

**MUNICIPALITY EMTHANJENI MUNISIPALITEIT**



**BUDGET SPEECH**

**2009/2010 Financial Year**

**By the Mayor**

**Honourable Councillor B.K. Markman**

**To the full sitting of Council**

**Friday, 29 May 2009**

**10h00**

**Budget Speech 2009/2010 for Emthanjeni Municipality delivered  
by Mayor, Clr Boy Kenneth Markman, Council Chambers.**

**MADAM SPEAKER  
CHIEF WHIP  
MEMBERS OF THE EXECUTIVE COMMITTEE  
CHAIRPERSONS OF COUNCIL COMMITTEES  
COUNCILLORS  
MUNICIPAL MANAGER, CFO, OFFICIALS  
COMRADES, FRIENDS  
LADIES & GENTLEMEN**

1. INTRODUCTION

It remains a singular honor and privilege to present the 2009/2010 Budget, for the Medium and Revenue and Expenditure Frame period to the Council that will take us to the next Local Government elections.

Madam Speaker, the people of Emthanjeni Municipality gave us, the African National Congress, a renewed mandate to consolidate and increase our efforts in bettering the lives of communities in Emthanjeni Municipality.

2. The draft budget 2009/10 multi-year budget was tabled in Council at the end of March 2009 and was again followed by extensive public participation and community consultation by meetings as required by the MFMA and the Systems Act. It is also important to note that the budget was supposed to be shared with the communities by ward councilors through their quarterly ward meetings. I'm aware some made them guilty to laxity. This budget will be made available at a libraries,

administration offices, ward councilors and on our website.  
(Some pages still under construction)

3. Madam Speaker, the public participation process undertaken was not only to comply with the legal requirements of the MFMA and MSA, but it also sought to give effect to the bold pledge made in the Freedom Charter that *“people the shall govern and that all people shall be entitled to take part in the administration of the country”* This must not be confused with interference into administration and governance and the right to take decisions in terms of PAJA (Public Administration Justice Act). All ANC councilors pledged before communities to meet their constituencies every quarter and account. That pledge needs to be upheld throughout our term of office.

As Emthanjeni Municipality we have in the past, and will continue to make sustained efforts in reaching out to the people and engage with them in a meaningful way on matters affecting their daily livelihoods as citizens of our municipality. These reach-out programmes must not be anchored in fantasies and be melodious, they must find profound expression to our course. Working together we can do more and achieve more.

4. Madam Speaker, ladies and Gentlemen,

It is critical that we place this budget in its proper developmental and service delivery context and I want to quote from a viewpoint expressed by the former Minister Mufumadi *“Government takes the view that the basic tasks of development and democratic institution-building cannot be undertaken without sound municipal fiscal base. We are also of the view that municipal finances play an important role in the daily lives of our people. Our ability to access such basic services as water, electricity, refuse removal and sanitation depends on the efficiency with which the finances of our municipalities are managed and the efficient way in which these and other resources are allocated”*

6. The Council has pleasure also to inform the public that for the last two financial years we operated without an overdraft and this our objective for the multi-year budgets. The Council will soon very proudly report to the citizenry on the achievements made during the past years. An Annual Report will be tabled before Council very soon for public information and followed by a delivery audit since 2001. The reason is that we tend to forget the good things we have done and always concentrate attentively to the negative and not give praise where it's due.
7. It is the responsibility of all Directors, Managers and Foremen to work as a team to assist in revenue collection. This is not only the function embedded to the Municipal Manager and the CFO. Through Customer Care Policy and respond properly to queries, that would have an impact in customer confidence. Each and every Director must be a Public Relations Officer and also ask donations to fulfill the mandate in the IDP.
8. The views of the community have manifested in a non-negotiable commitment to, the EXCO and the Administration to achieve the IDP priorities by way of:
  - Expansion of basic services
  - Acceleration of delivery of water, electricity and decent sanitation
  - Extension of services to areas not presently serviced
  - Creation of jobs through EPWP and LED (busy with Mega Projects-some signed agreements)
  - Ensure local capacity through administrative and financial reforms to strive for a better audit outcomes
  - Proper maintenance of current infrastructure
  - Establishment of control measures to ensure organized settlements

- Strengthen law enforcement to ensure compliance to municipal by-laws
9. I must also mention that we are aware of shortage of skills among official and we are embarking on a comprehensive programme to build capacity of management, officials and councilors. Those who are lazy, we don't have place for them anymore – this is an ideal which I am prepared to endure even if it cost my life. Official who are not treating the community with dignity are inviting poverty to their homes and families.
  10. One matter I want to raise is that we need to look into our Supply Chain Management so as to benefit local people. The Management was given a task to assist our SMME's and my office and Council will ensure that these trainings and developments take place.
  11. The service delivery objectives elucidated in this budget can only be achieved in partnership with our community and it therefore means that all of us must and should honour our part of the social contract by paying our services to ensure that we succeed in our quest to remain viable and sustainable in removing the frontiers of poverty and under development.
  12. As a developmental local government the current unfavourable national and global economic climate has brought extra pressure on our revenue collection from ratepayers (residential and corporate) who themselves are struggling to weather this stormy period. This budget attempts to mitigate these tensions and call on all of us to realize that we all need one another's optimal contribution and collaboration to remain focused on our developmental agenda and service delivery goals.
  13. We urge that the private sector in the area also play a vital role so as to achieve many of the transformation objectives. We are not an enemy to the private sector. We need to create a necessary climate that will attract investors into our area. The various developmental projects that will kick off very soon, testify of our commitment. These investments that we will see

- will attract more local and foreign direct investments to our municipality and towns.
14. We remain committed to align the budget with the IDP and the ability to cascade the priorities and policies down through the organizational Service Delivery and Budget Implementation Plans (SDBIPs).
  15. As a Council, we have five fundamental problems to be addressed in the economic sphere viz. Poverty, inequality, racism, unemployment, underdevelopment and stagnation. To address these is a staggering challenge and that reality is sinking in.
  16. Our Budget tries to address the issue of skills shortage. We will continue with the Drivers Licenses, train young people for firefighting and we are in a process to discuss courses with the local college so as to afford youth the opportunity to acquire scarce skills. We will continue with learner ships and internships.
  17. We have a running programme on HIV/Aids. This is a time bomb we sit with. If we do not deal with it properly, that lack of insight would return and haunt us in the society. Employee wellness programmes will also be undertaken in order to capacitate our workforce in dealing with socio economic issues faced by them.

Madam Speaker,

### **IDP and linkage of IDP to budget (Capital Budget)**

Council adopted the Revised IDP during November 2008 and it which will be communicated to various wards during the budget input meetings. Various community and ward needs were identified which forms part of the revised IDP document. However all needs cannot be achieved, realized or addressed in one financial year or over one MTEF period.

**The current linkage of the IDP to the budget amount to R16 642 000 and the Capital budgeted projects are broken down as follows:**

- 1. Municipal Infrastructure Grant (MIG)**
  - Construction of Oxidation ponds in Hanover will start in earnest during this financial year.
  - Further development and completion of refuse disposal site
  - Potable Water investigation and provision in Britstown
  - Completion Storm water master plan
- 2. DWAF will allocate an amount of R1 107 000 towards the realization of the water project from Vander Kloof to various towns in the Pixley Ka Seme District, which did not realized during 2008/2009 and these funds will be transferred to next budget year.**
- 3. Lotto will be donating an amount of R1 905 000 for upgrading of Sporting facilities. These funds were not received in the 2008/2009 financial year but all indications are that the transfer of these funds will occur during 2009/2010.**
- 4. Resealing and construction of Streets will kick off with an amount of R2 000 000 capital programme which will be finance out of own funds. Over the next MTERF more funds will be avail to maintain, reseal, and pave roads in the Emthanjeni municipality.**
- 5. Ward Project allocations for sustainable LED project (s) amounts to R2 100 000 which forms part of the Repair and Maintenance expenditure.**
- 6. The Financial Reforms in terms of the conversion of financial statements presentations from IMFO to GAMAP/GRAP which is being prescribed by the MFMA.**

**7. The construction and erection of Eating and Lounge facilities for employees of Emthanjeni municipality.**

*(Attached you'll find the detailed linkage of IDP projects to the 2009/2010 Budget)*

**OPERATING BUDGET**

**1. Final Budgeted Income**

**Total Expected Rates Income will be R13 580 000**

- Total expected budgeted income amounts to R16 422 000
- Property rates penalties imposed arrear accounts amounts to R50 000
- Total estimated Income forgone which are exemptions, discounts, rebates, etc amounts to R2 842 000.
- Rates will be levied on the market valuation of property. All residential properties with a market value of R18 000 will be exempted from paying rates. Farming areas will be part of our income base for the first time on 01 July 2009. The new valuations will be implemented from 01 July 2009.

**Estimated Levied Services income amounts to R57 828 294**

- Electricity amount to R28 719 926
- Water amounts R13 042 148
- Sewerage amounts to R10 001 780
- Refuse removal amounts to R6 024 440
- Other service charges amounts to R40, 000

**Expected Gross Fines Income will amounts for R5 460 800**

**Licenses and permits will be R1, 048 000**

**Rental of facilities and equipment expected income will be R150 500**

**Interest Income will be R1, 026, 000**



- External Investments amounts to R310 000
- Interest charged on Arrear accounts amounts to R716 000

**Equitable Share and other Operating Grants and Subsidies amount to R26 056 000**

**The Total Budgeted Capital and Operating Income for the 2009/2010 Financial year are R130 215 745**

**The total budgeted income consists:**

- |                                      |   |               |
|--------------------------------------|---|---------------|
| - Capital Grants and Donations       | - | R 10 467 000  |
| - Operating Grants and Subsidies     | - | R 26 056 000  |
| - Public Contributions and Donations | - | R 1 905 000   |
| - Own generation of budgeted income- |   | R 91 787 745. |

## **2. Final Expenditure**

### **Salary and wages**

- The total salary and wages and social contributions for the year amounts R37 735 696
- Annual increase of 14 % has been provided in the final budget since negotiations are currently not finalised Organised Labour and SALGA
- All post per Organisational structure has been budgeted for that includes filled and unfilled posts.
- The salary percentage to the total budget is +- 31 %

### **Councilor Remuneration**

- Councilor Remuneration amounts for R3 542 467.
- The councilor remuneration percentage to the total budget is between +- 3 and 4%

**The total salaries, wages, social contributions and councilor remuneration are between 32 % and 34 % in relation to the total budget.**

**Provision for Bad Debts amounts to R8 086 875 and working capital reserve are estimated at R331 521.**

**Depreciation is stated at R13 531 673, and also reflects the total deficit between the expected income and expected expenditure for 2009/2010.**

**Repair and maintenance are estimated at R7 584 000, which includes the ward development projects.**

**Collection costs are budgeted for R4 160 000**

**Capital Charges for interest on loans amounts to R1 084 530**

**Bulk Purchases for Water and Electricity amounts to R22 336 360. This represents an increase of almost R6 500 000 in relation to last year's budgeted amount.**

**Operating Grants and subsidy expenditure amounts to R13 663 360, which are mostly sent on the Indigent Households for the subsidized services provide to approved Indigent Households. Capital Grants payments amounts to R9 360 000. These amounts are recognized on the income side and also on the expenditure side.**

**Capital projects that are finance from own funds amounts to +- R4 270 000.**

**Other expenditure amounts to R15 158 937 include some of activities that will take place:**

- LED Summit will take place.
- Ward development programmes
- Youth Summit
- Mayoral special project
- Telephone, stationery, audit fees, subsistence and travel, etc

**The Final Budgeted Expenditure for 2009/2010 are R143 747 418 which comprise of Operating Budget and the Capital budget .**

*(The budget reflects a deficit of R 13 531 673 which also represents the total estimated amount of Depreciation.)*

### **C. Tariff Increments**

**The following tariffs will increase by 8 % during the 2009/2010 financial year as follows: These are**

1. Electricity Basic fee
2. Water
3. Sewerage and sanitation
4. Refuse removal

**Electricity consumption tariff will increase by 34 % for the 2009/2010 financial year.**

**Municipal Rates do not necessary reflect a fixed percentage increase in relation to the previous year, as the last valuation was performed in 1994. The new rates levy will be levied against the market value of all properties. All Residential properties will be exempted for the first R18 000 from paying municipal rates and taxes.**

***As from 01 July 2009 the primary municipal services for the 2009/2010 financial year will be levied at***

**Rates and Taxes** 0.012 cents in the Rand

#### **Electricity**

-Basic fee	R85.92 per month
-Conventional meter consumption	66 cents per kwh (unit)
-Prepaid meter consumption	82 cents per kwh (unit)

#### **Water**

-Basic fee	R40.13
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-0 to 6 kl	R0
-7 to 15 kl	R5,31 per kl
-15 to 30kl	R6,03 per kl
- 31 kl +	R7,03 per kl

**Sewerage (Waste water management) R97,22**

**Refuse removal R60, 63**

**Secondary Tariffs**

- Secondary Tariffs will increase by 10 % for the 2009/2010 financial year.

***(Please note that the Tariff schedule is attached and tariffs are exclusive of VAT)***

**D. Indigent households**

A total of almost 4000 indigent households are receiving subsidized services every month. The subsidizes services include

1. 50 kwh of electricity @ R41, 00 p.m
2. Basic Water @ R40, 13 p.m  
6000 liters of water @ R0
3. monthly sewerage @ R97, 22 p.m
4. Monthly refuse removal @ R60, 63 p.m
5. All property which was valued at R18 000 and below is exempted from paying Rates and Taxes.

**The total monthly subsidized services to Indigent Households amount to R238, 98 (VAT excl.**

*(NB: All Indigent Households must re-apply for the subsidy from now to end of September 2009 in order to update our records and registers annually.)*

**Chief Whip,**

The following BUDGET RELATED POLICIES are presented to the Council for adoption. These policies are

- (i) Revised IDP
- (ii) Budgetary Policies
- (iii) Revised Credit Control Policy
- (iv) Revised Indigent Policy
- (v) Tariff Policy
- (vi) Investment and Cash Management policy
- (vii) Service Delivery and Budget Implementation Plan (SDBIP)
- (viii) Bylaws applicable to enforcement of financial policies.

**Madam Speaker in conclusion**

The 2009/2010 budget is a developmental budget which will aim to bring sustainability and improvement of service delivery. The various initiatives that Council will be undertaken will cement and concrete their mandate to improve the lives of all residents by focussing on the poor and create conducive environment for local economic development.

**Our approach need to be in line with the vision of our Honourable State President, Mr Jacob G. Zuma, that the time for maximum service delivery has arrived and that no-one will be spared if the communities are not being served. This is important components of Batho Pele principle.**

I hereby wish to thank the Speaker, Chief Whip, ANC Councillors and other Councilors for their continued support throughout the years.

A special word of gratitude to the Municipal Manager, Chief Financial Officer, other Directors and staff for their commitment in making Emthanjeni Municipality work.

**Lastly,**

**I now formally table the 2009/2010 Medium Term Budget including annexures and policies for Council's consideration and approval in terms of Section 24 (1) of the MFMA..**

I thank you!!!!