Budget	Medium Term Revenue and Expenditure Framework		
	2014/2015	2015/2016	2016/2017	2017/2018
	R	R	R	R
Revenue	192,107,000	208,237,000	209,301,000	213,277,000
Operating expenditure	238,869,693	266,786,000	231,118,000	242,560,000
Capital expenditure	103,744,000	104,927,000	66,538,000	55,750,000
Total Budget	238,869,693	266,786,000	231,118,000	242,560,000
Surplus/(Deficit)	-46,762,693	-58,548,000	-21,817,000	-29,283,000

Surplus calculations excludes capital projects funded by grants

Total budgeted operating revenue has significantly increased by R16 million due to revenue from Electricity and Property rates for the 2015/2016 financial year when compared to the 2014/2015 Adjustments Budget. For the two outer years, operational revenue will increase by 1 million due to operational grants decreasing in 2016/2017 and an increase of R4 million in 2017/2018.

Total budgeted operating expenditure for the 2015/2016 financial year has been increased by R27 million, when compared to the 2014/2015 Adjustments Budget, operational expenditure has grown by R 9.5 million an increase of 10% on the 2014/15 budget and projected to decrease by R35 million in 2016/2017 due to reduction of impairment of debt and million and an increase of R11 million for 2017/2018 financial year.

The capital budget for 2015/2016 has been increased by R19 952 000.00. A decrease of R38 389 000.00 for 2016/2017 and R49 177 000.00 for 2017/2018 caused to declining government grants. Capital expenditure is funded mostly by government grants which constitutes 91% of the capital budgets and 9% will be funded through own capital funding. This is as a result of low revenue collection. This suggest that municipality has to implement credit control consistently and uninterrupted to improve revenue in order for a municipality to be sustainable.

FUNDING SOURCES of funding on CAPEX

Funding source	2014/2015 total CAPITAL Budget And Allocation	2015/2016 of total CAPITAL Budget And Allocation	2016/2017 % of total CAPITAL Budget And Allocation	2017/2018 % of total CAPITAL Budget And Allocation
Internally generated	R9,160,000	R 9,250,000	0	0
DORA	R75,815,000	R 95,677,000	R66,538,000	R55,750,000
Total CAPEX	R84,975,000	R104,927,000	R66,538,000	R55,750,000

- 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.

Table 4 Comparison of proposed rates to be levied for the 2014/15 financial year

Cogta has advised that property rates tariffs for 2015 / 2016 financial year must remain the same as 2014 / 2015 financial year. This is as a result of the implementation of the valuation roll as from 1st July 2015.

<u>PROPERTY RATES</u>			26
WINBURG			
Property	0.01272	0.01348	0.01348
		-	-
SOUTPAN			
Property	0.01272	0.01348	0.01348
		-	-
VERKEERDEVLEI			
Property	0.01272	0.01348	0.01348
		-	-
THEUNISSEN			
Property	0.01272	0.01348	0.01348
		-	-
BRANDFORT			
Property	0.01272	0.01348	0.01348
		-	-
STATE (ALL TOWNS)	0.02544	0.02697	0.02697
		-	-
BUSINESS (ALL TOWNS)	0.02544	0.02697	0.02697
		-	-
AGRICULTURE (residential tariff/4)	0.00318	0.00337	0.00337
		-	-
PUBLIC SERVICE INFRASTRUCTURE	-	-	-

- **Sale of Electricity and Impact of Tariff Increases**

NERSA has announced the revised bulk electricity pricing structure. Of 14.24 percent increase in the Eskom bulk electricity tariff to municipalities, considering the Eskom *increases*, the consumer tariff had to be increased by 12.69 percent (as per NERSA approval) to offset the additional bulk purchase cost from 1 July 2015.

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

Table 5 Proposed new electricity charges and increases

As stated earlier under Infrastructure Projects the municipality is in the process of migrating from conventional electricity meters to prepaid electricity meters. It is for this reason that we have budgeted for prepaid electricity tariffs as illustrated below.

Tariff Blocks	Tariffs c/kWh
Block 1 (0-50kWh)	88.23
Block 2 (51- 350kWh)	98.06
Block 3 (351-600kWh)	130.36
Block4 (>600kWh)	154.28
Basic charge	R 80.11

Domestic Conventional

Tariff Blocks	Tariffs c/kWh
Block 1 (0-50kWh)	79.41
Block 2 (51- 350kWh)	98.07
Block 3 (351-600kWh)	130.36
Block4 (>600kWh)	154.28
Basic charge	R 107.83

- **Schools and old age homes**

Conventional

- Basic charge R 299.55
- Consumption per unit 131.60c/kWh

Pre-paid

- Basic charge R 149.20
- Consumption per unit 131.61c/kWh

- **Consumers below 50kVa (Heavy Current) excluding Residential and Old Age Homes**

Conventional

- Basic charge R 299.55
- Consumption per unit 132.54c/kWh

Pre-paid

- Basic charge R 149.19
- Consumption per unit 132.42c/kWh

Departmental (Internal)

- Basic charge R 299.55
- Consumption per unit 131.46c/kWh

- **Consumers above 50kVa excluding residential and old age home**

- Basic charge R 496.50
- Consumption per unit R 0.7231c
- Demand charges R 174.19

- **Industrial Tariffs**

Large power user 400V (scale 3A)

- Basic charge R 1116.76
- Consumption per unit R 0.7701c
- Demand charges R 211.78

Large power user 11KV (scale 3B)

- Basic charge R 687.08
- Consumption per unit R 0.5757c
- Demand charges R211.7

- **Non standard Tariffs**

Farms (Residential)

Conventional

- Basic charge R199.09 per month
- Energy charge 133.95 c/kWh

Pre-paid

- Basic charge R 199.09
- Energy charge 157.86c/kWh

Farm (Businesses below 50kVa)

Conventional

- Basic charge R298.63 per month
- Energy charge 133.95 c/kWh

Pre-paid

- Basic charge R298.63 per month
- Energy charge 157.86 c/kWh

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented to minimise consumption of electricity. 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).

- **Refuse Removal and Impact of Tariff Increases**

A 5.8 percent increase in the waste removal tariff is proposed from 1 July 2015. The following table compares current and proposed amounts payable from 1 July 2015:

Table 6 Comparison between current waste removal charges and increases

3	<u>REFUSE REMOVAL</u>		-	
	-		-	
	<i>Households</i>	53.70	56.92	60.22
	<i>Businesses per bin (80l)per month</i>	66.30	70.28	174.36
	<i>Garden refuse removal</i>	209.00	221.54	234.39
	<i>Building material removal 6 cubic metre</i>	206.50	218.89	428.20
	<i>Government refuse removal per month</i>		-	578.55
			-	

<i>SEWERAGE TARIFFS</i>		-	
		-	
<i>Buckets per month</i>	91.20	96.67	102.28
<i>Households</i>	91.20	96.67	102.28
<i>Business</i>	319.50	338.67	358.31
<i>Schools with septic tanks per cubic meter</i>	1,141.10	1,209.57	1,279.72
<i>Schools with sewerage</i>	1,104.60	1,170.88	1,238.79
<i>Post Office</i>	1,109.10	1,175.65	1,243.83
<i>SAPS</i>	1,109.10	1,175.65	1,243.83
<i>Correctional Services</i>	12,040.00	12,762.40	13,502.62
<i>Hostels</i>	330.90	350.75	371.10
<i>Dept of Justice</i>	374.30	396.76	419.77
<i>SAPS Quarters and Hostels</i>	2,111.00	2,237.66	2,367.44
<i>Hospitals</i>	16,306.10	17,284.47	18,286.97
<i>Traffic Department</i>	376.50	399.09	422.24
<i>Old age homes</i>	753.10	798.29	844.59
<i>Households with Septic Tanks per cubic meter</i>	134.60	142.68	150.95
<i>Business with Septic Tanks</i>	293.10	310.69	328.71
<i>Opening of a blocked drain</i>	314.10	332.95	352.26

New Tariffs on Sewerage

Vacuum Tank (Sceptic Tank) Service

For the removal of sewerage by vacuum tank outside a sewer reticulated area per kilolitre or part thereof: R123.99 KL

VIP Toilets and Buckets

For the household using VIP toilets the service will be charged for cleaning of VIP toilets R45 per month.

Industrial Effluent

The charge for industrial effluent shall be R14.55kl

Availability Charge

The following availability/basic charge shall be payable in respect of vacant stands:

Per residential stand per month R149.42

Per Non residential stand per month R207.94

- **Sale of Water and Impact of Tariff Increases**

Inclining Block Tariffs (IBT) will be implemented to discourage users not consume huge consumptions of water.

The following table depicts the proposed tariffs on water as of 1 July 2015

Metered Water	2014/2015	2015/2016	
Residential, Flats			
From 0kl up to 6kl: (Indigents)	R0	R5.99	0%
In excess of 7kl up to 10kl:	R0	R8.79	100%
In excess of 11kl up to 15kl:	R0	R11.59	100%
In excess of 16kl up to 20kl:	R0	R14.50	100%
In excess 21kl:	R0	R16.50	100%
Commercial			
	2014/15	2015/16	
Consumption up to 200kl per kl:	R0	R14.50	100%
Consumption >200kl per kl:	R0	R 16.50	100%
Institutional Buildings			
Consumption up to 200kl per kl:	R0	R 12.50	100%
Consumption > 200kl per kl:	R0	R 14.50	100%
Industries			
	2014/2015	2015/2016	
Consumption up to 200kl per kl:	R0	R14.50	100%
Consumption > 200kl per kl:	R0	R 17.50	100%

Supply of unmetered water

Deemed consumption or flat rate consumption based on 10kl usage was previously charged R52.89. As of 1 July 2015 the flat rate will be charged R152 per month which is a 60% increase. This is simply because we cannot measure the consumption. Furthermore this new flat rate will be applicable until we have installed meters and are charging per metered consumption.

Vacant Stands

The following availability/basic charges shall be payable in respect of vacant stands:

Per residential stand	:	R0	R176 per month	100%
Per non-residential stand:		R0	R 198 per month	100%

Honourable Members,

During the Budget Adjustment in January 2015, the Council approved the write-offs on interest accumulated as of 01st July 2009 until 30th June 2014 on the farmers' property rates and also resolved to use the old Valuation Roll to charge interest on property rates on the current account as of 01st July 2014 until 30th June 2015.

However, I must emphasise that as of 01st July 2015 and for the period of the next four financial years, we will be implementing a new Valuation Roll hence we've extended the Valuation Roll objection period to 19 June 2015.

Honourable Speaker and Fellow Councillors,

The Budget I am presenting today is a credible Budget because it is a result of our own ideas and inputs of those communities we serve. To further strengthen its credibility, all efforts were made to ensure that it was tabled timeously. This has allowed sufficient time to conduct community consultations on the Budget and the IDP. The IDP and Budget consultations process was conducted in all towns of the municipality.

The following were issues raised and I want to appeal to council to address these issues:

- Allocation of sites
- Inadequate water supply and quality
- Un-serviced high mast lights
- Bad roads due to lack or non – implementation of maintenance plans, both tarred and gravel roads (patching of potholes too slow and not done in all damaged roads)
- Inadequate paved roads and failure to maintain gravel roads
- Speed humps on main roads
- Incomplete upgrading and renovation of Municipal buildings.
- Need for more recreational facilities and no maintenance plan for the existing facilities
- Maintenance of decaying infrastructure
- Illegal dumping
- Incorrect and inconsistent billing of accounts
- Repairing damaged water boreholes and erection of new water boreholes
- Intermodal Transport System (Taxi Rank) in Theunissen

RECOMMENDATIONS TO COUNCIL

- That final budget 2015/2016 be approved with a note that NERSA still has to approve electricity tariffs and that CoGTA still has to submit property rates tariffs
- Council must approve electricity tariffs pending approval from NERSA on Eskom's application of additional 12 percent.
- That all budget related tariffs be approved together with the budget.
- All budget related policies as listed and attached be approve
- Threshold of indigency to be increased from R1 500.00 to R2 500.00.

These recommendations are necessitated by the current economic and inflationary conditions.

Conclusion

Honourable Speaker,

Let me raise my concern with the manifestation of violence in some of the protests taking place in our country and the municipality. What is worrying is what appears to be premeditated violence, as is the case with the use of petrol bombs and other weapons during protests.

The democratic government supports the right of citizens to express themselves.

The right to protest, peacefully and unarmed, is enshrined in the Constitution. However, when protests threaten lives and property and destroy valuable infrastructure intended to serve the community, they undermine the very democracy that upholds the right to protest.

The dominant narrative in the case of the protests in South Africa has been to attribute them to alleged failures of government. However the protests are not simply the result of "failures" of government but also of the success in delivering basic services. When 95% of households have access to water, the 5% who still need to be provided for, feel they cannot wait a moment longer.

Success is also the breeding ground of rising expectations. We will continue to face challenges but life will also continue to change for the better.

Speaker,

This address is delivered less than a week after the occasion of the Africa Day Celebrations. As South Africa we are proud of our African identity. We are proud to be part of a continent that is growing and has a bright future. We should therefore continue working in unity, to make Africa a continent of hope for the youth and future generations.

Fellow Councillors, we condemn with strongest terms the recent violent xenophobic attacks which took place during the month April 2015. We say no to xenophobia.

We are one Africa, one humanity and one destiny!!

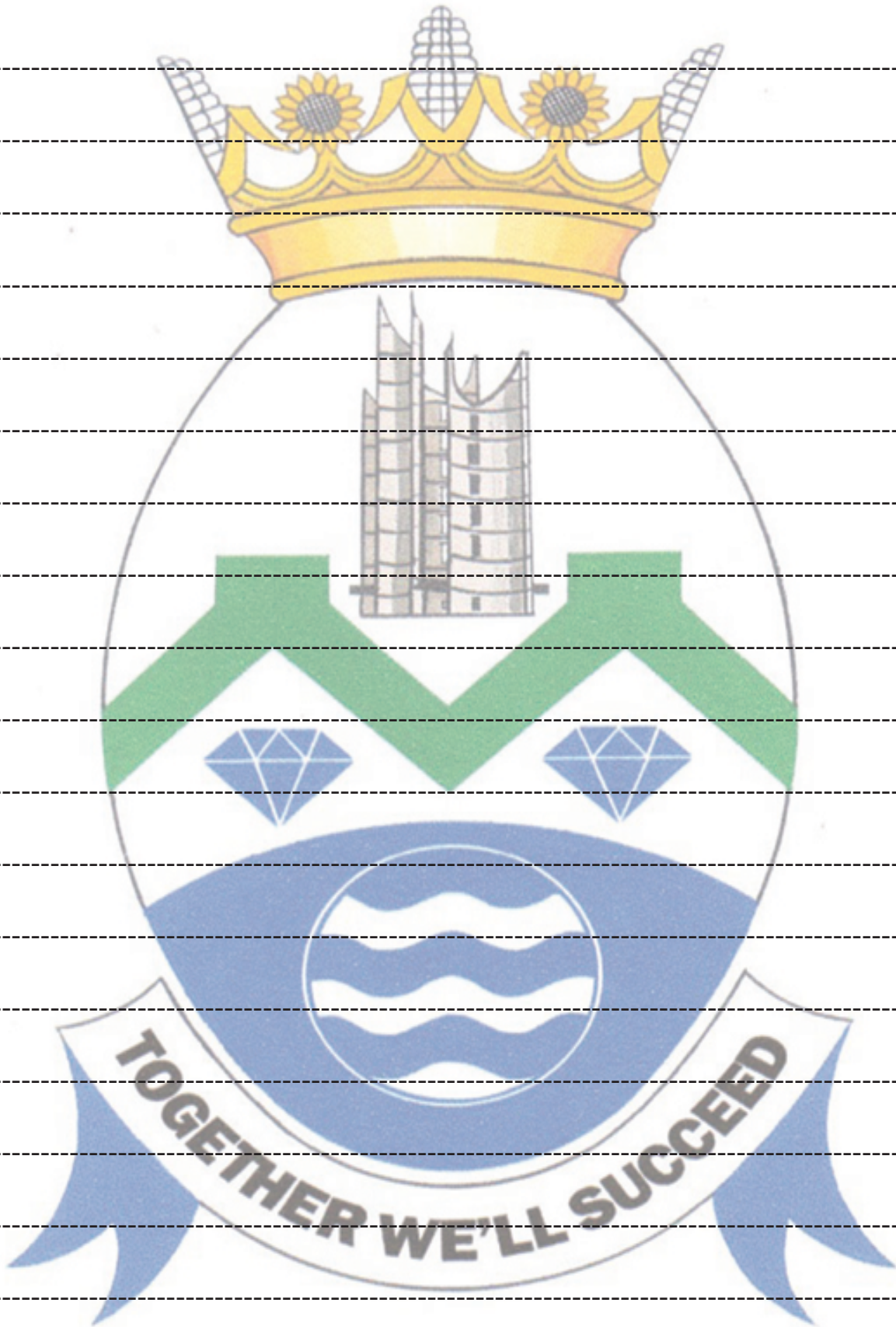
I thank you!

Issued by: Office of the Mayor

28th May 2015

“Working Together we Masilonyana Move Forward”

Notes:



MASILONYANA LOCAL MUNICIPALITY



2015/2016 BUDGET SPEECH