

**2013/2014 Budget Speech presented by the Honourable  
Executive Mayor, Cllr Koketso Calvin Seerane of Mogale City  
Local Municipality at the Council Chambers, Civic Centre,  
Mogale City**

**20<sup>th</sup> June 2013**

Madam Speaker, Cllr Suzen Thupane;

Chief Whip of Council, Cllr Sipho Dube;

Members of the Mayoral Committee;

Honourable councillors of Mogale City;

Municipal Manager of Mogale City Local Municipality, Mr. Dan Mashitsho;

Leaders of the Alliance;

Business Leaders;

Senior managers and staff of Mogale City Local Municipality;

Members of the media;

Distinguished guests, comrades and friends;

People of Mogale City:

We assemble here today to define in succinct terms how we will continue to tackle the triple challenges of **poverty, unemployment and inequality** as we outlined in the State of the City Address that we delivered last month.

First and foremost, we need to indicate that it would be amiss if we did not pause to reflect on this important month in the national calendar. The month of June is a venerated month in which we commemorate the passing away of young martyrs who gave their lives during the Soweto Uprisings on the **16<sup>th</sup> June 1976**. On that fateful day 23 people were killed when students protested the forced introduction of Afrikaans as a medium of instruction at schools.

This day is now symbolized by the sharp photography of **Sam Nzima** who captured the contorted and pained face of **Mbuyisa Makhubo** carrying the limp body of one of the first June 16 casualties, the 12 year-old **Hector Pieterse** with his hysterical sister **Antoinette Sithole** running alongside them. About 700 people died throughout the country during the upheavals. This day changed the complexion and tempo of resistance of South Africa forever. That picture showed once again the inhumanity of the apartheid system and its government.

This is a story of resilience and valour when you think that schoolchildren would choose to face the might of the police Saracen armed only with the desire to be free to learn in the language of their choice. It is an eloquent demonstration that no amount of force, and no matter how brutal, can suppress a people yearning to be free.

We agree with the Executive Chairperson of the National Youth Development Agency, **Yershen Pillay** when he says that *“it is not enough to celebrate this day once a year, we should focus on youth daily.”* We agree with him also when he says that *“more young people need to become agents of change.”* We pay tribute to these gallant sons and daughters through this budget. Through the **SAKH’AMATHUBA PROGRAMME** we announce today, we will outline opportunities geared at making a better life for the youth of our city and their families.

**SAKH’AMATHUBA PROGRAMME** is a uniquely Mogale City practical response to the triple challenges of poverty, inequality and unemployment. Through this programme the municipality will contribute to **job creation** and create an environment that promotes **self-employment**. SAKH’AMATHUBA is an all-encompassing initiative through which the municipality will ensure that the **principles of EPWP** are adhered to when projects are delivered, especially the **labour intensive** component thereof. We have established the requisite capacity to ensure the mainstreaming of EPWP IMPLEMENTATION. We will also ensure that **cooperatives with a minimum of twenty members each** are established and that they assist the municipality in various service delivery activities.

It is also through this programme that we will monitor closely the implementation of our policy through which we set aside **40% of our procurement spend for local service providers** as well as ensuring that companies not based in Mogale City pay **1% of the value of the tenders** they are awarded by the municipality to Corporate Social Responsibility.

This programme will also assist us to ensure that projects we embark upon with the private sector have a **bias towards local procurement of labour and use of local contractors**. We will ensure that the programme primarily benefits the **poorest wards** of our municipality; communities in **informal settlements** as well as **rural areas; young people and women**.

Madam Speaker, this past Tuesday Statistics SA released the latest **jobs survey** which indicates that many people are losing employment opportunities at an alarmingly fast rate within the private sector, whilst the public sector showed a significant increase in the number of jobs it created. Again, in calls reminiscent of the days prior to the 2010 FIFA World Cup, our government is being asked to accelerate the rollout of the multi-billion rand Infrastructure programme to boost growth and employment. This suggests that the government is being asked by the private sector to lead the charge against joblessness even when statistics show that we are already on the march to fight unemployment through initiatives that include the Community Works Programme.

Our municipality is committed to the **West Rand District Job Fund** which is a venture that will be launched soon to ensure that we can stimulate job creation in our region. It will focus on various initiatives of government, partnerships as well as the Green IQ.

Madam Speaker, this august gathering is also convened against warnings from the Reserve Bank that it may have to cut its **2013 Gross Domestic Product forecast** for the second time in a period of two months. The Bank says that South Africa's economic challenges have reached crisis point and therefore its economic growth forecast will most certainly be revised downwards from 2,7% to 2,4% because of weak competitiveness; a poor skills profile; low domestic savings and investment; uncompetitive product and labour markets as well as spatial distortions, amongst other things. The Governor of the Reserve Bank, **Cde Gill Marcus** has advised that we should adopt a clear programme of reform to boost economic growth, but more importantly she said that we should be "*decisive, act coherently and exhibit strong leadership from the top.*"

In the online publication, Trading Economics.Com, **Joana Taborda** makes an observation that, "*Historically, from 1993 to 2013, South Africa GDP Growth Rate averaged 3.19 Percent reaching an all-time high of 7.60 Percent in March of 1996 and a record low of -6.30 Percent in March of 2009. ..From 2002 to 2006, South Africa grew at an average of 4.5 Percent year-on-year, its fastest expansion since establishment of democracy in 1994.*"

The publication also indicates that the "*seasonally adjusted GDP for the first quarter of 2013 increased by an annualized rate of 0.9 Percent quarter-on-quarter, compared with an expansion of 2.1 Percent in the fourth quarter of 2012. It is the weakest pace since the contraction in the second quarter of 2009, mainly due to shrinkage in manufacturing output.*" The publication concludes that GDP expanded by 1.9 Percent on a year-over-year basis.

The Financial Mail reported last week that the **REUTERS 2013** GDP growth consensus has shifted from 2.6% in April to 2.2 % in May. This publication says that there is one thing certain which is the fact that since the global financial crisis, economic volatility has increased considerably, making GDP forecasting even more hazardous.

Madam Speaker, other weekend media reports have also shown that appetite for spending in different households has decreased as consumers have become more cautious about what they spend their money on.

Despite this gloomy outlook, **Gauteng Premier Nomvula Mokonyane** has told us to look differently at this economic powerhouse of Africa. She said:

*“The Gauteng we live in today is better than yesterday. Gauteng is constantly changing and the living conditions of our people are improving. The change and improvement we have experienced in the past nineteen years of democracy is reflected in progress towards an efficient and modern intermodal transport system; accessible health care centres; impressive performance by no-fee schools, and increased number of integrated housing settlements.*

*The change we experience daily in our townships, towns and cities has been made possible by proper planning and effective coordination at the level of the Gauteng Executive Council, working in partnership with local authorities and national government. Above all, it was made possible by none other than the collective effort and support we enjoy from the people of Gauteng and stringent oversight by the Legislature.”*

Many people in Mogale City will agree with the Premier. The City we live in today is far different from the city that we lived in prior to 1994. We will do everything in our power as the municipality to ensure that we continue to accelerate service delivery so that the positive trajectory and tempo to better the lives of our people is neither slackened nor lost.

Madam Speaker, the glorious movement of the people and ruling party in South Africa, the African National Congress adopted the **National Development Plan** as the guiding tool for accelerated service delivery to the people of our country until 2030. In the 7<sup>th</sup> Issue of the SALGA publication, Voice of Local Government, **Pascal Moloji** who is a Commissioner in the National Planning Commission says:

*“The National Development Plan by nature is ambitious, and the role of local government cannot be overlooked because it is at this level that an enabling environment is created. A conducive environment is essential to the attainment of the overarching goals of the plan. In order to deliver on these, local government must provide the necessary amenities and services.”*

Commissioner Moloji also says that *“this plan was not created to stay on paper, but in order for it to translate, it needs to be aligned with the local government’s integrated development plans. These are plans which address the priorities of communities. A lack of **processes and systems** has proven to have been to our detriment because implementation is compromised.”*

Madam Speaker Commissioner Moloji is a local resident and sits with another daughter of our City, **Jennifer Molantwa** as fellow commissioner in the National Planning Commission. We will always ensure that the work we do, even this budget, takes its cue from the National Development Plan.

In developing this budget, we have taken into account the inputs of our people in the **IDP/Budget Roadshows** we held across the city in November last year and two months ago. We want to thank the people of our city for their overwhelming turnout at various venues where these important meetings were held. We have ensured that the inputs of our communities provide the planks for our roadmap to the future – in a city where everyone can and should **INVEST AND THRIVE**.

We have also made sure that this budget keeps us on track in the quest to achieve the objectives of the **2011 ANC Local Elections Manifesto** which we adopted as our Programme of Action for the current political term.

### **Building a local economy to create more employment (decent jobs) and sustainable livelihoods**

Over and above what we said in the State of the City Address last month on this sub-theme, the municipality has set aside **R1 million** towards Enterprise Development so that we do not only speak about establishment of cooperatives, but we also ensure that we help provide the necessary capacity for their viability and sustainability. In the following financial year an amount of **R2 million** has been set aside for the same capacitation purpose.

It should be noted that compared to R1 million we received last year, this financial year the municipality aims to claim an incentive grant of **R2, 9 million for a 386** local job opportunity yield in the Expanded Public Works Programme.

We will also spend **R500 000 in construction of trading gazebos** for informal traders in Lusaka and Rietvallei in the 2014/15 financial year.

Over and above this, some **28 cooperatives** have already been identified to work directly with various municipal departments. Further, our department for Local Economic Development has been instructed to work with other departments to help remove hurdles that may arise if the services of cooperatives are enlisted. This will assist us to gradually increase the numbers of cooperatives we can work with as a municipality.

As part of the rollout of the **Local Economic Development Strategy**, an amount of **R5 million** will be spend over the 3-Year Medium Term Budget Framework on an Organic Farming project in Hekpoort. Consultations have already commenced with the community and land has also been identified.

The municipality has received **R263 million** in **Neighbourhood Development Partnership Grant** funding from the National Treasury for implementation of the Township Regeneration Strategy. An amount of **R10 million** will be spent on capital projects in the Leratong Nodal Development in the new financial year. This Township Regeneration Strategy will be rolled out in broader Kagiso and Munsieville.

## **Building more united, non-racial and safer communities**

Madam Speaker, in the State of the City Address we indicated that our efforts to reduce the housing backlog are undermined by rapid in-migration into our growing and vibrant city. However, we will not throw our hands in the air in despair because the target is always moving. We are determined to make a serious impact on the housing delivery front.

Let us also say that we are very encouraged that as per SALGA Circular 15/2013 the *“Minister of Human Settlements, on behalf of provincial MECs, is currently driving a process to assign the housing function to 6 metros (excluding Buffalo City and Mangaung). This is part of the ongoing accreditation and assignment process to devolve responsibility for the delivery of human settlements to local government, as per Section 156 (4) of the Constitution (1996) and the Housing Act (1997).”*

This process, when totally devolved to local authorities, will help municipalities deal individually, rapidly and decisively with the housing needs of their communities.

The municipality will spend **R22, 5 million on bulk services** to facilitate Phase Two of the **Chief Mogale Housing Development**.

As promised in the State of the City Address, the **Dr. Molefi Sefularo Housing project** will benefit from construction of roads, bulk sewer as well as stormwater network. An amount of **R13,5 million** will be spent on the project over a three year period.

**Site and Services in the Urban Areas** is now the programme of the municipality aimed at formalization of informal settlements. We will commission studies on pockets of land to ensure that our people are moved into developable land where we can provide basic services.

Work has already started to ensure that new residential areas of Refentse Township, the Moth Site and others are ready for development.

## **Playing our part in a National Climate Change Strategy including the promotion of local energy saving campaigns**

Madam Speaker, we are on the verge of signing a **Quadripartite Memorandum of Understanding** between the **Department of Energy; Gauteng Provincial Department of Economic Development; Gauteng Growth and Development Agency** and ourselves. This MOU is geared towards enhancing cooperation in the area of clean energy development and infrastructure rehabilitation. Our city has been identified as a hub for piloting and developing clean energy and smart grid technologies.

The projects earmarked for rollout include Rooftop Photovoltaic; Waste-to-energy; Energy efficiency; Approach to Distribution Asset Management (ADAM); Smart-grid and other revenue enhancement initiatives. The public will be informed as matters unfold. We want to state that this is further testimony that Mogale City is an ideal place to INVEST AND THRIVE.

### **Enhancing investment in basic services in rural areas**

Over the next 3 years the municipality will spend **R30 million for land acquisition** in the rural areas.

An allocation of **R1,6 million** has been made and is divided equally between support for the **Comprehensive Rural Development Programme** as well as **Agricultural Infrastructure Support** in the outer years.

To ensure that the services we render in urban areas are received by people in our peri-urban areas, we will spend **R284 122 for upgrade and electrification of rural cemeteries**.

We have also allocated in the medium term an amount of **R1 million** for **Commonage Infrastructure** and **R500 000** on **Emergency Site and Services**.

### **Improving local public services and broadening access to them**

The municipality will spend close to **R67 million on road and stormwater projects** in the new financial year and a further **R71 million** the year after. These roads cover both our rural and urban areas. This allocation will, amongst other things, provide relief to the long awaited resolution of the challenges confronting residents of **Bereng Street in Kagiso Ext. 8**.

The municipality will spend **R5 million** on provision of electricity in the new financial year and this figure will rise to **R112 million** in the 2014/2015 financial year as we continue to **refurbish and upgrade our electricity infrastructure** to meet the demands of a growing city.

We have proposed a **R12, 8 million** for the medium term in **maintenance of our building facilities**.

Madam Speaker, we are also putting together an **Infrastructure Rescue Package** for Munsieville South.

We have made a medium term allocation of **R94 million** for upgrade and refurbishment of our **sanitation infrastructure** which includes conversion and connection of external toilets in Lusaka; refurbishment of Flip Human Water Treatment Plant as well as Percy Stewart Waste Water Care Works.

Madam Speaker, we have allocated the **R29 million** windfall we received from the **South African Receiver of Revenue** to refurbish sports facilities including the Bob van Reenen Stadium and the Azaadville Rainbow Stadium. We have also allocated a further **R11 million** from the Municipal Infrastructure Grant towards this purpose.

We will spend **R37 million** over three years on **upgrades and refurbishment of our cemeteries, parks and the game reserve**. We will also spend **R4 million** on completion of **Phase 3 of the Luipaardsvlei Landfill site** with a further **R7 543 064** to be allocated in the 2014/2015 financial year.

Further, through funding from the Department of Social Development the municipality will see to construction of two **Aged Day Care Centres** in Kagiso and Munsieville at the combined cost of **R2,639 million**.

### **Promoting more active community participation in local government**

We are encouraged by the **rising collection rate** in all areas of Mogale City. We want to encourage our people to continue to pay for services so that the municipality can in turn render quality services to all. We also encourage those who cannot afford to pay for services because of changed financial circumstances to come forward and **register as indigents**.

We have also had to look at various concerns raised in the application of the **Electricity Lifeline Tariff**. As promised in the State of the City Address, we want to inform all that contrary to belief, any increase or change in tariffs is communicated during the budgeting processes in compliance to legislation.

It is acknowledged that there are households who consume 350 kwh of electricity and would be assisted in terms of the Indigents Policy, whilst others would consume more than that - but less than 1000 kwh. The municipality suggests that all customers using less than 1000 kwh should apply for pre-paid meters so that they can control their own consumption.

In terms of Council Policy, pensioners with a household income not more than R5000 per month qualify for **a rebate of 40% on assessment rates**. Pensioners are required to apply annually before the end of May to qualify for the benefit.

We therefore encourage residents who believe that they qualify for such a benefit to approach the municipality so that individual cases can be investigated and a mutually-beneficial solution can thus be found.

## **Ensuring a more effective, accountable and clean local government**

We have expressed our desire to have an effective performance management system across all levels of the municipality, so that each member of staff can be held accountable for matters they are individually responsible for. This will ensure that the **Principles of Batho Pele, Our Vision and Mission and values** are not just idle chant but are inculcated in all those who work for the municipality. We will also introduce a performance management system for Members of the Mayoral Committee.

We will evaluate and tweak the Organisational Structure to ensure that it helps us meet the objectives set out in the Five Year Strategic Plan of the municipality. In order to make this possible, we have allocated **R1 million towards a job evaluation system**.

We will also strive to maintain the working relationship we have established with the **Office of the Auditor-General** so that we can enhance our performance and work towards a clean audit, which is an **unqualified audit opinion from the AG without matters of emphasis**. We will also fight all perceived and real corruption.

Let us now turn to the budget proper:

### **OPERATIONAL BUDGET**

Total operating revenue has grown by 9.3 per cent or R157 803 851 for the 2013/14 financial year when compared to the 2012/13 Adjustments Budget. For the two outer years, operational revenue will increase by 9.39 and 9.23 per cent respectively, equating to a total revenue growth of R520 116 386 over the MTREF when compared to the 2012/13 adjustment budget.

Total operating expenditure for the 2013/14 financial year has been appropriated at **R2 101 634 025** and translates into an operating budgeted deficit of **R243 570 383**. This operating deficit is a non-cash deficit due to non-cash items like debt impairment, depreciation, year-end provisions and municipal charges of about **R373 684 142**.

MFMA Circular No.55 states that “there is no legal requirement that the operating budget (i.e. the Financial Performance Budget of a municipality must be balanced or be in surplus”). Furthermore, MFMA Circular No.58 of the 2012/2013 Budget preparation states that municipalities that have chosen the ‘revaluation model’ when implementing GRAP 17 must exclude the depreciation resulting from the revaluation of PPE when preparing their budgets and calculating any tariff increases. In the 2008/09 financial year Mogale City used the ‘revaluation model’ and used the ‘cost model’ in subsequent financial years. **Therefore, when excluding non-cash items, the City projects a surplus of R130 113 758 for the 2013/14 budget which is not cash-backed because it depends on the performance of revenue.**

When compared to the 2012/13 Adjustment Budget, operational expenditure has grown by 4.43 per cent in the 2013/14 budget and by 5.85 and 6.11 per cent for each of the respective outer years of the MTREF.

**The Operational Expenditure Budget per vote is made as follows:**

• Political Office	3%	=	R 57,237 million
• Municipal Manager's Office	4%	=	R 80,685 million
• Corporate Support Services	4%	=	R 92, 618 million
• Financial Services	10%	=	R 216, 706million
• Economic Services	2%	=	R 43,066 million
• Social Services	10%	=	R193 million
• Environmental Management	9%	=	R181,157 million
• Infrastructure Management	58%	=	R1,211 223 billion

**TOTAL EXPENDITURE**

**R2, 101 634 billion**

**The Operational Budget per Expenditure Type is made up as follows:**

• Employee Remuneration Cost	24%	=	R512, 968 million
• Remuneration of Councillors	1%	=	R22,056 million
• Bulk Purchases of Water & Electricity	33%	=	R683,805 million
• General Expenses and contracted services	22%	=	R453,707 million
• Repairs & Maintenance	4%	=	R 80,295 million
• Interest on External Borrowings	2%	=	R 39,488 million
• Debt Impairment	3%	=	R57,700 million
• Depreciation	12%	=	R251,615 million

**CAPITAL BUDGET**

The Capital Budget of R219 581 037 for the 2013/14 financial year is 38.75 per cent less when compared to the 2012/13 Adjustment Budget. **Own funded capital projects were decreased drastically due to affordability. A substantial portion of the own funded capital budget will be implemented during 2014/15 and 2015/16 financial years or during 2012/13 adjustment budget when more funds are available.**

Own funding will contribute 45 per cent in 2013/14, when government grants and transfers are excluded. The balance will be funded from government grants and R14 million from the Nedbank loan rolled-over during 2012/13 adjustment budget.

**The Capital Budget Expenditure will be distributed as follows:**

• Infrastructure Management	66%	= R145,031 million
• Economic Services	5%	= R11,500 million
• Social Services	20%	= R43,285 million
• Environmental Management	8%	= R16,565 million
• Corporate Support Services	1%	= R1,100 million
• Municipal Manager's Office	1%	= R1,100 million
• Financial Services	0%	= R1 million
<b>Total Capital Budget</b>		<b>R219 581 million</b>

The Council also supports investment projects within the municipality's boundaries that are totally funded by other government sectors. These projects are termed '**out-of-books**' **projects** since the funding for the projects does not flow through Mogale City's bank account. A list of these projects is shown in **Annexure B, Schedule 2 (b)** of the budget report. This includes the housing projects that will be undertaken by Province directly instead of MCLM acting as an agent.

The National Treasury recently issued the MFMA Circular 67 that requires that when municipalities and municipal entities revise their rates, tariffs and other charges for their 2013/14 budgets and MTREF, they need to take into account the labour (i.e. the wage agreements with unions) and other input costs of services provided by the municipality or entity, the need to ensure financial sustainability, local economic conditions and the affordability of services, taking into consideration the municipality's indigent policy. Municipalities should also take into account relevant policy developments in the different sectors (such as the *inclining block tariff* (IBT) proposals from the National Energy Regulator of South Africa (NERSA)). Our proposal on tariffs is informed by all these factors. Careful consideration has been taken to ensure the need for the municipality to provide services without visiting any unnecessary financial burden to the residents.

**The increases being proposed for 2012/13 are as indicated hereafter:**

Electricity	7.00%
Water Tariffs	9.82%
Property rates	8%
Sanitation tariffs	8%
Refuse collection tariffs	8%
Other user charges	8%
Hiring of Halls	10%

Madam Speaker, we have come a long way as democratic local government. Any reasonable person who lived through the harrowing apartheid years will, no doubt, agree with Cde Pallo Jordan, who on the 20<sup>th</sup> anniversary of the Bisho Massacre last year, amongst other things said the following:

*“Notwithstanding the unfavourable international economic climate, the democratic government has kept the ship of the South African state on course. It is only those who are wilfully blind who can deny that our government has delivered a democracy dividend to the people of this country.*

*The democratic government has restored and given rights to a host of communities, defined by faith and by chosen lifestyle.*

*Since 1994, the democratic government has delivered new housing units at a rate of over 1000 units per day.*

*The democratic government has multiplied the number of South Africans who cook with electricity by 130%.*

*The democratic government has multiplied the number of South Africans who have clean running water in their homes by 71%.*

*The democratic government has multiplied the number of South Africans who have access to schooling.*

*The democratic government has brought health and social services to all South Africans. These are undeniable successes!”*

Madam Speaker, we are the foot soldiers deployed to make these successes possible and ours is to guard jealously the gains of our democracy so that the City of Human Origin can continue on a positive trajectory to bring prosperity to all its residents. Therefore, we propose that the budget we table today be adopted.