



**STATE OF THE MUNICIPAL ADDRESS DELIVERED BY THE EXECUTIVE MAYOR OF
METSIMAHOLO LOCAL MUNICIPALITY, CLLR. BRUTUS MAHLAKU AT THE COUNCIL
CHAMBER (CIVIC CENTRE) AT SASOLBURG ON THE 31st MAY 2013**

The Honorable Speaker, Cllr. Sello Matena

The Council Whip, Cllr. Thandi Soetsang

The Chairperson of Municipal Public Accounts Committee, Cllr. Thabo Mabasa

Members of the Mayoral Committee

Councilors

Our Municipal Manager, Mr. Steve Molala and his Senior Management Team

Our special and distinguished guests

Members of the Public

Members of the Media

Ladies and Gentlemen

Mr. Speaker, allow me to take this wonderful opportunity to greet you all on this special occasion of the presentation and tabling of the state of the municipal address (Budget Speech) of the council of Metsimaholo Local Municipality, under the political leadership of the African National Congress. I am really humbled and honoured as the first citizen of Metsimaholo, to address such a wonderful audience and our community at large as this speech is live on our community radio station, KaraboFM.

The last six months of this financial year, starting from January this year, was indeed a very challenging year as we experienced the storm that damaged more than one thousand houses in the area of Amelia and one person losing her life and others injured. Later in the same month we experienced violent protests by our community of Zamdela – two people died and others were injured in the protest. Some of the community members were arrested and that has painted a gloomy picture of our area to the outside world.

However, we remain committed as a municipality to ensure that we restore the dignity and pride that our area enjoyed in our province, country and the world. We really regret all these incidents and we still maintain that every citizen in South Africa has the right to protest, as long as it is done peacefully.” The old apartheid laws that made it hard for people to gather and protest have now gone. And the new law, The Regulation of Gatherings Act, says that “every person has the right to assemble with other persons and to express his views on any matter freely in public and to enjoy the protection of the State while doing so”. However, this was not the case in these protests in our area as it spiced with criminal activities and violence. Some of our people died and others injured and this is very sadly and regrettable for us as government, as we are indeed a caring government. We will work for a Better Life For All.

Mr. Speaker, the gloomy picture that these protests intended to paint about the collective leadership of the municipality, was just a smearing campaign to discredit the leadership of the municipality. I can assure you that we are doing quite well as a municipality, although there is still room for improving. Our financial status is still very good and our audit opinion for the 2011/2012 financial year has improve from a DISCLAIMER to a QUALIFIED audit opinion, meaning we has improve tremendously and we are making good progress with the handling of our financial matters. We are aiming to rich the national target set by government that by 2014 (next year) all municipalities in the country must receive a clean audit. I am very confident and assure our community that Metsimaholo Local Municipality will definitely receive a clean audit in 2014.

Honourable Speaker and councilors, on the 15th of August last year, the National Planning Commission handed over the National Development Plan, the vision of the country for the next 20 years, to President Jacob Zuma in parliament. The NDP, ladies and gentlemen, contains proposals for tackling the problems of poverty, inequality and unemployment.

President Zuma in his state of the nation address indicates that the NDP is a roadmap to a South Africa where all will have water, electricity, sanitation, jobs, housing, public transport, adequate nutrition, education, social protection, quality healthcare, recreation and a clean environment. However, the achievement of these goals has proven to be difficult in the recent past, due the global economic recession.

Furthermore, Mr. Speaker, in his State of the Province Address, Premier Ace Magashule indicates that through an extensive consultative and public participation process involving a broad spectrum of stakeholders we have produced the final draft of the review of the Free State Growth and Development Strategy. We will engage further with the Legislature and other political parties on this final draft so that we ensure the speedy finalization of the reviewed strategy.

He further indicated that embedded within the National Development Plan, the revised Free State Growth and Development Strategy recognizes the value of creating the environment, institutions, processes and mechanisms crucial for inclusive growth and development and produces Free State Vision 2030, aligned with the National Development Plan.

Free State Vision 2030 sets out the future the people of the province want. In essence, it provides a road map for the Free State to ensure that – “By 2030, the Free State shall have a resilient, thriving and competitive economy that is inclusive, with immense prospects for human development anchored on the principles of unity, dignity, diversity, equality and prosperity for all.”

Mr. Speaker, these are challenging and encouraging words from both President Zuma and Premier Ace Magashule are very clear that we must intensify service delivery, local economic development and transformation for the creation of jobs on a massive scale for our people in Metsimaholo.

Members of the public, we are committed as a municipality to ensure that we have sound financial and administration systems, by building a strong revenue base that not only encourages, but also hold the users of municipal services accountable for the payment. As the political leadership within this municipal council and our management team, we will work towards the delivery of quality and sustainable municipal services and improve participatory democracy where communities to facilitate community involvement in governance and development in our areas, which includes Sasolburg, Zamdela, Deneysville, Refenggotso, Oranjeville, Metsimaholo and Viljoensdrift.

Mr. Speaker, honorable councilors, our guests and members of the public, since the inception of this council, led by the African National Congress critical signposts have been passed and landmarks reached in our effort as a municipality to create a better life for all our people.

Some of them include:

- We have bought 11 trucks in order to accelerate service delivery in our area. These trucks includes, three Cherry Pickers, two Front End Loaders, Two Tipper Trucks, Two Sewage Tankers that will be used in Deneysville and Oranjeville and Two Refuse Removal trucks that

will be used in areas such as Themba Khubeka in Refengkgotso and Amelia, where we never removed refuse for our people in those areas.

- With the support of Copper Sunset Sand (Pty) Ltd, we manage to build a 1,5 million rand Pre-School in Harry Gwala Extension 9, which will about 100 children. This project has been completed.
- We have built a 37,5 million rand reservoir in Refengkgotso to supply our people with fresh and clean water in that area and the project is at the completion stage.
- A water ring feed main at Omnia has been installed with success at approximately 10 million rand at the heavy industrial area.
- The First phase of the Water Demand Management project completed with six sectional meters being installed to help investigate and address water loss. The first phase was done at a cost of 3.5 million rand with Metsimaholo, Department of Water Affairs, Sasol and RANDWATER contributing within the MOU concluded.
- With the support of Anglo Coal we have also build a 23 million rand Multi-Purpose Centre at Harry Gwala which will house, municipal offices, government departments like Social Development and SASSA, SAPS etc. This project aimed at bringing services closer to the people.
- We are further building municipal offices at Zamdela worth 36 million rand and we trust and hope that this project will be completed by the end of this year.
- We are paving the main collector roads in Sisulu Section and the project is worth 35 million rand and will be completed by 30 July 2013.
- We are building a Sanitation and Pump Station at Amelia. The cost of the project is 37,2 million rand and the project will be successfully completed by next month, 30 June 2013.
- Funds have been successfully secured for Metsimaholo Extension 6 for 368 stand: The bucket eradication project will overlap to next financial 2013/14 and will be completed by 30 November 2013.
- Funds have been successful secured for Gortin Sanitation phase 4 project which will be implemented in the next financial year 2013/14.
- Fezile Dabi District Municipality has avail funds for Gortin sewer house connections and the project will be completed by 30 November 2013.
- We have in collaboration with Metsimaholo Rejuvenation establish four new family parks in Wards 10, 11, 12 and 21.
- We have awarded 104 bursaries to tertiary students; three (3) at WITS University; 28 at the Vaal University of Technology (VUT); two (2) at the University of South Africa (UNISA); one (1) at the University of Pretoria (UP); four (4) at the University of Johannesburg (UJ); two (2) at the University of the Free State (UFS); 18 at Flavius Mareka FET College; and 46 at the North West University (NWU).

Lede van die publiek, As Metsimaholo munisipaliteit, streef ons daarna om ons mense se belange eerste te stel en ons wil hulle die versekering gee dat ons baie hard werk om die beste munisipaliteit, nie net in die Vrystaat wil wees nie, maar in die land. Ons visie as munisipaliteit is om die ekonomiese kragbasis en die munisipaliteit van uitstekendheid te wees. Ons wil ook verder ons gemeenskap daarvan verseker dat hulle 'n radikale verandering gaan sien in ons dienslewering. Ons verseker hulle dat hulle goeie en effektiewe dienslewering sal geniet en dat my kantoor se deur as die politieke hoof van die munisipaliteit, altyd vir hulle sal oop staan.

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

Mr. Speaker, the 2013/14 Budget, which covers the next three financial years is presented in very challenging times.

- Our revenue streams are under severe pressure due to the national and global economic outlook and the resultant impact of this on the ability of local households to pay in full and on time for municipal services;
- Our own or internally generated revenue is directly affected by our capacity to effectively bill residents for the services that they consume, to timeously collect the billed revenue from all consumers who are willing and able to pay and to aggressively implement our debt collection and credit control measures, without fear or favour.

Mr. Speaker our revenue situation does not only pose negative financial challenges for us, but the resultant adverse cash flow position that is caused by it, have direct implications on our service delivery programmes and projects. Simply put, if there is no cash in the bank, we cannot implement our programmes and projects and hence we would not be able to effectively fulfil the service delivery promises that we have made to our communities.

Therefore, challenges demand and force the municipality to become much more creative in how we manage our revenue streams and more vigilant in how we spend our rands to optimise and maximise the value we receive from our money and limited resources. This creativity and vigilance require all of us to do more with less by thinking outside the box and to seek for new and innovative solutions to any challenges which may inhibit or detract us from delivering the best possible services to our residents and communities.

To positively turn the situation around, we cannot do it all by ourselves, we must also proactively engage our residents, ward committees, the business and other sectors in our communities to foster strong partnerships and alliances with all stakeholders to make Metsimaholo Municipality a better place to live, work and prosper in.

It cannot be business as usual, if we are serious in realising our municipality's vision of becoming the economic powerbase and municipality of excellence.

Mr. Speaker and councillors, our Revenue Budget, which provides the required resources to enable us to deliver to our residents and communities, amounts to 832,9 million rand in 2013/14 and increases over the medium term to 896,3 rand million in 2015/16. The growth in the revenue budget for the 2013/14 financial year compared to the adjusted budget for the current financial year amounts to 75,1 million rand or 9,9 percent.

Electricity and water remain our major sources of own revenue at an average of 24,3 and 23,0 percent per annum respectively over the medium term, whilst Property Rates will contribute on average 11,7 percent to own sources of revenue over the next three years.

Government grants, comprising mainly of the equitable share, other operating grants and capital grants will amount to 201,6 million rand in 2013/14 increasing marginally to 204,6 million rand in 2015/16. These grants represent an average of 24 percent of our total budgeted revenue over the next three years, which means that the municipality is relying more on own sources of revenue to finance its day-to-day operations and programmes.

Amongst other programmes, the equitable share allocation from the national treasury will ensure that we continue providing a basic social package to our indigents to guarantee poorer households at least a decent level of access to basic municipal services.

For the 2013/14 financial year 17 800 registered indigents have been provided for in the budget. In terms of the Municipality's indigent policy registered households are entitled to 10 kiloliters free water, 50 kilowatt hours of electricity, sanitation and free waste removal once a week as well as a 50 rand subsidy on property rates.

However, Councillors, as we said earlier on, for the municipality to continue improving the quality of services provided to all our residents we need to generate the required own revenue. In these tough economic times strong revenue management will be absolutely fundamental to the financial sustainability of every municipality. The reality is that we are faced with huge development backlogs and severe levels of poverty in our communities. The funding required to address these challenges will inevitably always exceed available resources; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

Allow me now to turn to the proposed tariff increases on the main consumer services.

It should be noted Mr. Speaker that Metsimaholo has succeeded in most of the services to maintain tariff increases within the growth limits set by the National Treasury. However, the average increases include an allowance for growth in consumption levels and corrections in certain tariffs.

NERSA has announced the revised bulk electricity pricing structure with an 8 percent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2013.

Considering the Eskom increases, the consumer tariff will be increased by 7 percent to offset the additional bulk purchase cost from 1 July 2013.

All consumers, approximately 26 400 households, will again be given 50 kilowatt hours of electricity per month free of charge.

An increase between 7 and 12.5 percent in the waste removal tariff is proposed from 1 July 2013. The tariff for the various categories of consumers is now uniform. The budget assumption here is that any increase of more than 10 per cent would be counter-productive and will probably result in affordability challenges for individual households raising the risk associated with bad debt.

For sanitation, a tariff increase of between 6 and 15 percent is proposed, in order to have uniform tariffs on water borne sewer. A tariff increase of 1 per cent is proposed for property rates with effect from 1 July 2013. However, the change in the valuations of property might influence the actual percentage increase for individual property owners.

In respect of water, a tariff increase of between 7 and 15 percent from 1 July 2013 is proposed. The consumption tariff for Oranjeville will increase by 15 percent, to be phased in over two years, in order to have a uniform tariff. This is based on input cost assumptions of 9.5 percent increase in the cost of bulk water purchases from Rand Water, the cost of other inputs increasing by 15 percent and a surplus generated on the water service. In addition 6 kiloliters water per 30-day period will again be granted free of charge to all residents.

It is important to mention that in all instances the overall impact of the tariff increases on household bills has been kept to between 5.9 and 7.6 percent, with the increase for indigent households closer to 7 percent.

Mr. Speaker, as we said earlier, we have to ensure that our programmes to enhance and strengthen our revenue base are implemented so that we can ensure that our meter-reading, billing, debt collection, credit control and customer care processes are effectively improved so that we can collect all the revenue that are budgeted for. Our collective failure to holistically address the total revenue value chain will continue to have a negative impact on our cash flow position, with very serious and adverse implications for service delivery.

- The Operating Budget further provides for operating expenditure of 832,9 million rand in 2013/14, increasing by 13,7 percent to 946,7 million rand in 2015/16. The growth in operating expenditure for 2013/14 compared to the current financial year's adjusted budget amounts to R70,1 million or 9,2 percent.

The Municipality's expenditure framework for the 2013/14 budget and MTREF is informed by the following:

- The balanced budget constraint, which means that operating expenditure should not exceed operating revenue unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Zero based budgets , plus inflation in line with Treasury guidelines;
- All increases more that the inflation to be properly motivated;
- Professional fees to be unpacked; and
- The filling of vacancies should support challenges identified and key priorities as reflected in the Integrated Development Plan (IDP).

The following are the main expenditure types on the operating budget:

- The budgeted allocation for employee related costs for the 2013/14 financial year amounts to 188.6 million rand, which equals 22.6 percent of the total operating expenditure. Based on the three year collective bargaining agreement, salary increases have been factored into this budget at a percentage increase of 7 per cent for the 2013/14 financial year as well as in the two outer years of the MTREF.
- Bulk purchases of electricity and water, which is the largest expenditure item on the budget, amount to 297,7 million rand or 35.7 percent of total operating expenditure in 2013/14 increasing in 2015/16 to 347,5 million rand or 36.7 percent. Bulk purchases are directly determined by the cost of electricity from Eskom and water from Rand Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures also make provision any anticipated distribution losses.
- Aligned to the priority given to preserving and maintaining the municipality's asset base and current infrastructure, the 2013/14 budget and MTREF provide a total expenditure of the next three years of 179,2 million rand.
- The total Capital Budget increases from 95,6 million rand in 2012/13 to 163,6 million rand in 2013/14. We see a slight decrease in our capital budget in 2014/15 to 162,5 million rand and then further declining to 115,3 million rand in 2015/16, mainly due to delays in the confirmation of funding from some external sources and inadequate planning by departments of their capital projects over the medium term. This issue is currently being addressed as part of the municipality's ongoing financial management reform programme.

Mr. Speaker, councillors and the public, the municipality will be receiving allocations amounting to 227,5 million rand over the next three financial years from the national fiscus, in terms of the Division of Revenue Act (DORA) as our Municipal Infrastructure Grant (MIG) and DoE conditional capital grants to speed up the rolling out of basic municipal infrastructure to households.

The DoE allocation of 102,5 million rand over the next three years will mainly be utilised for the installation of bulk electricity supply services to Amelia, Gortin and Moodraai.

Our MIG funding over the next three financial years amounting to 125 million rand will mainly be spent on the following key projects:

- Sewer network and toilets for 3 257 stands in Amelia worth 14,0 million rand over the next two years,
- Sanitation in Gortin, phase 4 totalling 43,9 million rand over the next three years,
- The augmentation of bulk supply and the upgrading of purification works to service 6 500 stands in wards 2, 3, 4 and 5 for a total amount of 9,4 million rand over the next two financial years, and
- The upgrading of the Zamdela cemetery in 2014/15 amounting to 12,5 million rand.

Our next draw down amount on the loan from DBSA amounting to 26,5 million rand in the 2013/14 financial year will be utilised to implement the automated meter reading system for water and electricity at a cost of 11 million rand, the construction of new roads and storm water in priority areas amounting to 5,5 million rand and to install services for the Vaalpark stands for 11 million rand.

Social Services will receive a total allocation of 71,9 million rand of the total capital budget over the next three financial years, mainly for the finalising of the Environmental Impact Assessments (EIAs)

on the existing and new landfill sites and the establishment of the new recycling plants; fire rescue equipment and vehicles and the establishment and upgrading of community facilities such as parks and playgrounds, Abrahamsrust, the Day-Visitors areas, the theatre and swimming pools.

On average projects related to Technical Services and Social Services will make up approximately 90 percent of the total capital budget over the medium term.

It is also important to highlight that in the 2013/14 financial year just over 60 percent of our capital budget will be financed through grants and loans increasing to 74.1 percent in 2014/15. This shows that unlike with the operating budget, we are over-reliant on external sources for the funding of our capital budget.

Again, Mr. Speaker, councillors and officials, if we are not able to collect our revenue effectively and efficiently we will be placing key projects financed by own revenue at risk over the next medium term. In conclusion, Mr. Speaker, the 2013/2014 budget, we are presenting today, is indeed a true reflection of our commitment to ensure that we improve the lives of our people in Metsimaholo and push back the frontiers of poverty within a sound and sustainable fiscal framework.

Mr. Speaker, it is not possible to present such a comprehensive set of deliverables planned without the support and hard work carried out by all departments. I want to express my sincere appreciation to:

- Members of the Mayoral Committee, in particular the Portfolio Head of Finance and IDP, MMC Lebohang Semonyo and his team for the sterling work they did, in driving the IDP and budget processes under difficult and violent circumstances in our area. We have attempted to include all political parties in the preparation of this budget to achieve consensus,

- Mr Speaker I will be making a big mistake if I cannot pass my special thanks to the Free State Provincial Legislature in particular the Premier Ntate Ace Magashule for the good and excellent leadership in leading and governing this beautiful province, the Free State. The excellent Hlasela programs that are benefitting our communities in all corners of Free State is a clear indication of the outstanding leadership traits of Premier Magashule. A special thanks to the late MEC of Health Me. Fezi Ngubentombi for her contribution in our area. We salute her.

- I want to thank the Members of the Portfolio Committees, Councilors, Ward Committees for their valuable contributions and commitment,

- A special thanks to members of organized business and industry, like SASOL, ANGLO COAL, RAND WATER, COPPER SUNSET SAND (PTY) LTD and all other stakeholders for their valuable contributions to change the lives of our people.

- The Municipal Manager, Mr. Steve Molala, the Acting Chief Financial Officer, Amanda Vorster and her staff, directors as well as all other officials who have managed the budget preparation process through sheer hard work and professional dedication.

- Not forgetting the support we received from the Speaker, Cllr Sello Matena, the Council Whip, Cllr. Thandi Soetsang and MPAC Chairperson, Cllr. Thabo Mabasa through their regular oversight over the processes of the municipality.

- I would like to thank all councillors for working together as a team, you are a great team.
- I also want to thank our religious leaders, the Olive Tree foundation (Three Leg Movement) for their commitment to ensure that we come up with programs to bring our white and black communities together including the Business Community, Chamber of Commerce and all stakeholders who is positively contributing to changing the lives of our people.

A special thanks to my wife and my family for their constant support.

Honorable Speaker, I now formally table the 2013/2014 Budget as outlined in the Council's Agenda for Council's consideration and approval, in terms of Section 24 (1) of the Municipal Finance Management Act.

I Thank You. Baie dankie. Ke a leboha.