

TLM MAYOR MID TERM BUDGET PERFORMANCE SPEECH 2018

Honourable Speaker

Our Chief Whip

EXCO members

Chairperson of MPAC

Fellow Councillors

The Management of our Municipality under Ntate Ramagaga

Honourable Speaker, as the new administration we are still faced with different set of challenges from previous administration. We all know that we are not that new as we are in the second year of our term of office.

We are mindful of the commitments we made during the build up to local government elections in 2016 and we are working tirelessly to achieve them, the aspirations of the vast majority of our people lies in our hands and we cannot dare disappoint.

Honourable Speaker, last week we spend three fruitful days planning for this year and years ahead in our Strategic Planning Session. I want to re-affirm that we are still committed to that. As I said earlier on we are facing different sets of challenges as this administration. You may all have seen the press releases in past months or towards the end of 2017 on the financial situation of our Municipality. As the Mayor, I have been upfront to say indeed we are facing and experiencing financial challenges.

Inevitably, this will effect on our capability to render services. We are working hard to cut off on luxuries and we are improving our collection rate. We cannot be expected to deliver services adequately when those who can afford to pay are not paying. In return we commit to handle the monies entrusted to us in a proper manner. We will ensure value for money, transparency and accountability.

As much as financial constraints may have effect on our service delivery, we believe lack of or inadequate supervision of the workers on the ground adds to the problem. We are working to improve on that aspect.

It is and it will remain difficult to render the services in accordance with the needs of the people which are unlimited, based on the limited budget and resources. The needs of our people are not only unlimited but they are getting more and more day by day. The general growth of our economy and our local economy in particular is not helping us much.

When we came into the office we had to grapple with an unfunded budget. We had to review the budget and effect some serious cuts on the budget to get it to the state of being funded. We are skirting on very thin ice due to budget cuts. It, therefore becomes important that we keep our budget realistic, and really realistic this time around. The effect of the unfunded budget we found is still going to be with us for some time to come.

Despite all the challenges mentioned above, we have been able to continue to deliver services to improve the lives of our people.

We meet here today to deliver the Mid-Year Budget performance report for 2017-18 Financial Year.

Honourable Speaker and fellow councillors, I raise my hands once more to thank you and at the same time to thank God for keeping us alive until today. The Lord's grace has helped us to continue to lead the Municipality despite the negative cues that still surround us. He cannot bring us this far and forget us, no He won't.

I table before you today the 2017/2018 Mid-Year Budget in compliance with the requirements of Section 54 of the MFMA, Act 56 of 2003. It is our obligation as politicians or public representatives to ensure that we map out our strategies for delivering the much needed services through good governance and accountability.

During the preparation of this Midyear budget performance report for 2017-18 we had to take tough decisions agreeing that yes our budget is constrained and it needs our actions towards improving the lives of our people.

We are aware **Honourable Speaker** that some critics may say our Midyear budget is not credible and sustainable.

Our Municipality of Thabazimbi is insolvent and is currently unable to provide the minimum standards of service delivery as enshrined in the constitution of the Republic. Liquidity challenges, low capacity utilization, lack of human resource skills, low investor confidence, low community and donor confidence and high levels of unemployment have continuously been a scourge to us all along.

Notwithstanding the challenges on the bigger stage we have an obligation to succeed against all odds. Despite all the challenges, backlogs and deficits in almost every facet of council operations, we must thrive to restore the pride that once was. Our target as Council is to leave the municipality better off than we found it.

Honorable Speaker, our first priority has to be restoration of service delivery to all. Our communities are reeling in sheer poverty due to inaccessible municipal and other public services. Provision of affordable Electricity, healthy portable water and the general maintenance of a healthy environment have to be our starting point.

These economic challenges will continue to pressurize municipal revenue generation and collection hence a conservative approach has been adopted in projecting revenue.

We will have to improve our efforts to limit non-priority spending and to implement stringent cost-containment measures.

Honourable Speaker, I acknowledge that while the Municipality is not a profit-making organization however it must be maintained as a going concern; therefore the municipality cannot sustain itself if it fails to recoup the cost of delivering services.

Honourable Speaker, the tough economic times that we currently face push us to be more creative, more innovative but still need to remain highly productive. These circumstances make it essential for our municipalities to reprioritize expenditure and implement stringent cost-containment measures ie. catering, travelling costs, overtime costs, excessive use of consultants and other administrative costs needs to be strongly controlled.

Below are the Strategic Interventions I believe the Municipality cannot afford to progress without:

- The appointment of Technical Services and Community Services Managers.
- Effective Management of Litigations and Claims to avoid the continued erosion of public funds.
- Replace all the damaged meters for Electricity and Water around the entire Municipality.

- Reduce the magnitude of Electricity and Water distribution losses through effective infrastructure maintenance programmes.
- Optimize collections in all revenue streams and improve the internal control environment.
- Review all current commitments and do away with non-priority commitments.
- Improve relations with all creditors and major stakeholders.

1.1.1 Revenue Sources

Total operating revenue of R132.6 million has been billed for in the first 6 months of 2017/18 financial year and the Municipality only collected R123 million of which R72 million is for operating transfers.

The municipality has experienced poor cash flows in 2017/18 financial year due to poor revenue collection strategies. However, the municipality has since set up an effective credit control unit and a revenue enhancement committee was established, additional auxiliary measures to ensure improved billing and collections methods continue to be explored. We are in the process of appointing a debt collection agency.

The municipality continues to perform customer data collection and verification to ensure that accurate information of customers is recorded on the billing system and that monthly bills are distributed to correct customers. This is expected to be fully completed with a comprehensive meter replacement:

- All faulty and non-functioning meters are currently being replaced and this will result in accurate meter readings taken and billed.

- The municipality is in the process of installing electricity smart metering system to ensure that proper debt control is implemented as per our policy.

1.1.2 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 category of rate-able properties for the purposes of levying rates and the proposed rates for the 2017/18 financial year is based on the valuation roll prepared in 2012/13 and where changes and upgrades were made the supplementary valuation roll will take precedence.

The overall increase of 13% in revenue from property rates is based on maintaining the value of the property revenue to the municipality in real terms.

1.1.3 Sale of Water

Thabazimbi continues to face challenges with regard to water supply and electricity, since demand growth outweighs supply. Consequently, National Treasury (through MFMA, Circular No. 66) encourages 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 tariffs are designed to encourage efficient and sustainable consumption.

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

1.1.4 Sale of Electricity

Registered indigents will still be granted 50kWh per 30 day period free of charge; however an annual review of the indigent's verification is currently conducted to authenticate the beneficiaries as per our Municipal indigent policy.

1.1.5 Expenditure

The municipality's expenditure framework for the 2017/18 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;

- Strict adherences to the principle of no project plan no budget. If there is no business plan no funding allocation can be made; and
- Tough cost containment measures will be implemented in the budget year to eliminate waste, and ensure savings on the five focus areas namely; consultancy fees, travel and related costs, advertising, catering and event costs as well as accommodation costs.

1.1.6 Employee related costs

The spending on employee related costs (excluding the Political office bearers) for the first 6 months equals to 61% of the total operating expenditure. The increase is due to the Labour Court Award for IMATU affiliated workers.

1.1.7 Bulk purchases, repairs and maintenance, operating expenditure

Bulk purchases are directly informed by the purchase prices of electricity from Eskom and water from Magalies Water Board Water. The expenditure includes 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.

Capital Expenditure

In 2017/18, National Treasury made an allocation of R33.7 million through Municipal Infrastructure Grant (MIG) that has been appropriated for the development and acquisition of infrastructure to try and outreach to some areas of our community yet to have the necessary infrastructure for service delivery.

The Thabazimbi Waste Water Treatment Works project will continue to be managed from the Waterberg District Municipality in line with the signed Memorandum of Understanding that transferred the responsibilities of the implementing Agent to Waterberg. Plans are in place for the implementation of the Northam Waste Water Treatment Works project with the facilitation of Anglo American.

1.1.8 Conclusion

Let me commend the efforts made by the Municipality in creating and maintaining good relations with various stakeholders such as Residents Associations, the Business Chamber, Workers' Unions, the Provincial and National governments, SALGA and the media. The municipality values the existing relationships and there is room for further collaboration to enhance service delivery.

Management and Staff, we thank you for steering this huge ship towards its desired destination and we are indeed optimistic that we will achieve much better results in the coming financial year.

Last but not least, the Political Management Team, the EXCO Members and my fellow Councillors. Thank you for your guidance and leadership. The role and scope of the elected councilor has over the years changed most markedly. Most of our councilors carry a lot of financial obligations which go unnoticed and unreported. I thank you for your sacrifices in going way beyond your means in dealing with municipal matters.

Honourable Speaker and Fellow Councillors, It is therefore with great pleasure that I table before you the Thabazimbi Local Municipality's 2017/2018 Mid-year report for consideration and approval by Council.

I THANK YOU