

**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 06TH JUNE 2012 .**

The Honorable Speaker, Cllr. Sello Matena
The Council Whip, Cllr.Thandi Soetsang
Members of the Mayoral Committee
Councilors
Our Acting Municipal Manager, Mr. Robinson Thekiso and his Senior Management Team
Our special and distinguished guests
Members of the Public
Members of the Media
Ladies and Gentlemen

Honorable Speaker, Allow me to take this wonderful opportunity to greet you all on this momentous 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.

This State of the Municipal Address takes place during a significant year in the history of our country, the centenary of the ruling party, the African National Congress.

Let me take this opportunity to salute and honour by singling out the former presidents of the ANC who led our struggle for liberation and of creating a better life across generations. We salute John Langalibalele Dube, Sefako Makgatho, Zac Mahabane, Josiah Gumede, Pixley ka Isaka Seme, AB Xuma, JS Moroka, Chief Albert Luthuli, Oliver Tambo, Nelson Mandela and Thabo Mbeki. To our current president, Jacob Zuma, I want to say, Long live, President Zuma, Long live.

Mr. Speaker, The year 2012 is also special because it marks the 16th anniversary of the Constitution of the Republic, which gives full expression to our democratic ideals.

Our Constitution is South Africa`s fundamental vision statement, which guides our policies and actions. We reaffirm our commitment to advance the ideals of our country`s Constitution at all times.

Mr. Speaker let me quote what president Jacob Zuma has said in the STATEMENT OF THE NATIONAL EXECUTIVE COMMITTEE OF THE AFRICAN NATIONAL CONGRESS ON THE OCCASION OF THE 100th ANNIVERSARY OF THE ANC in Bloemfontein on the 8th January this year,

“During this year, 2012, our nation must renew our determination to build a South Africa founded on the principles of the Freedom Charter and our democratic Constitution. We must bring new energy and new ideas into the kind of society we want to build over the next few decades. In this regard, we take note of the fact that the National Planning Commission has published both a diagnostic report and a Draft National Development Plan for discussion. As the ANC prepares for its Policy Conference in June and its 53rd National Conference in December 2012, we call for a genuine national dialogue and debate about the future of our country. We call on all South Africans to join the national dialogue that should be based on our common commitment to build a caring society that is truly non-racial, non-sexist, democratic, prosperous and united in its diversity.

As we move forward, we want to take a medium-to-long term approach to the challenges we face on the road to a South Africa of our dreams. We want to freshly and boldly identify the few key challenges around which the nation shall be rallied and mobilised.

These are the triple related challenges of unemployment, poverty and inequality. Principally, it is the Africans, women and youth who continue to carry a disproportionate burden of the challenges. Over the next decade, both the ANC and all organs of state shall pay a single-minded and undivided attention in order to overcome these triple related challenges.”

Honourable Speaker, let me also welcome statements made by our Premier Honourable Ace Magashule during the State of the Province Address in Bloemfontein on the 16th February 2012, when he said and I quote:

“We believe that government should achieve this by ensuring that municipalities 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. In conjunction with the political leadership within municipal councils and their management teams, 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 their areas.”

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.

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:

- An old disabled woman was given a RDP house which was not build accordingly to the approved standard, we demolished that house and asked for assistance from our local contractors to rebuild that house for her, she is now in her brand new house.
- On the 26th January 2012 a company named MAKPLAN construction approached the municipality and asked to be given a site. We then identified an old blind woman in Amelia in number 21783 as a beneficiary for the house that will build on that site, she is also staying in her brand new house.
- A campaign was done in different wards to issue title deeds to beneficiaries and about 357 title deeds were issued to the beneficiaries. The process is ongoing and residents who are beneficiaries can come and collect their title deeds from the municipal offices.
- The township establishment in Mooiplaats (Themba Khubeka) – 2537 erven have been approved. These erven are already allocated and occupied by residents and permanent numbers are already given to them.
- Planning and survey of Mooidraai is completed for 3000 erven.
- Dr. Motau has been appointed as the Medical Health Officer for the municipality and will be assisting us to examine and attend to all health related issues of our employees.
- We have appointed a supplier to supply the municipality with personal protective clothing for our employees for the next three years, which was one of the burning issues during our labour strikes we experienced in the past months.
- Our municipality has been identified by the Department of COGTA (National and Provincial) to be one of the recipients of the Community Work Programme which is aimed at providing

access to a level of regular work, that is, two days per week at 100 days a year, currently at a stipend of R65,00 per day. Supervisors will work for four days a week at a stipend of R95,00 a day, The programme will run till 2014. We will be employing 100 people this month and will add on a monthly basis a certain number up until we reach the 1000 number of employees by March 2013, which is our target as a municipality. The EPWP programme that started in the previous financial year is indeed a great success. The programme is ongoing and the target is that we must employ 600 EPWP workers this financial year. In February 2011 we started by employing 376 EPWP workers for a contract of one year. In April 2012 we employed 161 EPWP workers for a contract of one year.

- A By-Law Unit has been established to assist with implementation of the By-laws of the municipality and the vacant posts in this unit will soon be filled.
- We have procured 3LDV and 2 Compactor trucks for waste management in order to accelerate service delivery.
- We have established 5 parks in partnership with SASOL firm and RAND WATER Foundation and we are aiming to establish additional 4 parks in the 2012/2013 financial year.
- We have renovated 5 chalets to the value of R600 000 at Abrahamsrust in partnership with Fezile Dabi District municipality.
- 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).
- We have identified five of our youth in Metsimaholo who will be granted bursaries to study medicine in Cuba from October this year.
- We have identified about 130 critical vacant posts in our municipality in order to accelerate service delivery and these posts have been advertised internally and will be filled in two phases. The first phase for vacancies to be filled has already started.
- 25 high mast lights project has been completed in Metsimaholo
- 334 houses in Metsimaholo Extension Six have been electrified by end of March this year.
- Re-electrified 246 stands that suffered from cable theft.
- Fencing of Deneysville Waste Water Treatment Works and pump stations.
- In order for the residents of Themba Khubeka in Deneysville to have access to clean and drinking water, we have extent approximately eight communal taps in that area.
- We have also completed 371 water house connections through the Fezile Dabi District Municipality Funding.

Geagte Speaker, 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 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 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, councillors and everyone sitting in this chamber, let us now focus on the budget framework, which will cover the medium term period from the 2012/13 to the 2014/15 financial years. The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that we remain financially viable and that municipal services are provided sustainably, economically and equitably to all our residents.

The compilation of this budget were characterised by a number of challenges which exerted immense pressures on the budgeting process. Some of these external and internal challenges include, but were not limited, to the following:

1. The continued difficulties on the national and local economic fronts placing tremendous strain on the household budgets of ratepayers and their ability to pay for municipal services.
2. Restrictions on increases in rates and taxes and other Municipal services to fund/balance the Budget.
3. Wage increases for municipal staff negotiated in the bargaining chamber, which remain above the consumer inflation rate as well as the need to fill critical vacancies.
4. The increased cost of bulk water and electricity purchases as a result of tariff increases from Rand Water and ESKOM, placing constant upward pressure on the service tariffs that the municipality have to charge our residents.
5. The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and unfavourable cash position of the municipality.

Mr. Speaker our Revenue Budget, which provides the required resources to enable us to deliver on our mandate of developmental local government and to do more for our communities, amounts to R756,8 million in 2012/13 and increases over the medium term to R856,3 million in 2014/15. The growth in the revenue budget for the 2012/13 financial year compared to the current financial year amounts to R83,4 million or 12,4 percent.

Government grants, comprising mainly of the equitable share, other operating grants and capital grants will amount to R166,9 million in 2012/13 increasing to R187,8 million in 2014/15. This is an important contribution from the national fiscus to assist with the provision of basic services to our people and particularly the poorest of the poor in our communities. These grants represent between 21,4 and 22,1 percent of our total budgeted revenue over the next three years, which means that the municipality is currently not over-relying on government grants to sustain its operations and programmes.

Amongst other programmes, the equitable share allocation from the national fiscus will ensure that we continue our support for our indigent households especially under these challenging and trying economic conditions, as part of our basic social services package.

Mr. Speaker, in order to receive these free basic services we urge all qualifying households to register in terms of the municipality's indigent policy. The monthly household income threshold to qualify as indigent will increase from R2 500 to R2 750 per month and owners of properties with a valuation of

up to R84 000 will automatically qualify unless their monthly household income exceeds the approved threshold.

Indigent households will continue to receive 50 kilowatts of electricity, 10 kiloliters of water free per month, free sanitation and refuse removal as well as a R50 subsidy on rates and other services. Electricity and water remain our major sources of own revenue at an average of 26,6 and 20,7 percent per annum respectively over the medium term, whilst Property Rates will contribute on average 12,1 percent to own sources of revenue over the next three years.

Turning 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 National Treasury in line with the inflation target band of the Reserve Bank of between 3 and 6 percent. 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 and a 16 percent increase in the ESKOM bulk electricity tariff to municipalities will be effective from 1 July 2012. An average tariff increase of between 11 and 25 percent is proposed for electricity subject to approval by NERSA which will also be utilised to fund the ring-fencing of the service.

All consumers, approximately 25 500 households, will again be given 50 kilowatt hours of electricity per month free of charge. The municipality has entered into discussions with NERSA regarding the suitability of their proposed stepped tariffs for 2012/13 compared to those already implemented by the municipality and secondly we will also apply to NERSA for the possible implementation of a "peak and off-peak" tariff as we are subjected to this type of tariff by ESKOM during the winter months.

In order to economise the refuse removal service it must be considered that the same tariff be charged where there is a service once a week hence an increase of between 6 and 9,76 percent is proposed for refuse removal to ensure uniformity in the tariffs.

An average tariff increase of 6 percent is proposed for property rates, sanitation and solid waste and between 6 and 29 percent for water services. In respect of water, the consumption tariff for Oranjeville will increase by 28.32 percent in order to have a uniform tariff, which will be phased in over two years. The tariff for businesses and government properties will increase by 20.8 percent to bring it in line with households whilst the tariff for light industries will increase by 29.3 percent to bring it on par with heavy industries. The above tariff increases are based on input cost assumptions which include an 11.3 percent in the cost of bulk water to be purchased from Rand Water.

Mr. Speaker, we have to ensure that our programmes to enhance and strengthen our revenue base are implemented so that we can ensure that our billing, debt collection and credit control processes are effectively improved so that we can collect all the revenue that we are budgeting for. Our collective failure to do this will continue have a negative impact on our cash flow position, with very serious adverse implications for service delivery in the near future.

We have to inform Council that some progress has already been made with the implementation of our revenue enhancement strategy in respect of data cleansing, the establishment of the budget and loss control committee, the review of our debt collection programme and the migration to the e-Venus system. However, Mr. Speaker, we need to step up our efforts and do much more.

The Operating Budget further provides for expenditure of R777,5 million in 2012/13, increasing by 17,4 percent to R913,0 million in 2014/15. The growth in operating expenditure for 2012/13 compared to the current financial year's adjusted budget amounts to R78,9 million or 11,3 percent. The following are the main expenditure types on the operating budget:

- Employee related costs for 2012/13 amounts to R182,9 million or 23,5 percent of the total operating expenditure increasing to R218,9 million or 23,9 percent in 2014/15. This expenditure item shows a significant decline as a percentage of total operating expenditure and is well below the benchmark set by National Treasury of 30 per cent.
- Bulk purchases of electricity and water amount to R253,1 million or 32,6 per cent of total operating expenditure in 2012/13 increasing significantly in 2014/15 to R342,9 million or 37,6 per cent. The huge jump in bulk purchases relates mainly to an increase in electricity purchases and purchasing costs from ESKOM.
- Aligned to the priority given to preserving and maintaining the municipality's asset base and current infrastructure, the 2012/13 budget and MTREF provide for extensive growth in this expenditure (excluding labour cost) from R33,4 million in the current financial year to R53,4 million representing a 60 percent increase.

The total Capital Budget increases from R101,9 million in 2011/12 to R137,9 million in 2012/13. We see a slight decrease in our capital budget in 2013/14 to R123,9 million and then increasing marginally again to R124,5 million in 2014/15.

Mr. Speaker, the municipality that we will be receiving allocations amounting to R182,1 million over the next three years from the national fiscus, in terms of the Division of Revenue Act (DORA) as our Municipal Infrastructure Grant (MIG), Department of Energy (DoE) and COGTA for capital grants to speed up the rolling out of basic municipal infrastructure to households.

The DoE allocation of R35 million over the next three years will mainly be utilised for the installation of bulk supply services to Amelia, Gortin and Moidraai.

Our MIG funding over the next three years amounting to R142,1 million will mainly be spent on the following key projects:

- The construction of inter-locking paved roads and storm water channels across the municipality for R1,3 million,
- Sewer network and toilets for 3 257 stands in Amelia worth R22,9 million over the next two years,
- The construction of sewer for 368 erven and upgrading of plants in Metsimaholo Extension 6 amounting to R18,4 million over the next three financial years,
- Sanitation in Gortin, phase 4 totalling R20,9 million over the next three years,
- The augmentation of bulk supply and the upgrading of purification works to service 6 500 stands in wards 3, 4 and 20 for a total amount of R17,6 million over the next two financial years,
- The construction of bulk water supply for 2 537 stands in Refenggotso budgeted for at R22,6 million in the two outer years, and
- An amount of R24,9 million has been set aside in the two outer years for the construction of the fire station in Deneysville.

Our next draw down amount on the loan from DBSA amounting to R32 million in the 2012/13 financial year will be utilised to implement the automated meter reading system for water and electricity at a cost of R11 million, the construction of new roads, storm water and sewer in priority areas amounting to R10,5 million and to install services to the Vaalpark stands for R5,5 million. The last draw down on the loan of R7 million will be used in 2013/14 for the electrification of Minnaar Street in Vaalpark.

Social Services will receive a total allocation of R62,9 million of the total capital budget over the next three 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. We also anticipate the completion of the Multi-Purpose Centre in Harry Gwala funded by Anglo Coal in the near future.

Mr Speaker the following Social Labour Plan Projects are already taking place in our Municipality,

1. Brick Manufacturing project funded by Sasol Mining based in Chemcity
2. Community Multipurpose Sports Centre funded by Anglo American New Vaal Colliery mine in Ward 21 and
3. Pre- School funded by Copper Sun Sands mine in Ward 13.

It is very important that I must indicate and appreciate the good working relationship our Municipality is having with Free State Provincial Governance under the leadership of Premier Ace Magashule. The MEC of Health Me Fezi Ngubentombi in her 2012/13 Budget Speech indicated that an allocation to build a Community Health Centre (CLINIC) has been made to Metsimaholo Local Municipality and that the clinic will be established in Ward 01, Walter Sisulu.

The Department of Cogta and Human Settlement under the leadership of MEC Ollly Mlamleli has also promised completion of all unfinished houses Zamdela, Refengkgotso and Metsimaholo. There will also be the completion of all incomplete RDP houses and PHP houses.

Mr Speaker, in this Budget of 2012/13 there is an amount of R3 million which is allocated for the Executive Mayor's Projects. The following is all the Projects that will be mainly controlled from my office.

1. Information signs project
2. CBD improvement
3. Numbering of graves in Refengkgotso and Metsimaholo
4. Fencing of Zamdela Cemetery
5. Mayoral Sports Tournament
6. Piloting of cooperatives to start Food Gardens, Chicken Farming and Cemetery Cleaning
7. Recreational Equipment in Community Parks.

Mr. Speaker, The Youth Summit will be taking place on the 18 and 19 June 2012 The Objective of the Youth Summit will be to create a platform for young people to discuss and come out with clear implementable solutions with regard to common youth interests.

In conclusion, Mr.Speaker, the 2012/2013 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. It has been a long and tortuous journey, even so we do not dare fail to achieve the set targets. We are on course to make sure that as our local economy continuous to grow, more of our people in our area from the second economy will benefit from the spin-offs of the first economy.

Honorable 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. 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 MEC of Health Me. Fezi Ngubentombi and MEC of Cogta and Human Settlement, Me.Olly Mlamleli.
- 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 and all other stakeholders for their valuable contributions to change the lives of our people.
- The Acting Municipal Manager, Mr.Robinson Thekiso, the Chief Financial Officer, Motshidisi Mokoena 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 and the Council Whip, Cllr. Thandi Soetsang, through their regular oversight over the processes of the municipality.
- I would like to thank all councilors 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 2012/2013 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