



2014/2015 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

20th June 2014

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 gather here today after a hectic elections campaign that culminated in the historic fifth general elections on the 7th May 2014. These elections also marked twenty years since we ushered in democracy in the Republic of South Africa. We want to congratulate all the political parties that participated in the elections for the mature manner in which they accepted the auspicious victory of the African National Congress when the people of the Republic of South African yet again demonstrated their confidence in the ability of this glorious movement to lead society into another decade of democracy.

The people of Mogale City demonstrated that our political life remains extremely vibrant as we registered 77.20% voter turnout compared to 72.97% in Gauteng and we surpassed the overall national voter turnout of 73.43% by 4%. We commend our communities for taking active interest in the affairs of our country. The late Nelson Rolihlahla Mandela, Oliver Reginald Tambo, Walter Sisulu and all the stalwarts who passed on are smiling in their graves as they witness the fact that the people of Mogale City have not abandoned the democracy they fought so hard for.

Madam Speaker, this vibrancy in the political life of Mogale City was evidenced in the various meetings we held to gather community needs around November 2013 which culminated in the presentation of the Draft IDP/Budget in April of 2014. Our people turned up in great numbers to make inputs into the direction that their municipality should take in the effort to improve their lives for the better. In an environment of highly-charged contestation for national and provincial power, the people of Mogale City still found time to isolate issues and zoom in on the pressing needs and priorities of their fast growing city. We commend the people for their foresight and insight because in the end, this is their government and this is their city.

It is important to note that this gathering occurs after the ratings agencies Moody's as well as Fitch revised the country's economic outlook from stable to negative whilst Standards & Poor decided to lower South Africa's long-term foreign currency rating by one notch to BBB- from BBB. This occurred because the agencies are concerned about the platinum strike which has dragged on for more than five months. They are also concerned about weak domestic and external demand which led to contraction of the Gross Domestic Product in the first quarter of 2014. This point has been backed up by the South African Reserve Bank which notes that **“despite a favourable global growth environment, the domestic economic outlook has deteriorated markedly.”**

In the recent Statement of the Monetary Policy Committee, the Governor of the South African Reserve Bank, Gill Marcus remarked that with no end in sight to the protracted strike in the platinum sector, the economic and social costs were escalating and potentially devastating. She concurs with the agencies that there was a contraction in the first quarter which was driven by the mining and manufacturing sectors.

Madam Speaker, South Africa together with most emerging markets find themselves in the same boat with the United States of America as well as the Eurozone who both experience reduced economic growth. By contrast, the economies of the United Kingdom and China have been enviably resilient. According to analysts, the economic outlook for our Brics partners, namely Russia, India and Brazil is also not very favourable.

It is against this backdrop of a mixed global economic outlook that the ruling party has sounded a clarion call to all citizens of South Africa to work with the government to help strengthen the national economy. The rating agencies themselves are not unanimous about our ability to turn the corner, with both Fitch and Moody's saying that the country has got the capacity to mitigate risks associated with an economic crisis if it were to occur, whilst Standard & Poor pre-judges the ability of the newly-appointed cabinet to tackle what they consider structural problems in the national economy. We have always confounded critics and we will continue to do so.

Therefore the ANC makes this call knowing fully well that the people of South Africa have the will to tackle any challenges and the staying power to sustain viable socio-economic programmes. Our municipality is more than ready to continue to play its role in undermining the legacy of apartheid.

Madam Speaker, in preparing this budget we took counsel from the Member of Mayoral Committee for Finance, Cllr Farouk Bhayat and who is an elder of the glorious movement of the people when he said:

“These figures mean nothing unless there is meaningful change in the lives of our people.”

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

The municipality has set aside an amount of R11 million which will be spent over three years in the Incubator Programme that will kick-start with the Chemical and Construction Incubators in the new financial year. We will spend R900 000 in building 16 trading gazebos in Lusaka and Rietvallei as promised last year. Further, R3 million will be spent over the next three years on the rollout of our Enterprise Development Programme. In the next two years, we will complement these initiatives with a R3 million investment in an organic farming project in Hekpoort.

An amount of R2.8 million will be spent on cooperatives in the Social Services department. We will also create more opportunities for cooperatives in the various departments so that we can raise employment opportunities for our people.

The municipality has adopted a **Tourism Strategy** and we will supplement our work with Tourism Agencies by spending R400 000 on Tourism Signage around the city as part of the rollout of the strategy.

As promised last year, as part of the Township Regeneration Strategy work has already started on capital projects in broader Kagiso and is funded through the **Neighbourhood Development Partnership Grant**. A further R20 million is expected next year for NDPG projects to be implemented in the townships of Kagiso and Munsieville.

Building more united, non-racial and safer communities

The municipality has set aside R34 million towards the second phase of Chief Mogale mixed housing development. We will spend R12 million in the first stage of construction of a roads and stormwater network. Another R12 million is budgeted for bulk water supply whilst R10 million will be utilized for bulk sewer network in Chief Mogale.

We will also spend R1 million on refurbishment of the Green Hostel in Kagiso.

Enhancing investment in basic services in rural areas

The municipality will spend R6 million over the next two years in provision of water and sanitation services to our rural areas whilst working to build proper infrastructure in these areas as a long-term and sustainable solution for our communities.

We will spend R900 000 on bulk water and sewer projects at Dr. Molefi Sefularo Housing Development.

We have also set aside R18,3 million for construction of roads and stormwater network in Muldersdrift. We also commit R2 million to installation of new traffic lights, streetlights and high mast lights in Muldersdrift along Beyers Naude and towards Nooitgedacht, which is the site of a new development to be called Refentse Township. A further R24 million will be spent in the three phases of construction of the new Muldersdrift Reservoir.

We will spend R5, 6 million on road construction in the western rural areas. We have set aside R3, 5 million on new streetlights for Ga-Mohale Township and R3 million to reseal the Magaliesburg Reservoir.

We have allocated R4 million on refurbishment of Ubuntu Arts and Culture Centre to advance our mandate of preserving our heritage.

Improving local public services and broadening access to them

The municipality has budgeted close to R50 million for construction of the Lindley Water Treatment Works to unlock the development potential of the Muldersdrift precinct. This investment includes land acquisition and commencement of studies in the new financial year.

As we indicated in the State of the City address this year, the municipality will spend R8 million over the next two years to illuminate the K13 road which is euphemistically referred to as the New Road in Kagiso.

Close to R95 million will be spent in the 2014/2015 financial year on energy infrastructure which will include smart meter conversion in Munsieville. The other projects are the upgrade of Condale Substation as well improving firm supply for the industrial parks of Boltonia and Chamdor.

In the State of the City Address, we indicated that the next area of focus for the municipality will be water and sanitation. Consequently, we are reconfiguring the organisational structure of the municipality to respond to this area by creating a dedicated department to deal strictly with water and sanitation. We have set aside R85 million overall for the 2014/2015 financial year on water supply projects. This amount includes R32 million which will be spent on replacement of pre-payment water meters as well as

refurbishment and replacement of water infrastructure in the areas of Krugersdorp, Mindalore, Kagiso Ext 13, Munsieville Proper amongst others.

The municipality will spend R45 million on sanitation projects in this financial year and thereafter more than R200 million will be spent on refurbishment of our sewer pump stations as well as mechanical and instrumentation works on treatment plants.

We have budgeted R46 million on parks management projects for the medium term. The bulk of this investment will go towards replacement of fences in the Krugersdorp Game Reserve. We will build a new road network as well as new fencing at the Sterkfontein Cemetery. We will also fence the Burgershoop cemetery as well as electrify all our rural cemeteries.

We will spend R7 million on completion of Phase 4 of the Luipaardsvlei Landfill Site. We have set aside R1, 5 million towards construction of a new landfill site or transfer station.

The municipality has set aside R68 million for rehabilitation, refurbishment and upgrade of sports and recreation facilities in the next two years. This will see further work being done on the swimming pools of Kagiso, Azaadville, Krugersdorp West and Coronation. The sports complexes of Ga-Mogale, Lusaka, Muldersdrift, Kagiso and others will benefit from this allocation.

We will also spend close to R8 million over the next three years to fully stock our libraries with books as well as improve our book security systems.

We have set aside R1.5 million to complete the upgrade of the Kagiso Pre-primary School where most of the current crop of leaders in our city cut their academic teeth.

Promoting more active community participation in local government

We are encouraged by the collection rates in all areas of our city. We are however concerned that given the conditions of poverty and deprivation that still exists within our communities, our Indigent Register still does not go over the 10 000 mark per annum. We therefore want to encourage our people to take heed of our appeal and utilize the benefits of the Indigent Management Policy.

Ensuring a more effective, accountable and clean local government

We have always maintained that we are a fast-growing city and this has now being affirmed by our re-grading to a Grade 5 municipality.

Also, having ensured that we improve effectiveness and efficiency in the entire municipal system, we have been rewarded with an unqualified audit opinion for two years in succession.

In order to maintain and improve these standards, we will spend R1,5 million on a Customer Relations Management System to enhance our interface with ratepayers. Further, an amount of R500 000 will be used for building a GIS website. We will also spend R3,1 million in refurbishment of our Kagiso and Magaliesburg Offices as well as Budget and Treasury. We will spend R1 million on a job evaluation system. We have also set aside R1 million for internal audit and performance software.

We have set aside R12, 5 million on municipal building upgrades in the medium term.

This fast growth of the city occurs against an infrastructure network that is aging and slowly disintegrating. Even though we have set aside R225 million for Repairs and Maintenance over the next three years, the need to improve our infrastructure in order to accommodate the unquenchable appetite that investors have shown for our city and to create new revenue streams for the municipality by encouraging developments in all four corners of our city, it has become incumbent upon us to find other sources to finance unimpeded growth.

To this end, over and above the revenue we receive from residents and businesses as well as grants we get from Treasury, the municipality will procure a loan to fund upgrades and expansion projects across the city.

Madam Speaker, may we now turn to the budget proper:

OPERATIONAL BUDGET

Total operating revenue has grown by 8.60 per cent or R168 121 039 for the 2014/15 financial year when compared to the 2013/14 Adjustments Budget. For the two outer years, operational revenue will increase by 6.37 and 7.00 per cent respectively, equating to a total revenue growth of R461 541 026 over the MTREF when compared to the 2013/14 adjustment budget.

Total operating expenditure for the 2014/15 financial year has been appropriated at **R2 370 407 664** and translates into an operating budgeted deficit of **R247 087 586**. 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 **R420 645 585**.

When compared to the 2013/14 Adjustment Budget, operational expenditure has grown by 8.43 per cent in the 2014/15 budget and by 6.14 and 6.27 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 65,133 million
• Municipal Manager's Office	1%	=	R 16 585 million
• Chief Operating Officer's Office	3%	=	R 71 302 million
• Corporate Support Services	5%	=	R 122,824 million
• Financial Services	11%	=	R 258,982 million
• Economic Services	2%	=	R 44,149 million
• Social Services	10%	=	R 248,885 million
• Integrated Environmental Management	9%	=	R 213,862 million
• Infrastructure Services	39%	=	R 914 787 million
• Water & Sanitation	17%	=	R 413 898 million

TOTAL EXPENDITURE

R2 370 407 billion

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

• Employee Remuneration Cost	24%	=	R 570,352 million
• Remuneration of Councillors	1%	=	R 28,387 million
• Interest on External Borrowings	2%	=	R 58,067 million
• Bulk Purchases of Water & Electricity	32%	=	R 753,733 million
• General Expenses and contracted services	20%	=	R 463,943 million
• Repairs & Maintenance	3%	=	R 75,281 million
• Debt Impairment	2%	=	R 45,775 million
• Depreciation	12%	=	R 281,809 million
• Other non – cash items	4%	=	R 93,060 million

CAPITAL BUDGET

The Capital Budget of R 483 995 869 for the 2014/15 financial year is 90.69 percent more when compared to the 2013/14 Adjustment Budget. **A substantial portion of the Own Funded capital budget which amounts to 43 percent will be deployed during 2014/15 and 2015/16 financial years or during 2014/15 adjustment budget when more funds are available.**

Own funding will contribute 25 per cent in 2014/15, when government grants and transfers are excluded. The balance will be funded from government grants and some R 239 500 000 thereof will come from a loan to be procured during 2014/15 financial year.

The Capital Budget Expenditure will be distributed as follows:

• Infrastructure Management	37%	=	R 179,884 million
• Water and Sanitation	29%	=	R 138,133 million
• Economic Services	13%	=	R 64,815 million
• Social Services	8%	=	R 37,373 million
• Environmental Management	8%	=	R 38,013 million

• Corporate Support Services	1%	= R	5,602 million
• Municipal Manager's Office	0%	= R	959 million
• Chief Operating Officer's Office	3%	= R	15,581 million
• Political Office	0%	= R	530 million
• Financial Services	1%	= R	3,105 million

Total Capital Budget

R 483 995 million

PROPOSED TARIFFS INCREASE

Tariff-setting is a pivotal and strategic part of the compilation of any budget. **When rates, tariffs and other charges were revised local economic conditions, the wage agreements with unions, other input costs of services provided by the municipality,** the municipality's indigent policy and the affordability of services are taken into account to ensure the financial sustainability of the City.

The percentage increases of both Eskom and Rand Water bulk tariffs are way above inflation rate, with electricity having risen by 7.39% whilst water went up by 8.1%. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the City.

The revenue base for the City for all 5 main tariffs have increased by 2 per cent indicating an increase that is more than the tariff increase in terms of revenue to be billed. As per our IDP document, it is estimated that the average growth for the City between 2013 to 2017 will be 1.58 per cent.

Tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs. Mogale City has started a process of restructuring the tariffs for utility services. For instance, in water and sanitation the exercise is very intensive and the municipality insists that information-gathering in order to develop a cost reflective model should be done correctly.

The increases being proposed for 2014/15 are as indicated hereafter:

Electricity	7.39%
Water Tariffs	8.1%
Property rates	7.0%
Sanitation tariffs	8.1%
Refuse collection tariffs	7.0%
Other user charges	7.0%
Hiring of Halls	7.0%

Madam Speaker, this budget is a demonstration of our solemn pledge to the people of Mogale City that we will not deviate from the trust they have shown in us to build a city that all of us can continue to be proud of.

Also, through this budget we demonstrate to the newly-appointed leadership of Gauteng that we remain steadfast in our commitment to take South Africa Forward. We will ensure that through the combined efforts of the people of Mogale City and their municipality, the city we are building together is better each passing day to the next.

We have a choice to work together and flourish or perish as individuals who are fascinated by the idea of being the most correct one or being one with the brightest idea. As one of Aesop's Fables teaches us, it is easier to break one stick in half than to break a bundle of sticks. Therefore, let us join hands in order to ensure that we break the vice grip of poverty that our people find themselves in. A people united can never be defeated.

We therefore propose that the budget we table today be adopted: