

**STATE OF THE MUNICIPAL ADDRESS DELIVERED BY THE EXECUTIVE
MAYOR OF METSIMAHOLO LOCAL MUNICIPALITY, CLLR.BRUTUS MAHLAKU
AT THE JJ KHUBEKA SCHOOL HALL AT REFENGGOTSO (DENEYSVILLE)
ON THE 30th MAY 2014 .**

The Honorable Speaker, Cllr. Sello Matena

The Council Whip, Cllr.Thandi Soetsang

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, it is with pride and a great sense of purpose that I stand in this school hall and deliver this address, just a few days after the inauguration of our president, Jacob Zuma for his second term in office as the President of the Republic of South Africa and his cabinet ,and also our Premier, Ace Magashule and his cabinet for their second term, to lead our people for a better life and radical economic change.

The first 20 years of democracy laid a solid foundation for a better life for all. We are ready to enter the second phase of our struggle. Che Guevara once said: “The revolution is not an apple that falls when it is ripe. You have to make it to fall.” We have made it clear that the currently newly elected ANC government will implement radical socio-economic transformation to meaningfully address the triple challenges that are facing all of us namely poverty, unemployment and the glaring inequalities in our communities.

Modimo o re thusitse ho fihlella mona “Ebenheser”. Mme o ntse a tla re thusa le hpo feta mona. Ha o ntse o sits aba bang, o hauhela ba bang o se ba fete baahi ba Foreistata. Alles sal goed en wel wees. God is in beheer.

Mr Speaker, South Africa, the Free State and Metsimaholo is a better place than it was before 1994. Our national government, under the leadership of President Zuma has built, strengthened and improved the foundation laid by the previous ANC governments, led by the late President Nelson Mandela, President Thabo Mbeki, President Kgalema Motlanthe. This is also the case in the Free State, under the leadership of Premier Ace Magashule.

It is an irrefutable truth that South Africa, the Free State and Metsimaholo is a better place than it was before 1994. The ANC has a good story to tell that I don't hesitate to share with you.

Mr. Speaker, I want to agree with the statement made by our Premier, Ace Magashule, in his state of the province address on the 21 February 2014 in Bloemfontein. I quote "The past 20 years and the 102 years of the existence of the African National Congress – the ruling party and the movement of the people of South Africa – have provided us with many opportunities to showcase and celebrate the unique character and the spirit of the Free State and South Africa. We cannot deny the harsh reality of the painful history of black South Africans. Every single aspect of the lives of black South Africans was dominated by laws that paved the way for "grand apartheid". These laws determined where and how we lived, went to school, got medical treatment, worshipped, worked and played. Black South Africans were provided with services greatly inferior to those of whites.

From its establishment in 1912, the ability of the African National Congress to represent the voiceless and disenfranchised, together with the support of our allies, culminated in the adoption of the Freedom Charter in 1956 at Kliptown." Close quote.

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.

Molaolakgotla, Balekgotla ba hlomphehang, baeti ba rona le setjhaba se mona. Haesale ho thehwa Lekgotla lena le etelletswe pele ke African National Congress ka 2011, re fetile diphepetso tse itseng mme ra fihlella katleho re le masepala wa Lehae wa Metsimaholo tjantjellong ya rona ya ho ntlafatsa maphelo a batho ba rona mme ke na le ditaba tse monate tseo ke batlang ho le bolella tsona:

- Ka tshehetso ya Cooper Sunset Sand (Pty)LTD, re kgonne ho aha sekolo sa boleng ba R1,5m mane Harry Gwala Ext 9.

- Re ahile letanngwana la metsi la boleng ba R37,5m mane Refengkgotso hore re kgone ho ka fepela baahi ba rona ka metsi a maphodi a hlwekileng.

- Bomme le bontate jwalo ka puso e hlokomelang, ka tshehetso ya Anglo Coal re kgonne ho aha Setsi sa Setjhaba sa Merero e Mengata sa boleng ba R23m mane Harry Gwala. Sebakeng sena ho na le diofisi tsa masepala, mafapha a puso a kang SASSA, SAPS, jj. Sepheo sa porojeke ena ke ho atametsa ditshebeletso setjhabeng.

- Re ntse re aha moaho wa diofisi tsa masepala Zamdela wa boleng ba R36m mme re tshepa hore porojeke ena e tla phethahala pele ho mafelo a selemo se hodimo sa ditjhelete. Ke porojeke e nngwe ya puso e kgathallang eo sepheo sa yona eleng ho atametsa ditshebeletso setjhabeng.

- Re aha Seteishene se Fehlang Kelatshila mane Amelia. Porojeke e tla ba ya boleng ba R37, 2m mme yona e tla phethelwa ka katleho pele ho mafelo a selemo se hodimo sa ditjhelete.

- Tshebedisanong mmoho le Metsimaholo Rejuvenation, re thehile dibaka tsa ho phomola tsa malapa (family parks) Wateng tsa 10, 11, 12 le 21. Rand Water

Foundation e fanne ka R3m ho ntlafatsa Sebaka sa Wate ya 10 hore hobe le disebediswa tsa ho ikwetlisa.

- Re ntse re aha Matlwana a Bodulo a Setjhaba a 392 mane Wateng ya 12 e Zamdela a boleng ba R116m mme karolo ya pele ya matlo a 100 e tla phethelwa pele ho mafelo a selemo se hodimo sa ditjhelete.

- Re ahile mmila o moholo mane Sesulu Section ka ditjeho tsa R35m mme porojeke yona e se e phethetswe ka katleho.

- Phepelo ya metsi a hlwekileng e matlafetse ho tloha ka selemo sa 1994 ka baka la meralo e fapaneng e tlisitsweng ke puso e etelletsweng pele ke ANC e akaretsang matlo a ditjeho tse tlase mane Harry Gwala/Amelia, phepelo ya metsi ditsheng tse 3000 mane Amelia le phepelo ya metsi ditsheng tse fetang 300 e phethetsweng mane Extension 5 & 6 Orangeville.

- Phepelo ya motlakase e matlafetse haholo mme re kentse mabone a dipalo tse telele a 60 ho tloha ka 1994, ra kenya motlakase matlong a ka bang 12000 ho tloha ka 1994 mme ra kenya motlakase dihosteleng tse 3 tseo ka nngwe e nang le matlwana a bodulo a 300.

- Ka tshehetso ya puso ya provense re ahile Setsi se Setjha sa Sasolburg High Performance hore boradipapadi le dibapadi tsa rona ba kgone ho ka ikwetlisetsa ditlhodisano teng.

- Bomme le bontate re ahile matlo a fetang 20 000 dilemong tse 20 tse fetileng.

- Matlo a diRDP a fetang 1350 a ahilwe dilemong tse 5 tse fetileng Zamdela, Deneysville, Sasolburg le Orangeville.

- Boikemisetsong ba rona ba ho lwantsha botlokotsebe, masepala wa lona o abile setsha bakeng sa ho ahwa ha seteishene se setjha sa maponesa sa Zamdela mme sona se phethetswe ka katleho ebile se a sebetsa.

- We have also gave bursaries to students in our municipal area to go and study at different tertiary institutions such as North West university, VUT and Flavius Mareka FET college. Furthermore we have an intake of different learnership programmes running currently at the municipality.

Mr.Speaker, councilors and members of the public, this is indeed a good story to tell by the ANC led government under the leadership of President Zuma and Premier Magashule.

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 2014/2015 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 889,7 million rand in 2014/2015 and increases over the medium term to just over a billion rand in 2016/2017. The growth in the revenue budget for the 2014/2015 financial year compared to the adjusted budget for the current financial year amounts to 97,6 million rand or 12,3 percent.

Electricity and water remain our major sources of own revenue at an average of 25 percent per annum over the medium term, whilst Property Rates will contribute on average 11,5 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 179 million rand in 2014/2015 increasing marginally to 195,2 million rand in 2016/2017. These grants represent an average of 20 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 2014/2015 financial year 13 000 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 if rates become payable.

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 increasing 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.

NERSA has announced the revised bulk electricity pricing structure with an 8,09 percent increase in the Eskom bulk electricity tariff to municipalities that will be effective from 1 July 2014.

Considering the Eskom increases, the consumer tariff will be increased by 7,39 percent to offset the additional bulk purchase cost from 1 July 2014.

All non-indigent consumers, approximately 29 000 households, will be given 25 kilowatt hours of electricity per month free of charge and this will be phased out in the next financial year and only indigent residents will receive free basic electricity from 1 July 2015 onwards.

An increase of 8 percent in the waste removal tariff is proposed from 1 July 2014. The tariffs in the various areas of the municipality are 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 8 percent is proposed, in order to have uniform tariffs on water borne sewer. A tariff increase of 6 percent is proposed for property rates with effect from 1 July 2014.

In respect of water, an inclining block tariff is proposed from 1 July 2014. The cost of bulk water purchases from Rand Water and the cost of other inputs is 8,1 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 9 and 11,7 percent depending on the water consumption, with the increase for indigent households closer to 6 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 and implemented so that we can collect all the revenue that is 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

The Operating Budget provides for operating expenditure of 868,5 million rand in 2014/2015, increasing by 14,5 percent to over one billion rand in 2016/2017. The growth in operating expenditure for 2014/2015 compared to the current financial year's adjusted budget amounts to 77,2 million rand or 9,8 percent.

The Municipality's expenditure for the 2014/2015 budget and Medium Term Revenue Expenditure Framework is informed by the following:

- The budget must be balanced, 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 budgeting combined with incremental budgeting based on historical information, plus inflation in line with Treasury guidelines;
- 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 2014/2015 financial year amounts to 207,7 million rand, which equals 23.6 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 percent for the 2014/2015 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 318,5 million rand or 36.7 percent of total operating expenditure in 2014/2015 increasing in 2016/2017 to 375,8 million rand or 37,8 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 2014/2015 budget and MTREF provide a total expenditure of the next three years of 98,9 million rand, not taking into account the labour cost.

THE CAPITAL BUDGET

The Total Capital Budget increases from 126,2 million rand in 2013/2014 to 136,9 million rand in 2014/2015. We see a decrease in our capital budget in 2015/2016 to 70,6 million rand and then stabilised to 74 million rand in 2016/2017, 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 172,6 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 DEPARTMENT OF ENERGY conditional capital grants to speed up the rolling out of basic municipal infrastructure to households.

The DoE allocation of 48 million rand will mainly be utilised for the installation of bulk electricity supply services to Amelia, Gortin and Mooidraai.

Our MIG funding over the next three financial years amounting to 124,6 million rand will mainly be spent on the following key projects:

- Sanitation in Gortin, phase 4 totalling 27,4 million rand in 2014/2015 financial year,

- the construction of roads amounting to 70,5 million rand in the 2015/2016 and 2016/2017 financial years and
- we have budgeted 16,6 million rand for the building of a Sports complex in Refengkgotso and 10,1 million rand for the sports complex in Metsimaholo at Oranjeville.

Karolo e latelang ya 38 million rand ya tjelele eo re e kadimileng ho DBSA selemong sa ditjelele sa 2014/2015 e tla sebedisetswa ho kenya motlakase o lefellowang dihosteleng tsa Thembalethu le Phomolong, ho tla rekwa makoloi le metjhini e etsang mesebetsi e boima jwalo ka diterekere tse lokisang ditsela (Graders) le Dilori tse thotang mobu (Tipper Trucks) ho potlakisa kabo ya ditshebeletso sebakeng sa rona. Ho lokiswa ha ditsela motseng o moholo wa Sasolburg ka ditjeho tse 20 million rand, ho alwa botjha ha sekontere mebileng ya motse o moholo wa Sasolburg ka ditjeho tse 5, 7 million rand. Porojeke ya ho ahwa ha mmila o moholo wa Vereeniging/Deneysville e tla atoloswa ho akaretsa toropo ya Deneysville mme porojeke ena e tla tshehetswa ka ditjelele ke puso ya provense. Re lekanyeditse tjelele e kana ka 6 million rand bakeng sa ho ala ditene mebileng ya motse wa Refengkgotso. Tjelele e kana ka 7 million rand e tlo sebedisetswa ho ala ditene mmileng wa Scott motseng wa Orangeville.

Ladies and gentlemen, all these afore mentioned projects will be labour intensive. Replacement of electricity cables for 2 million rand in all critical wards in our area.

Social Services will receive a total allocation of 30 million rand of the total capital budget over the next three financial years, mainly for the finalising of the landfill sites and the sports complexes in Refengkgotso at Deneysville and Metsimaholo at Oranjeville

On average projects related to Technical Services and Social Services will make up approximately 97 percent of the total capital budget over the medium term.

It is also important to highlight that in the 2014/2015 financial year just over 89 percent of our capital budget will be financed through grants and loans stay

unchanged at 89 percent in 2016/17. 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 medium term.

Mr Speaker, councillors and officials of Metsimaholo municipality, we are indeed firmly on our way to bring real and meaningful hope to our people through the services that we deliver to our communities.

Let us remind ourselves that *“Almost everything we do will seem insignificant, but it is important that we do it”*.

And let us remember, *“Out of nothing, much. Out of much, much more”*.

In conclusion, Mr.Speaker, the 2014/2015 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 Lindiwe Tshongwe and her team for the sterling work they did, in driving the IDP and budget processes under difficult circumstances in our area. We have included all political parties in the preparation of this budget to achieve consensus.

PEOPLE TO THANK

- 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. Once more, Mr Speaker, 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 FOUNDATION, 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 Chief Financial Officer, Ahmed Lambat and his 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 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.

I also want to thank the principal, the SGB and staff of JJ Khubeka school for availing their beautiful hall for us.

Honorable Speaker, I now formally table the 2014/2015 Budget as outlined in the Council's Agenda as Item FOUR 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. Ndiyayabulela