

**BUDGET SPEECH BY THE HONOURABLE MAYOR
OF TSWELOPELE LOCAL MUNICIPALITY,
COUNCILLOR KR PHUKUNTSI**



DELIVERED AT BULTFONTEIN TOWN HALL ON WEDNESDAY 31 MAY 2023

Madam Speaker

Honourable Councillors

Leaders of All Other Political Parties

Acting Municipal Manager

Director Corporate Services, Director Community Services, Acting Chief Financial Officer and
Acting Director Technical Services

The Leadership of Business, Labour and Civil Society

Residents of Tswelopele Local Municipality

Distinguished Guests

Acknowledge my warm and heartfelt greetings to you.

Honourable Speaker, before I proceed, allow me to acknowledge the presence of the Pastors who have graced this occasion.

INTRODUCTION AND OPENING REMARKS

Let me begin by expressing my gratitude for the opportunity to lead the municipality and present the Medium-Term Revenue and Expenditure Framework for 2023/2024. We are honoured as Tswelopele Local Municipality to witness the collective efforts of the management team and our employees, investors and all citizens to transform the municipality to be a better place for all in these deteriorating circumstances we find ourselves in.

We are adopting and approving the Medium-Term Revenue and Expenditure Framework and reviewed IDP in a very difficult local economic environment. Locally, load-shedding has become more persistent and prolonged, impacting on service delivery and threatening the survival of many businesses. Households are under pressure from the rising cost of living, and unemployment remains stubbornly high as a result.

We however, honourable madam speaker in all these mentioned trying times should acknowledge and warmly welcome coordinated efforts our government is putting to recover and stabilise the economy. We draw strength from the energy initiatives that the government has proclaimed to introduce to assist both municipalities and businesses and proudly state that we have commenced from 2022/23 financial year in implementing some of these energy efficient programmes funded by Department of Mineral Resources and Energy (DMRE).

The growth and prosperity of our municipality is reliant on the quality of our infrastructure. Whilst we have recorded an immense progress with the upgrading and construction of new

infrastructure, we have not consistently kept up to the required standards. Our municipality is pleased with the level of implementation of capital infrastructure projects and welcomes the budget of R 40 million for capital expenditure for 2023/24. Our municipality vastly depends on grants from national government as majority of our revenue is made up of equitable shares and other Operational Grants [i.e Financial Management Grant, and the EPWP grant].

The municipality is under immense financial pressures and constraints to meet the ever-increasing development needs of the community. Over the years, the financial pressure comes mainly from the decrease in municipal revenue sources that limit the capacity to deliver on the sustainable services. We therefore call all those who can pay for municipal services to do so and those who cannot to come register for indigent subsidy. In order to strengthen and improve the indigent status update, the municipality came with initiative of amending the indigent policy during 2022/2023 budget year, by including the conditions such as making pensioners and disabled indigents permanent to avoid renewal of applications annually, any other application will be valid for period of three years.

Honourable Speaker as I deliver my Budget Speech, I would like to state that we are still on the edge to ensure that the municipality addresses the undesirable conditions identified during our 2021/22 strategic session with the assistance and commitment of our employees and sector departments. We deliver this speech under tremendous pressure given the challenges that beset our municipality and the country as a whole.

Honourable Speaker and Councillors we are making immense progress in ensuring that critical service delivery assets are prioritised and procured in line with identified needs as our IDP dictates. We urge all councillors to stand with us and ensure our community members support all innovative measures to be implemented in ensuring that we take our municipality forward. We have also seen a drastic decrease in community members participating in municipal affairs [attending IDP and Budget Meetings] and would like to state that different methods will be used to engage the public to make inputs into the IDP and budget henceforth.

Honourable Speaker and Councillors we cannot ignore the effects loadshedding has in community members paying for municipal services, this has negatively affected our municipal budget and increased our debtors' book. In most if not all our meetings with the members of the community we have emphasised the importance of paying for municipal services. Councillors need to play a pivotal role in encouraging people to pay for municipal services, refrain from illegal connections and theft of electricity, even our conditional grants are forever decreasing on a yearly basis.

Honourable Speaker and Councillors at large we should all be aware of our challenges and note should be taken that some of our challenges are historic, others are due to our subjective and objective failures as government.

OUR CHALLENGES

Our immediate challenges in service delivery include:

1. Fixing water and electricity meters and refurbishment of infrastructure to reduce abnormal water losses and electricity losses
2. Water interruptions (Meeting the current water demand)
3. Insufficient EPWP allocation used to appoint project workers
4. Poor economic environment
5. Filling of critical service delivery positions
6. Non-replacement and regular maintenance of service delivery assets
7. Potholes and lack of budget to rehabilitated road network
8. Lack of specialised waste collection equipment
9. Municipal tariffs are not cost-reflective

Honourable Councillors we are a grant-reliant municipality with limited financial resources as such the above-mentioned challenges and needs will never be addressed in short period of time. I would like to reiterate that our main aim is service delivery, providing conducive economic environment and good governance. It is vitally important to manage the expectations of our people by regularly having meetings and giving feedback on municipal progress.

Special emphasis is made to do away with the culture of non-payment of services by the community and accordingly, no Councillor should owe the municipality for municipal services. In addressing this, management should ensure that proper communication is made to indicate arrear debt which should be paid immediately to reflect only the current account.

We have proclaimed that extensive revenue collection measures will be instituted and have slightly seen an improvement in collection of electricity revenue due to the implementation of smart prepaid meters thus minimizing unacceptable financial losses.

The Integrated Development Plan (IDP) and Budget I am tabling here today for approval, are the tools that will guide us in becoming responsive to the needs of the communities we serve as well as addressing the challenges we face as the municipality.

BUDGET PROCESS FOR 2023-24

The IDP and Annual Budget review process started with the approval of timelines in August 2022. The Process unfolded accordingly as per the requirements of the Municipal Systems Act and Finance Management Act, till this Council approved the Adjustment Budget and Draft Budget in February and March respectively.

Critical legislations that govern the municipality echoes the principles of community participation in municipal affairs. This is the reason why we called our community members and stakeholders to the IDP and Budget Public Consultation meetings, we needed to consult our constituencies.

This council is reviewing the approved five-year IDP and Budget, this process is undertaken with the input of the different stakeholders. It is vitally important to appreciate and stress out that these plans belong to the people of Tswelopele. Public consultation is vital to ensure that prioritising of what needs to be done is a product of mutual agreement. Also, there is immense progress achieved with the sourcing of funds and implementation thereon of identified unfunded needs and projects.

Honourable Speaker, in compiling the 2023/24 annual budget...

- National Treasury MFMA Circular 122 and 123 were used to guide in the compilation of the 2023/2024 Medium Term Revenue and Expenditure Framework.
- The following budget principles and guidelines informed the compilation of the 2023/2024 Medium Term revenue and expenditure framework:
 - 2022/2023 MFMA Section 72 report – mid-term assessment report;
 - 2022/2023 Adjustment Budget
 - Average CPI inflation from 1 April 2023 to 31 March 2024
 - National Treasury Guidelines and other circulars
 - National and Provincial Budget speeches

ALIGNMENT BETWEEN NATIONAL AND PROVINCIAL PRIORITIES

The Municipality cannot change the lives of our people and pursue the developmental agenda in isolation from the other spheres of government. In this regard, our plans and strategies must take direction from the State of the Nation Address by the President as well as the State of the Province Address by the Premier of the Free State.

We also take note of the current processes of reviewing the Free State Growth and Development Strategy and we are committed as the municipality to:

National Priorities

- Increase access to basic services
- Sustainable employment growth through increased public investment spending
- Responding to the electricity crisis
- Dealing with corruption and theft

Provincial priorities

- Fighting Poverty
- Reduce Crime

Honourable Speaker the municipality has programmes that talks directly to these objectives which are funded internally and through grants. We also see our unfunded projects getting the attention and positive response from sector departments and more efforts will be directed to realise these programmes in next financial years.

Honourable Councillors and the community at large, the 2023/24 medium term budget I am presenting today in light of the prevailing social and economic conditions within the municipality, will ensure sustainable service delivery.

In this regard, I would like to extend my sincere gratitude to all the residents and businesses who continue to sustain this municipality by paying for their services. It is my strong wish that you continue with this good practice as responsible residents of Tswelopele Municipality.

Madam Speaker, the underlying principles of this budget are as follows:

1. Strengthening financial management and accountability within the municipality;
2. Striving for financial sustainability by ensuring that the expenditure is aligned to the revenue;
3. Observe the cost containment measures and eliminate spending on non-core services;
4. Ensuring that the municipality generates enough revenue to ensure positive working capital.

Operating revenue budget

Honourable Speaker, full details on allocations for each of the departments are contained in the budget book (agenda) circulated to Councillors. At a high level, the operating revenue budget of the Municipality is R 215 million. This revenue is generated from the following major revenue sources:

- Property rates	R 29.6 million
- Service charges for electricity	R 62.3 million
- Service charges for water	R 5.8 million
- Service charges for sanitation	R 7 million
- Service charges for refuse	R 4 million

The municipality is also receiving about R 100 million in terms of the operating grants and subsidies. Included in this amount is Equitable Share which is also used to subsidise the registered Indigent Households and Financial Management Grant which is used to build capacity within the Budget and Treasury Office including employment of the Financial Management Interns. Other revenue sources are indicated in the budget document which is before Councillors.

Tariff structuring

Madam Speaker, the Municipality annually reviews its tariffs in line with the Municipality's Tariff Policy. The policy provides a broad framework within which Municipal Council can determine fair, transparent and affordable service charges that also promote the sustainability of service provision, taking into account the social, economic and financial imperatives of the Municipality.

As indicated above our municipality's tariffs are not cost reflective. Efforts are taken to gradually address this deficiency and we agree that it cannot be a once off endeavour. It was also stretched out in the previous financial year that over the years, the increase in tariffs was not always commensurate with the inflation rate. There were financial years where certain tariffs were not increased at all. This is currently having a negative impact on the budget as the current tariffs are not cost-reflective.

Accordingly, tariff increase for the 2023-24 financial year is in line with the inflation. Our tariffs will increase with 6% on trading services (water service; refuse service; sanitation). Property rates and other services will also increase with 6%. Honourable Councillors, we are proposing an increase of 15.1% in line with the National Energy Regulator of South Africa (NERSA) guideline for the year 2023/24 financial year.

All indigent households including those supplied by Eskom receive 50Kwh on a monthly basis. The municipality has appointed a consultant for installation of pre-paid electricity meters in Bultfontein and Hoopstad. The project is towards the completion stage and has proved to be a success. The electricity revenue collected by the municipality has decreased in recent times due the power cut crisis. The president of the country, during his SONA had declared national state of disaster to respond to the electricity crisis.

A detailed tariff list is attached to the budget document and I urge both Councillors and Communities to familiarise themselves with the contents therein.

Operating expenditure budget

Honourable Speaker, the deteriorating economic conditions forces the implementation of cost containment. Accordingly, I submit to this Council, an operating expenditure budget of R 241 million (including non-cash items of R 33 million). The major components of the expenditure are as follows:

Employee related costs	R 88.6 million
Remuneration of Councillors	R 6.2 million
Bulk purchases (electricity)	R 50 million
Finance charges	R 2.5 million

Included in the total operating expenditure budget is R33 million of non-cash items (Debt impairment and depreciation at R13 million and R20 million respectively). The municipality currently owes:

- Eskom R99 million
- Sandvet R15.9 million

We take note of Circular 124 proposed by National Treasury which details amongst others with conditions for municipalities to qualify for Eskom debt write-off. A proper presentation to Council will be made and accordingly an application be concluded and submitted to National Treasury for Eskom debt relief.

We are also unable to phase-out the flat-rate charge in both townships immediately due to the high leaking and non-working of water meters, as such the collection on water service cannot fully maintain the Sandvet account. We have budgeted R1 Million for a project that will focus in the fixing of water meters in both townships and moreover from July 2023 we will start billing Extension 7&8 for water, refuse and sewer services.

Costs containment regulations have also been adopted by Council and implemented by management in ensuring that the operating expenditure is curbed to the acceptable limits and within the mandate of the municipality. The municipality has plans in the next financial year to procure yellow fleet or service delivery assets to avoid exorbitant hiring costs.

Capital expenditure and funding

Project description	Budget
Refurbishment of electricity infrastructure in Bultfontein and Hoopstad – CoGTA & Treasury	R7 000 000-00
Fencing of cemeteries in Tikwana Erf 695&3654 - MIG	R1 888 801-40
Fencing of cemeteries in Phahameng Erf 556, ERF 396 portion A, ERF 396 Portion B - MIG	R2 787 765.83
Construction of 2km paved road and storm water drainage in Hoopstad - MIG	R13 087 000-00
Upgrading of bulk water supply in Hoopstad (Phase 4) - RBIG	R20 728 692.27
Upgrading of bulk water supply in Bultfontein (Phase 4) - RBIG	R27 651 275-82
Construction of Sewer Reticulation in Phahameng/Bultfontein Ext 9 (476 sites) - WSIG	R26 705 158.14
Bulk Infrastructure – Replacement Of Asbestos Pipes In Bultfontein	R13 300 000,00
Bulk Infrastructure – Replacement Of Asbestos Pipes In Hoopstad	R11 300 000,00
TOTAL	R124 448 693,46

NB: These are multi-year project amounts, for the next financial year we are only going to receive a total R38 million from MIG, WSIG, RBIG and CoGTA for capital projects and we have further budgeted R3.9 million for assets to be acquired with internally generated funds.

ACHIEVEMENTS

Madame Speaker in the midst of the current descending economic environment with the load-shading with its effects, the municipality managed to fill vacancies and complete more than 70% of capital projects as such deferment to 2023/24 will be minimal. It is also worth noting that the municipality has received an additional R10.8 million as a result of adherence to implementation plans and conditions of MIG.

The following are some of the capital projects successfully implemented in 2022/23 financial year:

- Construction of Sewer Reticulation in Phahameng/Bultfontein Ext 10 (426 sites)
- Construction of Water Reticulation in Phahameng/Bultfontein Ext 10 (426 sites)
- Energy demand management in Hoopstad and Bultfontein
- Refurbishment of pump station in Phahameng
- Upgrading of bulk water supply in Hoopstad (Phase 3)
- Upgrading of bulk water supply in Bultfontein (Phase 3)

The municipality is continuously upgrading its water treatment plants to meet the water demand levels and has completed phase 3 of the project in both Bultfontein and Hoopstad.

With the slow upgrading and lack of maintenance sports facilities in both Towns, the municipality managed to revive sports programmes and wellness initiatives. The aim is to promote sports which will in turn result in healthy living and reduce crime. We therefore encourage more sports programmes in the next financial year and commit that resources will be outsourced should we experience budget constraints.

CONCLUSION

Madam Speaker the past few years have challenged the municipality on multiple levels. We are on our 3rd stroke to deal with these challenges as such we acknowledge the development

of eleven economic sector Master Plans and reviewing of the Free State Growth and Development Strategy. The municipality will continue to align its plans with all developmental needs and strategies envisioned by the national and provincial government.

Amongst others we also welcome the first generation of Lejweleputswa District Development Plan and the support received from district municipality and all other stakeholders involved.

In this regard Madam Speaker allow me to extend my sincere appreciation to the entire council of Tswelopele for their undivided support. Let me also acknowledge the support provided by the Municipal Manager; Directors and every official who was involved in this process.

Honourable Speaker and Councillors at large, I hereby table 2023-24 IDP and Budget of Tswelopele Local Municipality for the fiscal year ending 30 June 2024 for your consideration and approval.