



Budget Speech by MMC FINANCE & LED on the TABLING and ADOPTION of the multi- year Budget for Polokwane Municipality by Cllr Charles Molepo on 29 May 2015 in the New Council Chamber

Honourable Speaker of Council, Cllr MC Mathiba
Her Excellency, Executive Mayor of Polokwane Municipality, Cllr TP Nkadimeng
Our Council Chief Whip, Me Mamedupi Teffo.
Members of Mayoral Committee,
Chairpersons of Section 79 committees and Councilors
Acting Municipal Manager, CFO, Directors and all officials
Leadership of the Ruling Party(Chairperson Cde Joe Machaba) and other political parties leadership

Distinguished Guests
Members of the media houses
Ladies and Gentlemen

Honourable Speaker, I am presenting this MTREF on behalf of the Executive Mayor and therefore want to put it on record that this budget is tabled in terms of the Municipal Finance Management Act, No 56 of 2003 and the Municipal Budget and Reporting Regulations.

Chapter 4 of the MFMA sec16, subsection 2 requires that the budget be tabled at least 90 days before the start of the budget year and Sec 24 subsection 1 requires that council must consider the approval of its annual budget 30 days before the start of the budget year. The purpose of tabling this MTREF is to comply with the requirements as alluded to.

This product of this fifth year of our term of office comes out of a rigorous and structured Integrated Development Plan consultation with our communities. In these consultations we gave feedback, received new request and aligned to our new priorities. Our partnership with the communities is gradually strengthened as we see the building of a stronger municipality.

Through this budget, we believe that all our people deserve to be treated as equal citizens. We have taken into consideration the inputs made from the IDP/Budgets

consultations we made with our communities and key stakeholders during April and May 2015. Honourable Speaker, during this process we managed to include the following amongst our list of key stakeholders: farmers, business and traditional leaders.

Through our continued and strengthened Public Participation we received positive feedback which in turn enabled us to better understand their priorities. Ours is to live up to their expectations and spend this budget in a focused and impact-based manner as opposed to a piece meal approach. It therefore remains key that we remind ourselves that in order to achieve this, we need a capacitated, stabilised, modernised and operational service delivery environment.

This budget and IDP gives expression to the strategic thrusts of local government, which among others seeks to promote good governance, ensure basic service delivery to all our communities, contribute towards job creation and accelerate economic development, ensure financial sustainability and public participation.

As a body that serves local communities, we as the Municipality have to align our projects and budget to address the mandate set out by National Government. This must happen in the spirit of true co-operative governance with an emphasis on closer co-operation between all spheres of government. We all know that job creation is one of the five priorities set by National Government, including education, healthcare, fight against crime and rural development. This budget process begins to address these priorities

We will continue to remain vigilant in the monitoring and implementation of the approved cash flow strategy to curtail expenditure on non-service delivery projects or programmes until the economic meltdown ends. It is crucial to be responsive to all the consequences that arise from the global economic meltdown.

We are painstakingly aware also of the impact of our decisions on all citizens of Polokwane. We must however ensure that the Municipality remains financially sustainable but also that municipal services are provided affordable to all communities. We are under constant pressure to maintain our level of service-delivery to the fast growing population of our area.

Although all of it might not be reflected in this budget, as due process must be followed, I can give you the assurance that they were noted.

Honourable Speaker, the budgeting process already started in August last year when our communities (inter alia through Ward Committees and ward plans) and the administration supplied us with their inputs and needs.

As we are all aware, we have experienced very difficult economic circumstances since 2009 and a clear message came from our pensioners and people who live from the interest on their life savings, that they cannot afford sharp increases on rates and tariffs. We have consulted all the stakeholders on our proposed tariff increases for 2015-2016.

We have taken into consideration inputs from all the consultations and we would want to assure all the communities that they would be able to contribute to the sustainable provision of services. We have also considered the economic, social, and financial factors in determining the increases. This is with exception to electricity where NERSA had given Eskom the right to increase their rates in excess of inflation.

After numerous Budget Steering Committee meetings, and due to limited resources, we had to cut back on needs registered by the Ward Committees and administration; it was still very difficult to balance the expenses with the proposed increase in income.

Honourable Speaker, this budget we propose here will drive the IDP and assist us in attaining our objectives. The final Budget for 2015/16 represents the following:

The total operating revenue of R2.4 billion has grown by 9.3 per cent for the 2015/16 financial year when compared to the 2014/15 Adjustment Budget.

The following tariff increases are recommended to Council for approval: Electricity **12.2%**, Water **10%**, **Sanitation 10% and refuse removal 10%**. Eskom has increased the increase in the bulk purchases by **14.2%** but municipalities are only allowed to increase their tariffs by **12.2%** as per the guideline increase in MFMA Circular 75 from National Treasury.

From experience we also know that due to salary increases negotiated on national level and other costs where increases are above inflation, it will be difficult to keep increases in total costs below inflation. With this consideration, I need to recommend to Council to increase rates with 10% for 2015/16. Exemptions and rebates as in the past will be applicable on residential properties to lessen the plight of the poor. There are also rebates applicable to agricultural properties to stimulate economic development.

I also recommend that other sundry fees to be charged, for example building plan fees, be increased with 10% as these costs are directly related to salary increases and does not affect the majority of rate payers.

Of all the metros and secondary cities Polokwane Municipality's total monthly account which includes assessment rates and services is still the lowest even after the proposed tariff increases were applied.

Honorable Speaker, we made provision to render free basic services to the indigents which include 6 kiloliters of water per month, 100 units of electricity per month, free sanitation and refuse removal services and also exempted the first **R100 000** of the valuation of their properties from the payment of rates. The total contribution to indigent households for free basic services and rates amounts to **R260 per month**. The total revenue cost to provide free basic services to the indigents amounts to **R63.2 million**.

Honorable Speaker; our revenue base remain insufficient and needs to continuously improve over time if we are to realise our developmental SMART CITY path.

All of the 15 budget-related policies were reviewed and some were amended based on inputs received and operational requirements.

The total operating expenditure for the 2015/16 financial year has been appropriated at **R2.2 billion**. When compared to the 2014/15 adjustment budget, the operating expenditure has grown with **8.3 per cent**. This indicates a surplus of **R116.6 million** which will be utilized to fund capital projects.

The amount provided for repairs and maintenance increased from **R170.6 million to R177.2 million** to ensure that the maintenance of our infrastructure is catered for. This represents **23.8 per cent** of renewal of existing assets as a percentage of total capital expenditure.

Honourable Speaker, noted during our public budget meetings in all wards, as well as in the comments on the draft budget, the following perspective regarding remuneration must be given.

Employee related costs for the 2015/16 financial year totals R571.4 million which equals 24.9 per cent of the total operating expenditure. It is below the National Treasury norm of 25 – 40 per cent.

Salary increases of 7 per cent for the 2014/15 financial year have been provided for although the multi-year wage agreement ends on 30 June 2015.

The cost associated with the remuneration of councilors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account as a guideline in compiling the Municipality's budget. The increase for the current financial year amounts to 7 per cent.

Honourable Speaker, provision has been made on the operating budget to finance activities under your portfolio to the amount of R13.5 million.

The capital budget of **R580.1 million is 26.3 per cent less** than the 2014/15 Adjustment Budget. This is due to the incorporation of the roll over amounts in the Adjustments Budget. Capital projects will be funded from grants to the amount of R465.5 million whilst R114.5 million will be funded from own funds.

Honorable Speaker of Council , the capital budget includes **R46.5 million for sport & recreation, roads & transport R292.6 million, electricity R14.8 million and water R171 million**. The budget for sanitation amounts to **R500 000, R3 million and R2.75 million** for the MTREF on the capital side, however on the operating budget provision

has been made for expenditure of **R55.3 million, R60.3 million and R65.4 million** for the MTREF.

National Treasury conducted a benchmarking exercise with all the metros and secondary cities, the so-called non-delegated municipalities and the funding compliance assessment done confirmed that the budget of Polokwane Municipality is not only a balanced budget but also a funded budget.

It is befitting that we express our sincere gratitude to all individual residents and businesses who continue to pay their municipal accounts. It is out of these contributions that we are able to expand and sustain service delivery. To those who are neglecting their responsibility of paying, we will intensify the application of credit control measures as well as legal action. Such strong measures are required if we are to manage bad debts and enhance revenue collection.

Our message is unambiguous; all those that can afford to pay must pay and continue to do so. For those who cannot afford please note that no one will be assumed to be an indigent until such time they are registered. Therefore those household who qualify for indigent support must take it upon themselves to come forward and register. Provision has been made to register 15000 indigents and they can apply for this support any time during the year.

Honourable Speaker, the City of Polokwane is introducing an Integrated Rapid Public Transport System comprising various modes including taxis, buses and non-motorised transport service. This is in line with the National Land Transport Strategic Framework developed by the National Department of Transport. The IRPTS currently being planned for Polokwane is intended to transform the public transport sector through the provision of a high quality and affordable transport system whilst reducing the overall journey times of transport users.

Honourable Speaker, Polokwane Municipality has embarked on an Off-Balance-Sheet Financing through the Public Private Partnership to finance large capital expenditures. These expenditures are kept off the municipal balance sheet through various classification methods. The following key categories to be covered by this off balance sheet funding is inter-alia smart metering, replacement of old asbestos pipes, waste water treatment plant, rural broadband connectivity, etc.

Honourable Speaker, It has been recognized that the well-managed physical development of the municipal precinct and the sustainable provision of infrastructural and social services to the citizenry of Polokwane Municipality, both depend to a large degree on the efficiency of the municipality as an institution, as well as its financial viability.

Repairs and maintenance becomes fundamental to financial sustainability. All revenue generating assets have to be maintained and refurbished all the time to continue

rendering the requisite services and yielding the revenue required to continue as a going concern. To this end the municipality has continued to set aside more and more resources both operational and capital to ensure that the assets are in a good state.

One of the processes the municipality embarked on as part of the turnaround was to develop a turnaround strategy striving to reduce costs and enhance revenue. Specific areas were targeted for budget reduction and streamlining. Luxury spending and unplanned spending was discouraged. Certain measures have been put in place to improve the management of revenue and collection thereof.

Honourable Speaker, with regard to the audit outcome, the Municipality performed very well in respect of the 2013/14 financial year. The audit opinion was qualified which improved from a disclaimer in the previous two financial years.

The SAMRAS billing system is in place at the municipality and marked improvement in the quality of billing statements has been observed. Officials are continuously trained on the optimal use of the system. With the engagement with the Top 100 clients, an opportunity was created to do customer information data cleansing. Customers are prompted at all times to submit correct information and such is updated in the system.

Honourable Speaker, the municipality collects an average of 95% of revenue from the City and Seshego customers. There is slow improvement of payment for services in Mankweng and Sebayeng. A process of public participation was undertaken in both Mankweng and Sebayeng to address issues which were preventing the communities from paying their accounts. Is it expected that the situation in these areas will improve.

The municipality applies its debt collection policy very stringently. The payment rate has always remained above 92%. To improve the collection capacity two debt collectors have been brought on board to reduce the R600 million debtor's book. The debt collection remains a priority of the municipality to ensure that at least R100 million is collected on monthly basis.

Honorable Speaker, as I conclude, please allow me to touch on Africa Month.

Some years ago most of our leaders were on Robben Island, Angola, Tanzania, Zambia and many other African States, fighting for the hope of seeing the RSA that belongs to all who live in it.

The freedom we are enjoying today is the result of the kindness our leaders and freedom fighters received in the poorest communities of many African States, but they received a better treatment in comparison to what has been happening in our country for the past few weeks.

We are currently commemorating Africa Month realizing that we must unite to ensure that Africa today is better than it was yesterday. We must ensure that what we saw in the recent attacks on foreign nationals must never happen again in this beautiful country

of ours. We are all Africans. Lastly let me congratulate the resident of this beautiful City of Polokwane for not being part of this attack of xenophobic behavior.

I would like also wish the youth of this City, the District, the Province and the rest Country a very healthy and sound Youth Month.

Let me also take this opportunity to thank the BTO officials, IDP/Budget Steering Committee and everybody who made it a point that we work tirelessly and efficiently to ensure that this work is wrapped up seamlessly.

As we have walked the 20 years of a good strong story to tell together as residents of Polokwane let me invite all to hold our hands together as we start the new journey of the second transition.

Her Excellency, the Executive Mayor, Mmago rena Mahlako a Modipadi, Cllr Thembi Nkadimeng will deliver a detailed breakdown of this budget in her State of the City Address in the middle of June 2015.

Mahlako, ke lebogile sebaka se le nkadimelego sona gotla mo pele mme ka presenta IDP/Budget for 2015/16,

Thank you for this singular opportunity.

Ke ya Leboga ka moka –

Thank You All - God Bless U.