MAYORAL BUDGET SPEECH 2012/13 DELIVERED ON 29 MAY 2012

Hon. Speaker
Hon. Chief Whip
Executive Committee Members
Fellow Councilors
Management and officials
Ladies and Gentlemen

I am humbled to present the Draft Budget and IDP for the 2012/13 MTREF to you.

In Thabazimbi Municipality, we see the budget as instrument through which we manage public funds in a way that ensures that we improve the quality of life of our people. We see the budget as an instrument of development, we do this through planning, allocation, control, and proper accounting for every cent entrusted to this Local Council.

Hon. Speaker, the 2012/13 Draft Budget and IDP were prepared under challenging circumstances considering the number of issues that were raised during the Strategic Planning Session held on the 13th to the 14th March 2012 in Mabalingwe, Bela-Bela, as well as those raised by our communities during the stakeholder's representative fora.

It took a lot of effort and creativity to balance the Budget. As we are all aware the world is still recovering from the economic meltdown.

In preparation of this Draft Budget, we took into account several factors including the consumer price index inflation rate of 5.7%, the repo rate of the South African Reserve Bank. However our debtor's book is growing.

It is acknowledged that while the Municipality is not a profit-making organization it must be maintained as a going concern; therefore we cannot do without increasing the cost of our service delivery.

Hon. Speaker, the tough economic times that we currently face push us to be more creative, more inventive but remain highly productive.

Hon. Speaker, what I am presenting now is the Final Draft Budget which took into consideration the public participation process and consultation with relevant stakeholders during the month of April and May 2012

We need to declare this year as a year of job creation and we are already on a road map to the mines. We are talking to the mines to fund EPWP initiatives amongst others.

1. **Revenue**

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. Rates and services charge revenues comprise more than two thirds of the total revenue mix. In the 2011/2012 financial year, revenue from rates and services charges totalled R128 million or 69 per cent. This increases to R167million, R176million and R185million in the respective financial years of the MTREF.

Operating grants and transfers totals R68million in the 2012/13 financial year and steadily increases to R77million by 2014/15. Note that the year-on-year growth for 2012/13 financial year is 19 per cent and then flattens out to 5per cent and 8 per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term.

Within this framework, the municipality has undertaken the tariff setting process relating to service charges as follows.

2.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

The categories of rate-able properties for the purposes of levying rates and the proposed rates for the 2012/13 financial year is based on a 5.7% per cent increase from 1 July 2012

2.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective-including the cost of maintenance and renewal of purification plants, water networks and cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariff are designed to encourage efficient and sustainable consumption.

In addition, National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014.

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in the future to ensure sustainability. Magalies Water has increased its bulk tariffs with 9 per cent from 1 July 2012, which increase contributes to approximately 90 per cent of the municipality's water input cost.

In addition 6kl water per 30-day period will again be granted free of charge to all **registered indigent** residents.

This in principle means that a household will be paying an amount of R9.35 per kilolitre of water consumed.

2.3 Sale of Electricity and Impact of Tariff Increase

NERSA has announced the revised bulk electricity pricing structure. A 13.5 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2012.

Considering Eskom increases, the consumer tariff had to be increased by 11.03 per cent to offset the additional bulk purchase cost from 1 July 2012. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will still be granted 50kWh per 30-day period free of charge.

3 Expenditure

The municipality's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- The assets renewal strategy and repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over medium-term as informed by Section 18 and 19 of the MFMA;

- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core service; and
- Strict adherences to the principle of no project plan no budget. If there is no business plan, no funding allocation can be made.

3.1 Employee related costs

The budget allocation for employee related costs for the 2012/13 financial year totals R75million, which equals 39 per cent of the total operating expenditure. Three-year collective SALGBC agreement has expired and therefore salary increases have been determined by guidelines contained in National Treasury Circulars 58 & 59. **An annual increase of 5% per cent has been applied in the 2012/13 financial year**.

3.2 Bulk purchases, repairs and maintenance, operating expenditure

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Magalies Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the municipality's repairs and maintenance plan, this group of expenditure has been prioritised to ensure sustainability of the municipality's infrastructure. For 2012/13 the appropriation against this group of expenditure has grown by 16 per cent (R2.6million) and continues to grow at 5.7 and 4.9 per cent for the outer years of which budget allocation is in excess of R20million by 2013/14.

Aligned to the priority being given to preserving and maintaining the municipality's current infrastructure, the 2012/13 budget and MTREF provide for extensive for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of material and contracted services.

3.3 Capital expenditure

For 2012/13, an amount of R62million has been appropriated for the development of infrastructure, which represents 89per cent of the total capital budget. In the outer years, this amount totals R65million, 88per cent and R69million respectively for each of the financial years. Waste water management services receives the highest allocation of R51million in 2012/13 which equates to 84per cent followed by electricity infrastructure at 8per cent, R4.7million and Thabazimbi & Rooiberg upgrading of Waste water treatment works- R20.5million

Also worth mentioning is that during 2011/12 financial year approved budget, the municipality committed the MIG allocation amounting to R34.75 million towards Waste Water Treatment Plants in both Northam and Thabazimbi. During the adjustment budget period an amount of R17.3 million was moved to Regorogile paving of internal streets projects. It is with utmost pleasure inform the community that the R17.3 million has reverted back to the Northam Waste Water Treatment Works and Thabazimbi Upgrading of Waste Water Treatment Works with the latter project scheduled to commence in September 2012.

4 Conclusion

In conclusion, I would like to bring to your notice that the municipality boosts the following achievements;

- Successful launching of ward committees in all twelve wards
- A successful public participation to inform our IDP and Budget
- A very vibrant strategic planning session
- An unqualified audit report which led to the receiving of the SALGA recognition award

Allow my humble self to convey a word of gratitude to our committed councilors, managers, subordinates and the employees in general who, even during these trying times of municipal financial challenges managed to bring the institution to a state it is in now.

I thank you!