



**2019/20 Budget Speech delivered by Executive Mayor Patrick Lipudi  
Council Chamber in the Civic Centre, Mogale City.  
31 May 2019**

Madam Speaker; Cllr Noluthando Mangole

Chief Whip of Council; Cllr Siphon Dube

Members of the Mayoral Committee; Fellow

Councillors;

Municipal Manager and ALL workers of  
Mogale City Local Municipality; and most  
importantly, the citizens of Mogale City;

Ladies and Gentlemen;

Good morning.

Thank you once again for affording me the honour to present the Medium Term Revenue and Expenditure Framework (MTREF) budget.

Madam Speaker, this budget speech is tabled three weeks after the sixth successful general elections of the democratic South Africa.

The people of South Africa took to the polls to re-affirm themselves as the driving force behind the political success of post-apartheid South Africa.

Without a doubt the people of Mogale City deserve the greatest value for money. I stand before you today and emphasise that this administration regards service delivery as its **ONLY** priority.

Indeed, it is the only aspect that seeps into all corners of our community and seeks to improve the lives of our residents. Thus, the 2019/20 budget is all about how we plan to deliver efficiently, consistently and, most importantly, cost effective service.

The renewed mandate given to the African National Congress, under the leadership of President Ramaphosa with which the people of South Africa have understood the principal message of “**Thuma Mina**”.

President Ramaphosa has consistently bidden all of us to uphold the values of clean governance, anti-corruption, high ethical conduct and an unwavering commitment to building a working economy for all.

This message sends all of us out as ambassadors of the best values of public leadership; reminding us all to never forsake the solemn oath of public office to serve the interests of the people.

Madam Speaker, we have accepted and embraced the **Thuma Mina** agenda hence all levels of government have a duty to continue on this path and to accelerate the pace of social and economic transformation in a manner that practically shares the democratic dividend among the people of South Africa as a whole.

Today we are tabling a progressive budget that can only make our city a better place to live. Our people will today, like every year, hear how we are going to spend their money to improve living conditions.

After all the budget, as always, is informed by their views which we acquire through the IDP and Budget consultation processes. At this point, allow me to thank the Mogale City Citizens for their attendance, valuable inputs and co-operation in this regard.

This budget is about bringing investors into our city as a partner in our drive to consolidate socio- economic activity. I therefore extend an invitation to the private sector to join us as we build a new, vibrant, dynamic and economically viable City.

Madam Speaker and Councillors, one thing is certain: The 2019/20 budget will deliver quality service within the available resources to ensure that the City remains financially sustainable.

This budget is prepared and guided by the following legislative requirements:

- It is based on realistic anticipated revenue.
- The levels of spending on the 2019/20 Medium-Term Revenue and Expenditure Framework (MTREF) are within the prescribed key financial measures/ratios as per MFMA Circular 71.
- It is funded as per MFMA Circular 94.
- The City's projects and programmes are within affordability limits.

This budget, like any other, is always a task that requires collaboration from all the City's departments, scrutiny of the MTREF and a closer look at Integrated Development Plan (IDP) in order to be consolidated to address the needs of the people of Mogale City. It definitely is a delicate balancing act – and thankfully, we were up to the task.

I would therefore like to extend my appreciation to everyone who worked tirelessly to ensure that the numbers are collated and that this administration remains on track to achieve its goals.

Let me reiterate: It is imperative to note at this point that we are not an administration of impulsive changes that are geared to stir up false hope.

We are committed to exploring all possible avenues to ensure that whatever change we bring and whatever form of improvement we introduce, we do so in a manner that will yield long-lasting results. Be it job creation, poverty alleviation or redress – we are committed to sustainability in our solutions

The ANC-led administration is guided by the following four strategic outcome oriented goals and priorities, which are fully incorporated into the IDP:

- To improve living conditions
- To create a conducive environment for a vibrant economy
- To achieve active citizenry
- To achieve institutional excellence

## **WHERE ARE WE?**

The late Maya Angelou was once quoted as saying, "I have great respect for the past. If you don't know where you've come from, you don't know where you're going." It is in this spirit that I present the budget today.

Madam Speaker, now let us focus on a brief examination of where we come from, where we are and where we are going as a City. This is done while understanding the importance of a vision and an end goal that is service delivery and sustainability, and that is where our primary focus is grounded.

In doing that, we mention the good along with the shortcomings, as it is the only path that is guaranteed to lead to success.

Currently the Municipality is in the process of reviewing its Spatial Development Framework that was last approved in 2011. This review is done in line with the (Spatial Planning Land Use Management Act) SPLUMA which seeks to provide opportunity for the Municipality to optimally

derive economic and social benefits. The Spatial Development Framework will be the backbone for the new funding model Integrated Urban Development Grant IUDG through the IUDG, the Municipality stands a chance for mobilising more grant funding resources that will not only focus on new infrastructure but as well the upgrading of the aging infrastructure (something that MIG funding did not provide for.)

From the inception of the IUDG, after the approval of the Capital Expenditure Framework (CEF) by this Council today, the grant funding may grow in the upcoming financial years from the current R120 million to above R300 million.

We have had numerous successes in the past, but we have also had to deal with challenges. In the interest of transparency, I will mention the major challenges that this budget seeks to address.

## **CHALLENGES**

- Currently, the City is facing an infrastructure backlog (roads, storm water drainage, electricity and water provision).
- We also need to improve infrastructure maintenance.
- The poverty levels are at alarmingly high rates.
- Certain parts of the City are experiencing high crime rates.
- The increasing rate of drug and alcohol abuse is worrying.
- There is a need for recreational facilities such as libraries, sports facilities and parks.
- Illegal connections both electricity and water continues to hamper business sustainability, which unfortunately impacts negatively on the City's ability to generate more revenue.
- The City has not reached its investment potential – we need to consider and unlock alternative funding avenues.

## **2019/20 BUDGET OVERVIEW**

Madam Speaker and Councillors, I am once again pleased to report that the 2019/20 budget is fully funded. Our total revenue budget is R3,3 billion including capital grants transfers from National and Provincial government, with the operating revenue budget being R3 billion.

The 2019/20 budget is put together in a manner that seeks to ensure that the poor remains our priority and that current projects are completed timeously and within budget. This budget will also cater for new projects that are in the pipeline. Financial sustainability remains our priority, while we seek to ensure that reduced tariffs paid by poorer households are augmented by normal tariffs paid by other residents.

## **CAPITAL BUDGET**

The total capital budget amounts to R343 million for 2019/20 and R330 million for 2020/21 and R339 million 2021/22 respectively.

The capital budget is funded by the following sources:

- Mogale City's own funding – R115 million
- Grant funding – R231 million including new grant called Integrated Urban Development Grant (IUDG) to the value of R120 million.

## **OPERATING REVENUE**

The operating revenue (excluding capital grants and contributions) amounts to R3 billion, which is an increase of 13% against the 2018/19 adjustment budget.

Operating expenditure amounts to R2,9 billion, an increase of 9% against the 2018/19 adjustment budget, resulting in a surplus of R115 million for the 2019/20 financial year. This places the City on a good footing.

Property rates remain the City's second main source of income at R577 million with no tariff increase.

Electricity and water sales stand at R1,4 billion and the charges related to sanitation and refuse removal add up to R256 million

Operating grants allocated for the 2019/20 financial year total R434 million, 11% increase from 2018/19 financial year.

## **WHAT DOES IT ALL MEAN?**

The above-mentioned figures and categories that account for the total 2019/20 budget paint a vivid picture of where the City is and inspire confidence in where we are headed.

Now that we have established the challenges faced by the City and thoroughly assessed the budget for this financial year, it is time to pair allocated funds with solutions that will address our challenges over this period.

As mentioned earlier, to give an accurate and honest account of the status quo it is imperative to know where we come from, so as to take on the future with confidence.

Guided by our five pillars, Madam Speaker, the City will utilise the budget in the following manner:

## **JOBS**

The City has undertaken to support SMMEs by encouraging young people to not only rely on sourced employment opportunities but also to consider entrepreneurship as a viable option, as well as providing support to start-ups.

## **EPWP**

By far our highest source of employment opportunities stems from the Extended Public Works Programme.

Job opportunities within EPWP will stem from the following sectors:

- The infrastructure sector.
- The environmental sector and
- The cultural sector

## **INCOME-GENERATING METHODS**

As previously mentioned in the 2018/19 State of the City Address, we have set ourselves a target of creating 1200 job opportunities, and thus far we have managed to create 1280.

## **A CITY THAT CARES FOR RESIDENTS AND PROMOTES INCLUSIVITY**

### **HUMAN SETTLEMENT**

Madam Speaker, as we advance in our democracy we cannot overemphasise the importance of creating living spaces that seek to integrate the haves and the have-nots.

This administration is intent on inclusivity through social housing that facilitates our mission of bringing people closer to work.

This is how our human settlement budget is structured:

- Installation of engineering services in Brickvallei & Tarlton - R31 million,
- Land acquisition for Human Settlements - R12 million,
- Water tankers – R20 million
- Sanitation: Chemical toilets – R7 million
- Tarlton 15MI Reservoir – R30 million
- Roads Rehabilitation & Resurfacing – R10 million
- Magaliesburg Landfill Site Rehabilitation – R10 million
- Luipaardsvlei Landfill Site (Phase 5) – R25 million

## **A CITY THAT DELIVERS EXCELLENT SERVICES AND PROTECTS THE ENVIRONMENT**

As a country we previously dispersed resources in a skewed manner and the City's responsibility is to redress this. This, however, is to be done with the utmost care for our environment. Our natural resources are being eroded and redress policies are to be reflective of this fact without compromising the quality of our services. In the provision of basic necessities, such as water and sanitation, especially in communities who have existed for years without them, the City is demonstrating that it does not take its role for granted.

The budgetary allocation for water and sanitation infrastructure is as follows:

- Bulk purchases: Water – R 253 million
- Refurbishment of water networks and backlog eradication – R29 million
- Extension of bulk water lines in Hekpoort – R5 million
- Replacement of worn-out network pipes – R9,5 million

### **ELECTRICITY**

Water and sanitation provision is not the only important aspect of providing services. Electricity plays a huge role in functioning societies. The City is committed to providing electricity at affordable rates to the impoverished sectors of our society and electrifying areas that have been without electricity since before the dawn of democracy.

As a local municipality, however, we have to acknowledge that due to rapid urbanisation we must always make budgetary concessions for new communities that continue to mushroom around

our city. A backlog and underachievement in our electricity provision mean we have to do better, but it is imperative to note that urbanisation means that we are likely to embark on new electrification campaigns for years to come.

It is not something we can shy away from, considering that people migrate here to seek better work opportunities and in return contribute to the increase in budgetary expectations. This simply means that we should consider this in our spatial planning and population estimations.

Our electricity budget allocation, which accounts for all infrastructure projects, is structured in the following manner:

- Bulk purchases: Electricity – R807 million
- Reservoir extensions – R30 million
- Electrification of Pangoville informal Settlement – R7 million
- Prepaid electricity meters – R2 million
- Electrification Backlog (out-of-books) done by Eskom – R30,9 million

Electrification projects are part and parcel of our human settlement endeavours. However, the budget also caters for the improvement of existing structures. We unfortunately have ageing infrastructure that requires upgrading and we are ensuring that we cater for this. The repair and maintenance allocation – R27 million, however total repairs and maintenance as a percentage of PPE (Property Plant & Equipment) is currently sitting at 7.1% instead of the 8% norm set by National Treasury and gradual increase to 8% in 2021/2022 financial year.

We are going to fulfil our environmental obligations and continue to explore alternative green methods. Where energy can be conserved we are going to do so, and we are happy to hear suggestions that will assist in improving even more over the next financial year.

We are aware that with technological advancements and improvements in science, we now have access to alternative building solutions as well as greenhouses to foster agricultural activities. Thus our environmental management operating allocation is as follows:

- Rehabilitation of landfill sites – R47,3 million
- Household refuse removal – R 19 million

We know all too well that transport is the heartbeat of any thriving economy, thus we have prioritised the following operating allocations:

- Repairs and maintenance – R9 million

## **REGIONAL OPERATIONS AND COORDINATION**

To emphasise the seriousness of service delivery, we have allocated R110, 3 million excluding salaries for repairs and maintenance of infrastructure and community facilities.

## **4. A CITY THAT KEEPS RESIDENTS SAFE**

Madam Speaker and Councillors, I believe that any well-functioning city cannot thrive without government taking care of the safety and security of its citizens. While this cannot be the sole purpose of government, however, because criminal activities require a collective approach and collaboration between us and the citizens in order to combat them successfully, we will take that solid approach.

We are fortunate as a municipality to have access to additional law enforcement in the form of the Public Safety Officers and working together with SAPS. They have been doing commendable work and our work is to ensure that they are capacitated fully in order to execute their job and assist us in fulfilling our mandate of creating a safer Mogale City for all.

We have a responsibility to ensure that, with our safety and security initiatives, we maintain our status as the “safest city”.

This includes catering for human resources needs and assets that will equip the police to combat crime successfully:

- Protective clothing – R1,3 million
- Protecting municipality’s assets and guarding & prevention of illegal land invasion – R92 million.

## **HUMAN CAPITAL**

- Capacity building, training and development – R5,5 million
- Community development: Education and training (Mayoral bursary scheme) – R2 million

It is imperative to note that we cannot expect excellence without making provision for our staff to better themselves. We understand this and are actively working towards creating a staffing pool that can execute their duties and champion our ONLY priority of service delivery provision.

Over and above human capital issues, as a City we are also investing in systems for financial services, which have been allocated as follows:

## **FINANCIAL SERVICES**

- Revenue enhancement: Debt collection – R3 million,
- Water and Electricity Cut-Off Management – R21,8 million,
- Maintenance of asset register (asset register administration) – R8,2million

## **COMMUNICATION, MARKETING AND EVENTS**

- Strategic marketing and communication – R1,2 million

## **THE KEY CAPITAL PROJECTS**

Madam Speaker, you will recall that in my previous State of the City Address I alluded to the fact that the infrastructure backlog needs to be addressed urgently, and the only way to deal with this problem is to focus special allegiance of the budget to regions that are hard hit by this problem. Madam Speaker and Councillors, allow me to take you through the specific departments and respective project-linked allocations for the 2019/20 financial year.

1. Internal Auditing (IA) – R233k
2. Strategic Management Services (SMS) – R765k
3. Corporate Support Services (CSS) – R448k
4. Financial Management Services (FMS) – R574k
5. Integrated Environmental Management (IEM) – R61,9 million
6. Economic Development Services (EDS) – R72,5 million

7. Community Development Services (CDS) – R41,4 million
8. Public Works, Roads & Transport (PWRT) – R88,5 million
9. Utility Management Services (UMS) – R76,7 million

## **WHERE ARE WE GOING?**

Given the challenges I detailed earlier on, and the consideration of how we are going to allocate and spend the budget, I am confident about the direction that this municipality is heading in. We have conducted extensive consultations because we firmly believe in the notion that the city belongs to all its residents, and that each concern deserves an ear.

We have visited all Wards, and heard first-hand from our people on the ground what their needs are and where they require us to improve.

This, I must say, goes a long way in fostering a culture of inclusivity and championing all aspects of transparency. Let me reiterate that one of the pillars that characterise this government is transparency and accessibility of information.

Infrastructure needs remain imperative and the demand for excellent service delivery is important.

We appreciate this, and we are committed to improve in all aspects. We will continue to work closely with our communities to seek creative housing solutions and ensure that services reach every corner of this city.

We are going to intensify the fight against crime and root out illegal connections of water and electricity. We implore our communities to play their role in this regard, as very little can be achieved without their cooperation.

Through the indigent programme and EPWP we are playing our role in alleviating poverty and encouraging self-sufficiency. The conditions for both these programmes are structured in a manner that will provide temporary relief while providing access to work opportunities and affordable rates and services.

An ideal Mogale City would be one that does not need such programmes, but with a constrained job market and the history of our unequal country, it is necessary that such programmes are designed and redefined to address these challenges and restore the dignity of our people.

Madam Speaker, our priority is the most vulnerable sections of our society, with specific focus on the poor. Our social package includes, but is not limited to –

- 50 kilowatt of free electricity;
- 6 kilolitre of free water;
- 100% subsidized refuse removal;
- 100% subsidized sanitation services, provided this is part of the Municipality's waterborne system
- 100% rebate on property rates.

## **TARIFF INCREASE**

From 1 July 2019 the property rates tariff will not increase for all categories of properties.

Our aim is to ensure that our tariffs are affordable to customers. However, some increases such as those of Eskom and Rand Water are not under the City's control.

The budgeted revenue for water services increased by 7.9% and the bulk purchases tariff increase from Rand Water was budgeted at 7.9%.

The National Energy Regulator of South Africa (NERSA) published the municipal tariff guideline increase of 13.07%. Therefore, the City has budgeted accordingly for a revenue increase of 13.07%, and the municipality will purchase bulk electricity at 15.63%, Madam Speaker.

Sanitation tariff will increase by 7.9%. The sanitation tariff structure has been amended: introduced property value base tariff for sanitation on both residential and businesses. The introduction of this method will assist customers in reducing the charges as is more transparent and no increase is effected in the additional levy for residential.

The refuse removal tariff increase of 6% have been applied.

We want to create a city that is conducive for business and holds its government accountable.

## **CONCLUSION**

Madam Speaker and Councillors, as we set out to table this budget for consideration to approve, our goal was to ensure that it is pro-poor, service-delivery and sustainability centred. I'm proud to say that I have delivered one that has executed this goal. The funds allocated to job creation in this constricted market are admirable and illustrative of the fact that we will always seek to improve the lives of our residents.

This budget will adequately address the challenges as highlighted during the public consultations, and it places us in good stead with the people of this beautiful city.

Madam Speaker, the presentation of this budget demonstrates my commitment to improving the lives of the people of Mogale City through service delivery.

Madam Speaker, I therefore hereby present the 2019/20 Medium Term Revenue and Expenditure Framework budget for consideration and approval.