



**Budget Speech by the Executive Mayor Cllr Thembi Nkadimeng on the adoption of the 2020/21 Budget. Date 29 May 2020**

**Hon. Speaker of Council, Cllr Mariri Ralefatane  
The Chief Whip of Council, Cllr Mamedupi Teffo  
Members of the Mayoral Committee  
Chairpersons of Council Committees,  
Leaders of the opposition Parties in Council  
Esteemed Fellow Councillors**

Hon. Speaker

We are meeting here this morning under unusual circumstances where our Council meeting has to be conducted virtually through video conferencing due to the COVID-19 pandemic that has put our country and the rest of the globe at a standstill and at the same time making a lot of people unsure of the future.

For the first time in the history of this country we had to conduct public participation using digital and other media alternatives to consult our

communities over the budget and IDP. We are grateful for the kind cooperation and understanding from various communities.

We have the comfort that this budget is founded on the interests and will of the people of Polokwane.

We need to be reminded that as we gather under this difficult conditions that puts the country under strenuous socio-economic pressure that this pressure to the national economy will ultimately have a snowball effect to the local government sphere.

The COVID-19 pandemic is simultaneously a health crisis and a global economic crisis. The National Treasury is already anticipating a 6% contraction in GDP for the year 2020.

The effect of the lockdown and the ongoing crisis means that the economy will experience a significant downturn, while there will be an increased need for government services and assistance.

The impact of COVID-19 on operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related economic impact on job retentions or losses, all of which may lead to declines due to less consumption demand. However, some relief is expected as government announced a R20 billion package to municipalities to provide added services that are essential to cushion the negative economic impact and therefore maintain to some extent the business consumers' demand.

As a collective we have a major responsibility of carrying the hopes of the majority of our constituencies – the people of Polokwane.

We must continue to provide essential services, develop the communities we serve and make sure that democracy continues to thrive.

We have to keep the hopes of our people alive as per their expectations of being treated fairly and equally. Therefore, we must recommit to the undertaking that we will continue with the massive programme of providing services, developing our communities and creating a fulfilling future where the social, economic and cultural spirit of our community will flourish.

Hon Speaker

We must remain resolute on our decision to ensure that the poor in the municipality are subsidized on all the key services which municipality offers while at the same time our communities are encouraged to live up to the principle of social contract.

## **1. The Budget**

Hon. Speaker

We need to take note of some of the challenges that impact putting together this budget including the ongoing difficulties in the national and local economy. These includes the increased cost of bulk water and electricity due to tariff increases from Lepelle Northern Water and Eskom which is placing

upward pressure on service tariffs to residents and National Treasury Austerity measures with minimal growth in grant allocations.

The local government is currently facing multiple pressures over the period ahead including the expected expansion of access to free basic service to poor households.

At the same time there are expected reductions in transfers with the implications that municipalities will have to reprioritize some of the projects.

Honourable Speaker

The total budget for the 2020/2021 financial year is **R4.8 billion** made up of an operating budget of **R3.6 billion** and a capital budget of **R1.1 billion**. The focus of this budget will be directed to the key areas in line with our promises to improve the lives of our people and to ensure good governance and accountability.

## **2. Tariff Increases**

Honourable Speaker

We have taken into consideration inputs from the consultations and considered the economic, social and financial factors in determining the increases.

The cost pressures of the water and electricity bulk purchases tariffs continue to grow faster than the inflation rate. Given that these tariff increases are

determined by the external bodies; the impacts they have on the municipality's tariff are largely outside our control. The following tariff increases are recommended to Council for approval:

- Electricity: NERSA has issued a guideline percentage price increase of 6.22% on electricity sales for 2020/21.
- Water services: It is proposed to increase water tariffs with 7.5%.
- Sanitation: It is proposed that sanitation services be increased by 5.4%
- Waste Removal: It is proposed to increase tariffs by 5.4%.
- Assessment rates: It is proposed to increase rates by 5.4%
- Growth is estimated at 1% per annum
- Debtors collection is estimated at 88%
- Other tariffs: These tariffs will increase at a CPIX rate as outline in circular 98 & 99 issued by National Treasury.

The municipality will embark on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers and to ensure that all revenue due is billed correctly and collected efficiently

### **3. Expenditure Increases**

1. Electricity bulk purchases have been increased by 6.9% in line with National Treasury's inflation forecasts.
2. Water bulk purchases have been increased by 8.5% in line with Lepelle Northern Water Board guidelines.

3. Salaries and allowances have been increased by 6.25% subject to agreement at South African Local Government Bargaining Council.

4. Other Materials and Other expenses will increase at rate CPIX

#### **4. Indigent Support**

Honorable Speaker

As with previous years, we have made provision to provide free basic services to the members of our community who cannot afford – the indigents.

This subsidy includes the following:

- Free **6Kl of water**,
- 100 units of electricity,
- 100% subsidy for refuse removal and sewerage charges.
- 100% rebate on assessment rates

The subsidy allowed, exceeds the national norm.

To qualify as indigent, the **household income must not exceed R4 630** when the policy is reviewed to also cater for the child headed families and the qualifying people with disability.

The municipality further grants 80% rebates to owners of residential properties who depend on pensions or social grants **provided the household income does not exceed R9 000.**

#### **5. Operating and capital expenditure**

The total operating expenditure for the 2020/21 financial year has been appropriated as follows:

Total capital budget is **R 1 201 498 519** which is funded as follows:

Integrated Urban Development Grant	<b>R303 105 850</b>
Public Transport Network Grant	<b>R124 792 000</b>
Neighbourhood Development Grant	<b>R35 000 000</b>
Water Services Infrastructure Grant	<b>R50 000 000</b>
Regional Bulk Infrastructure Grant	<b>R361 157 000</b>
Road Concession	<b>R234 922 537</b>
Capital Replacement Reserve	<b>R91 021 132</b>
KFW Bank	<b>R1 500 000</b>

Honorable Speaker, the bulk of the budget is allocated to Water and Sanitation Services for infrastructure projects in line with the municipality's strategy on renewing its asset with the sole objective of optimizing service delivery.

The total allocation under the IUDG for 2020/2021 is **R303 million** which will be used to implement 41 projects. **R120 million** for 14 water and sanitation projects, **R127 million** for upgrading of 20 roads projects, **R61 million** for 6 sport and recreation facilities and **R4 million** for a waste management project.

We will continue to ensure that the Municipality remains financially sustainable and continue to invest on measures to protect state resources which are meant for the development of the people's lives.

## **6. Services Payments**

Further, to those who are neglecting their responsibility of paying, we will intensify the application of credit control measures as well as legal action. 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.

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.

### **In conclusion,**

Please allow me to take this opportunity to thank fellow councilors from both the ruling party and the opposition parties for serving our constituencies to the best of our ability. It has not been an easy ride, but all our differences, interactions and interventions are driven by our passion and commitment to make Polokwane a better place to live in.

We must put our differences aside and work together for the people of Polokwane. We have started and our goals are within reach. Let's build Polokwane together! We must continue on our ideal to build a stabilized, modernized operational service delivery environment that can be achieved by cooperation from all stakeholders in line with our Re aga Polokwane theme.

I take this opportunity to thank the Municipal Manager Mr. Dikgape Makobe and his team including the CFO for leading the responsible teams to make sure that we put together a credible Budget and IDP under abnormal conditions that we are in.

We thank the Budget Steering Committee, Members of Joined Portfolios on Finance & LED and Administration & Governance for ensuring that this budget is prepared, aligned with the national priorities agenda and is funded. We thank the employees of Polokwane who continue to perform with excellence and dedication.

Special appreciation to our traditional leaders who have always backed us and provide the necessary support.

Another special appreciation goes to the people of Polokwane who have always supported us even when it was difficult to do so.

Re aga Polokwane! Pula!

I Thank You