

Budget speech – 2020/2021

Honourable Speaker

Council Chief Whip

Members of the Mayoral Committee

Fellow Councillors

Acting Municipal Manager

Executive Directors

Managers

Representatives of CoGTA, Treasury and Auditor General and community stakeholders

Ladies and Gentlemen

The people of Merafong joining us on social media as we leverage on the benefits of the Fourth Industrial Revolution.

I greet you all at a time when our Nation is in the midst of a National State of Disaster due to the global COVID-19 pandemic. Who could have imagined a year ago that the whole world could change in such a short space of time? The impact of the pandemic on the social well-being of society due to the uncertainties that we all face has been immense. Every sector of society and the economy have been impacted upon.

The impact of COVID-19 on the global, national and the local economy is very significant. The Merafong economy has been under strain for the past years due to the downturn in the country's economy and the impact of the declining mining economy.

Mining is still the largest contributor to the local GDP and any decline has a significant impact on the entire community. We have seen the closing of some mines, resulting in job losses and unemployment, the retraction of

some other sectors in our economy, and the general decline of the local economy.

Although there are sectors such as Construction, Manufacturing, Finance and Business recorded growth in the period before the pandemic, the positive signs have however been eroded by the impact of the pandemic and the ailing economy.

We acknowledge the support packages provided by our caring government to different sectors of the economy and trust this has made a difference to the lives of those that have mostly been affected by this pandemic. The role our communities have played to support our social services in providing food parcels and the bare necessities to our vulnerable communities is testimony of a caring community, across social, cultural and ethnical boundaries.

COVID-19 is a reality. We take this opportunity to wish those tested positive a speedy recovery and condolences the families that have lost their loved ones due to this deadly pandemic.

Liduma lidlule!! The storm shall pass! We have to adjust to the new norm... We will never be the same.

Honourable Speaker,

Municipalities are compelled by the Municipal Systems Act to review its Integrated Development Plan(IDP) on an annual basis as informed by the council adopted Process Plan.

The IDP translates the community needs into a strategic plan which informs the budget. All projects included in the budget is aligned to the IDP in accordance with the provisions the Municipal Standard Chart of Accounts (mSCOA).

The draft IDP, Budget and Service Delivery Implementation Plans were tabled before council on 26 March 2020, where-after the documents were published for public input and comment before being submitted to council for consideration and approval.

His Excellency, President Ramaphosa announced the National Lock down with effect from 27 March 2020, impacting on the normal public participation process.

Several Government Gazettes were subsequently published to direct municipalities on the process to consult communities and to convene council meetings to approve the IDP and Budget. In line with the said directives, the municipality extended the period for public inputs to ensure that the communities are consulted, using media platforms and alternative methods of consultation, instead of contact meetings, to provide comments on the draft IDP and Budget.

By guidance of the Provincial Treasury, municipalities were further advised to ensure that budgets are considered by councils before the beginning of the new financial year, being 1 July 2020 instead of the end of May.

In this digital age, we could consult our communities and stakeholders through various platforms such as public notices on notice boards of

shops and businesses, posters, Facebook and at least 25 WhatsApp groups, representing different interest groups and our stake holders. We will come out of the lock-down having learned better and efficient ways of running government.

Honourable members,

Key principles of the King III report places great emphasis on leadership, sustainability and corporate citizenship.

Putting this budget together demonstrated the need for good governance and the prioritisation of our scarce resources to address the needs of our communities. We are confident that the Medium Term Revenue and Expenditure Framework for the 20/21 – 2023 is a community centred budget driven by good governance and a zero tolerance for wasteful expenditure. Despite our difficult financial position, our commitment to good governance is demonstrated by our unqualified audit outcomes for more than 8 consecutive years. Our cash flow situation is the main obstacle in obtaining a clean audit.

The municipality is today presenting a budget that took all factors into account. We must be honest, the state of the economy has made it very difficult for the municipality to put this budget together. The municipality has also under these trying circumstances strived to put together a realistic, credible and funded budget.

The budget presented today is tailored against the backdrop of the municipal Four Pillar Financial Plan, focusing on the following:

- Pillar 1: Increase collection
- Pillar 2: Reduction of Water and Electricity losses

- Pillar 3: Cost Containment
- Pillar 4: Effective Indigent Management

Honourable Members

In his National Special Adjustment Budget of June 2020, the honourable Minister of Finance, Tito Mboweni said “Local Government is at the heart of our response to the pandemic”

We are presenting an operating budget of R1 818 169 000 which is an increase of 9.78% from the Special Adjustment Budget. This increase is mainly due to the additional Equitable Share allocation of R32 439 000 as appropriated in the National Special Adjustment budget by the Minister of Finance on 24 June 2020 and reclaimable VAT on grant funded projects. This allocation has been factored into the final Budget and we are appreciative of the additional allocation. We have managed to budget for a small surplus of R 2 518 505 which is achievable with strict financial discipline, which we can assure you of.

Our revenue budget is compiled on a projection of a 60% collection rate. This is one area that needs to drastically improve in this financial year which will include expanding our revenue sources and intensifying on collecting what is due to the municipality. Interventions amongst other are:

Credit control and debt collection

A focused debt collection and credit control strategy needs to be implemented effectively to increase our collection rate. We have appointed 5 debt collection service providers and handed over debt of

R 1.3 billion for collection. We also have appointed a credit control service provider for the monthly credit control activities.

To those that can afford to pay for services please do the right thing. For those who are going through financial struggles, especially now during the time of COVID-19, please make the necessary arrangements with our finance section.

The municipality is today considering the amendment of the Credit Control Policy in this regard and will consider each case on its merits.

We would like to thank our paying residents for paying their rates and taxes on time but want to encourage our non-paying residents to start paying for their services. The quality of municipal services directly depends on the collection rate from our communities. Without paying for services the service levels will decrease, impacting on our quality of life and social well-being.

Our policies make provision to support those that cannot afford to pay for services and we encourage those households to apply for support in this regard. Residents with a combined household income of less than R3600pm can register as indigents – Registered indigents qualify for a monthly subsidy on their municipal accounts that includes 6 kilo litres of water free of charge. All indigent households with a prepaid electricity meter will also receive 50 kilowatt hour's free electricity per month and will receive their sanitation and refuse collection at no charge. They will also receive full rebate on assessment rates for the first R100 000 on their property value. The total support package provided to our indigent

households amounts to R518.76 VAT inclusive. Our pensioners also qualifies for rebates as indicated in the Policy.

As earlier mentioned, our economy is highly dependent on the Mines and the Mine dispute on the property valuations has negatively impacted on our economic base since 2015. Several legal disputes have been fought over the past 5 years and we can today report that we have made good progress in this regard. The Mines have since December 2019 conceded on certain values in accordance with Supplementary Valuation Roll 6 (SV6) and started to contribute towards these property rates whilst the Valuation Appeal Board process still needs to be concluded. The Valuation Appeal Board processes has also been disrupted by Covid-19 and sittings of the Board had to be postponed. We are eagerly awaiting the outcome of this matter.

The long awaited re-opening of the Blyvooruitzicht mine by the new owners, Blyvoor Gold, has become a reality and production will start in due course. This will have a positive financial impact in Merafong by creating over 300 job opportunities in the short term and many more in the medium and longer term, at the current gold price.

The municipality will also provide/supply water to the mine which will generate an estimated additional revenue of R14million in the new financial year, offsetting some of the cost to supply water to the Blyvoor community, which was impacted upon by the mine liquidation process.

The operating expenditure amounts to R1 815 650 495 and is funded by realistically projected revenue. The non-cash items amount to

R640 507 000 of which depreciation of assets amounts to R106 226 000, which is not cash-backed by cash reserves.

Our operating expenditure was done on a zero base budget approach where practically possible. In some instances incremental budgeting was applied to budget for increases in accordance with the CPI forecasts.

The purchases of bulk services pertaining to ESKOM and Rand Water represent 17.8% of our expenditure budget.

Our Employee Related Costs represent 20.24% of the expenditure budget which is far below the norm of 30-35% of the operating budget. We acknowledge that we have a high vacancy rate but have provided R33 million for the filling of critical service delivery vacancies, as Richard Branson said "A company's employees are its greatest asset". This will only be effected in accordance with the affordability and cash flow situation. Our employees are our greatest assets and we are implementing strategies to recruit skilled individuals and to retain those that have served the municipality for many years.

Provision has been made in our budget for non-cash items which amounts to R629million of which depreciation of assets amounts to R106million, debt impairment amounts to R461million, water and electricity losses amounts to R73 360million.

The reduction of water losses is a priority in the municipality and we will continue during this financial year to upgrade our networks through critical maintenance projects. Good progress has been made throughout the year to reduce water losses from an average of 50% in the previous financial

year to 28% in the current financial year due to the implementation of our Water Loss Strategy.

We have made considerable progress with the limited allocation of R6.9million for the installation of pressure management infrastructure in our network and levelling control devices at our reservoirs.

In this Budget we have included an amount of R 9 204 265 for water and sanitation maintenance to continue with this programme, whilst funding applications to upgrade our water and sewer networks have been submitted National Government.

The electricity losses are currently at an unacceptable rate of 46%.Theft of electricity through illegal connections and the by-passing of prepaid meters are rife in our communities and is the main reason for unplanned electricity outages experienced especially now at winter time.

In this regard we have developed a strategy to address this matter which includes:

- Eradication of Illegal connections
- Meter management for households Domestic Meters
- The review of electricity Supply By-Laws
- Maintenance contracts for electrical infrastructure
- Implement cost of supply study and review of electricity tariffs
- Remote meter reading (Online metering) for Large Power Users (LPU's)
- Meter management of electricity bulk meters

During the December month when the municipality went in full swing to implement load shedding in low paying communities, the electricity losses were reduced to 28.78%. This programme was unfortunately interrupted by vandalism of the infrastructure. A clear indication that it is do-able.

We want to acknowledge the support that we recently received from our Law Enforcement agencies during operation O Kae Molao on 25 June 2020. Two Hundred and Forty Six (246) boots on the ground and over 100 vehicles clamped down on criminal activities in some communities and more than 2000 households affected by illegal connections could be cleared. The support of our communities to continue with this program in the interest of the entire Merafong is appreciated. The municipality will leave no stone unturned to confront this challenge. We need the support of our communities to root out this form of criminality which has huge cost implications on the municipality.

The maintenance of our Infrastructure is a priority and we acknowledge that the financial constraints have impacted negatively on maintenance. We managed to increase the maintenance budget by 8.49%% for the 2020/21 financial year.

We will invest R 9 190 993 on the maintenance on our road infrastructure, R11 165 645 on Electricity infrastructure and R 3.2 million on municipal facilities. It is acknowledged that this is not enough but there is commitment to invest more in the municipal infrastructure maintenance as funds become available.

For the municipality to improve the infrastructure maintenance and rehabilitation, it is paramount that we collect all revenue due to the municipality.

Honourable Speaker

As part of our financial turn-around plan we have continued with stringent cost cutting measures and literally have a zero budget on items such as Entertainment, Attendance of conferences and Traveling. We have also reviewed all our contracted services and were able to save at least R5.7 million annually over the past 3 years on grass cutting services alone. This has resulted that in some operational areas we need to strengthen our internal capacity to improve service delivery.

In presenting this budget, we have also reviewed all Budget Related Policies in collaboration with National Treasury and CoGTA. I would like to thank Treasury and CoGTA for their support in this regard.

The main changes were effected in the following policies:

Tariff Policy, Property Rates Policy and Sundry Tariff Policy to include the new Rates and Tariffs.

The **Credit Control Policy** was also amended by relaxing the requirements to enter into a payment arrangement on arrear accounts with the Municipality. Requirement for a specific cash contribution, depending on the outstanding debt, has been relaxed and the Policy now determines that each application will be treated on the merits of the case.

This amendment is done with due consideration of the impact of Covid-19 on the community.

The Policy also now determines that those customers that enter into an agreement to settle the total outstanding amount within 6 months, can apply to have the interest accrued in the last 6 months written off.

The **Supply Chain Management Policy** has also been amended to include the provisions of MFMA circular 96 with regard to procuring goods and services from contracts secured by other organs of state.

We also introduce a new policy, **Unauthorised, Irregular, Fruitless and Wasteful Expenditure** based on the MFMA circular to ensure that there are sufficient controls to avoid such occurrences and to follow due process should it occur.

Honourable Chief Whip

Our capital budget is funded from grant funding and amounts to R157 525 million. The budget includes Roads and Storm water projects to the value of R34,5 million, Water and Sanitation projects to the value of R89million, Electricity Projects to the value of R29,5 million and a LED project to the value of R2,9 million.

Due to our financial constraints no internal funds could be made available for capital projects.

Several valuable inputs have been received from the community, more specifically in relation to the Draft Budget tabled on 26 March 2020. We

acknowledge the inputs from our Farming Community to facilitate job creation in this sector. Local Economic Development is key to the financial sustainability of the municipality and job creation. Also our Military veterans for their inputs to facilitate local economic development.

We also acknowledge the valuable inputs from our Business Community and the detailed analysis of the draft Budget. Your inputs have been taken into consideration as you would have seen in the final Budget.

Municipal tariffs and service charges are always contentious matters and in this regard we have kept increases to the minimum, with due consideration of the impact of the COVID-19 pandemic on the finances of individuals, businesses and government as a whole.

We are presenting a credible and funded budget to the council and acknowledge the inputs from all those that have been involved in the process.

Important to note that this budget is developed when the municipality is led by an Acting Municipal Manager, an Acting CFO and at the heels of the resignation of the Manager: Budget and Treasury. On behalf of the municipality we would like to express our heartfelt appreciation to our committed officials who were thrown into a deep sea and without hesitation and complains they delivered this credible and funded budget. Mr Willem Allers you have outdone yourself and this is acknowledged. The Acting CFO and the Acting Municipal Manager, thank you very much for holding the fort.

To the Members of the Mayoral Committee and all Departmental Heads and staff, thank you for all the support and guidance during this budgeting process.

To the budget steering committee, the Section 80 committee, represented by all political parties in council, under the leadership of MMC Tabane, this budget as recommended by you, is indeed a collective effort. Thank you to the Section 80 committee members who could put their party political differences aside in unionism to recommend this budget today.

To the Merafong community, we want to say: “Together we can do more”

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