

# THABA CHWEU MUNICIPALITY



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## **SPEECH OF THE HONOURABLE EXECUTIVE MAYOR OF THABA CHWEU MUNICIPALITY ON THE 2016/17 BUDGET ADJUSTMENT, DURING THABA CHWEU SPECIAL COUNCIL MEETING ON THE 28 FEBRUARY 2017**

Speaker of Council: Honorable Cllr Tiny Mabuza  
Chief Whip of Council: Honorable Cllr Idos Mokwena  
MAYORAL COMMITTEE Member for Technical and  
Finance: Honorable Cllr MC Mashego  
MAYORAL COMMITTEE Member for Corporate  
Services Honorable Cllr M Kok;  
MAYORAL COMMITTEE Member for Social Services  
& Economic Development: Honorable Cllr Manzini  
Honorable Councilors  
Ward committee members  
Leaders of all Political Parties  
Magoshi a Rena

The Accounting Officer, Acting Municipal Manager:  
Mr. Matimba Malungana  
The Chief Finance Officer and his deputy, Misters  
Mokwena & Mnisi  
Directors, Managers and officials of Council;  
Distinguished guests  
Community and business leaders present here today  
Members of the Community;  
The Media present here today  
Comrades, friends, ladies and gentlemen  
All protocol is observed.

I greet you all on this beautiful day. Today it's the 28 February, and while we are talking matters of budget, just as friendly tip, be reminded to close your travel logbooks for purpose of tax filling.

Madam Speaker allow me to present the 2016/17 budget adjustment for Thaba Chweu municipality.

The purpose of this adjustment budget is to comply with section 28 of the Municipal Finance Management Act and the Municipal budget and reporting regulation 23.

Madam Speaker this council sitting is also reminded that we approved the 2016/17 Mid-Year budget and performance assessment on the 31 January 2017. This was in preparation of this 2016/17 budget adjustment, as required by series of municipal legislation.

In terms of section 28 of the Municipal Finance Management Act (MFMA), the council of a municipality may revise an approved annual budget through an adjustment budget.

The factors influencing preparation and adoption of 2016/17 adjustment budget are tabled in the Sec 71 Mid-Year report as noted by council on the 31 January 2017.

Madam Speaker and august house the 2016/17 adjustment is as follows

On the Revenue side, the original budget of R552, 5 million is adjusted up by R7, 8million. The adjusted revenue budget is now R560, 3 million.

This adjustment is attributed to the following items

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1. Electricity – we anticipate increase in collection of electricity revenue due to:
  - a. Enforcing the Municipal Revenue Enhancement strategy,
  - b. due to the electrification of households of informal settlements,
  - c. due to the conversion of all conventional meters to prepaid
  - d. and the continued implementation of the municipal credit control and debt collection policy.

The revenue enhancement strategy also includes amongst others the removal of electricity illegal connections.

We hope our communities will continue to support our revenue plans so that we can continue to render this important service to our communities

2. On water and sewer, we anticipate increase of R14, 1 million which is due to increased installation of water meters in households.
3. Other revenue is anticipated to increase by R2 million
4. Agency fees, which represent Licensing fees for motor and drivers licensing are reduced completely by R32 million. Madam Speaker this means that the municipality will not be accounting for licensing fees anymore as the function is transferred completely to the provincial government.

This adjustment will also assist to correct the accounting principle for agency fees which resulted in audit qualification of revenue during 2015/16 year.

Madam Speaker on the expenditure side, the total expenditure will increase by R14, 3million. The original budget of R571, 1 million will now be adjusted to R585, 4 million

Madam Speaker, the expenditure adjustment is done as combination of reduction in low spending items and increment in high spending items as follows;

1. Staff and councilors salaries will be adjusted up by R25, 4 million to R167, 8 million. This is attributed to increase in staff compliment, confirmation of long outstanding acting positions, and the anticipated payment of long service bonuses to long serving staff, and the funding of vacant critical posts
2. On the councilor salaries, the upper limits gazette was revised in 2017 to cater for increased community survey population figures. This adjustment has resulted in the upgrade of the municipal council from Grade 3 to 4 as result of population growth in Thaba Chweu. Although only ordinary councilors will receive salary increase this year, all councilors will receive salary adjustment due to the council upgrade from Grade 3 to 4.

We appreciate the efforts of the MM, CFO and his team for ensuring that the submission is fully motivated in ensuring the upgrade for the remuneration of councilors.

3. On Bulk purchases, which largely include electricity purchases from Eskom, we anticipate increase of approximately R1 million to cater for growth in electricity supply for consumers
4. Contracted services are reduced by R2 million – we hope most of this work will now be done internally by municipal staff
5. Own funded Capital projects to be increased by additional R5,2 million to cater for urgent infrastructure like major roads repairs and household electrification
6. Repairs and maintenance is increased by R7, 2 million. Madam Speaker you will agree that the weather conditions has contributed strongly into state of disrepair for our roads, electricity and water infrastructure. This budget adjustment will go a long way to affect the required major repairs on our services infrastructure.
7. Interest on ESKOM debt is reduced by R11, 5 million due to previous compromise negotiations on existing debt and signing of 48 month agreement – Madam Speaker this is just another commendable effort by our finance staff to look after the municipality's finances.

Madam Speaker, the adjustment budget in summary stands as follows;

Total revenue now is R560, 3 million  
Total expenditure is now R585, 4 million  
Budget deficit is R25, 1 million

Madam Speaker, as originally presented during the 2016/17 budget, the budget deficit is unavoidable given the municipality's cash flow situation and the service delivery work on hand. We hope to fund the budget deficit from ongoing collection of outstanding consumer debtors which stands at R185 million. We have also demonstrated prudent medium term budget which demonstrate the reduction of the budget deficit over next 2 outer financial years

Madam Speaker, allow me to present on the following key service delivery issues, just to build confidence to our communities and stakeholders.

### *Electricity*

On the 17 February 2017 the municipality issued a media statement regarding status of electricity supply and the ongoing Eskom debt.

The municipality signed a payment plan of 48 month to repay the Eskom debt. Madam Speaker this plan was signed in anticipation of improved payments for electricity by our households and business. Unfortunately this turned out not to be the case as the municipality continued to battle with illegal electricity connections, electricity losses due to meter tampering and imbalance electricity bulk supply.

As the result Madam Speaker the general revenue performance of electricity business affected negatively the payment plan to Eskom as agreed, with municipality experiencing payment shortfalls

With regard to Eskom notice to disrupt electricity supply, the municipality is currently in negotiation with Eskom to avert this situation. Madam Speaker the Eskom issues, as it is known that it affects many other municipalities in the province, has been escalated to the Premier's office and Minister of State Enterprises for high level intervention.

In the meantime Madam Speaker the municipality is forging ahead with short term and medium term plan to address the issue of electricity losses. This include the regular removal of illegal connections, finalization of procurement of smart meters from Eldo/ Energy Blocks jv, and conversion of all meters into prepaid meters, planned upgrade of electricity infrastructure to avoid supply penalties.

Madam Speaker at this point I want to make appeal to our communities and stakeholders to work with the municipality in supporting the initiatives to ***ERADICATE ELECTRICITY LOSSES AND PAY FOR ELECTRICITY!***

Madam Speaker the municipality will give updates on regular basis regarding the planned imminent disruption of electricity by Eskom



On roads Madam Speaker, the municipality has put in place tangible plans to deal with the state of disrepairs on roads. We have recently appointed Manager for roads, plus 3 Roads Supervisors. We are also finalizing procurement of ashfalt supply and procurement of roads maintenance equipment. Madam Speaker after finalization of this adjustment budget we should see major improvements on the state of our internal roads.

Other initiatives to notice Madam Speaker is that the municipality has entered into MoU with SANRAL on all our major internal roads and provincial roads of R36 and R37. In terms of this MoU SANRAL will take over responsibility of Voortrekker and de Clerq roads on full kerb to kerb maintenance arrangement. Both R36 and R37 provincial roads will also be included in this MoU once we received approval from the provincial government.

On Human Settlements Madam Speaker, the recently approved construction of houses is well underway. The construction of 100 houses is underway in Sabie, while 200 houses are underway in Mashishing. The municipality recently received a visit by MEC for human Settlements, Honorable Mr. Speedy Mashilo who reiterated support for the municipality for improved supply of houses and improved budget for servicing of vacant land which will be made available for those who can afford to build their own houses.

Madam Speaker Thaba Chweu's participation in Housing Catalytic Housing projects was confirmed in the PMT lekgotla which was held in January 2017. The municipality is among the two in the project that will benefit from the R1, 3 billion mixed housing projects over the period of 5 years. This project includes building of housing and industrial projects and installation of infrastructure services in the municipality growth areas.

On water, the planned water projects are on track. Of particular interest are sewer upgrade in Mashishing, Sabie and Graskop which are being upgraded with assistance of Ehlanzeni District municipality

Madam Speaker allow me to also give indication of what lies ahead as we prepare for the 5 year IDP journey as the newly elected council

The municipality had a successful Strategic plan to come up with informed 5 year IDP document that will pave service delivery path for the next 5 years as mandated by our voters.

The past week Madam Speaker we took note of the State of Nation Address by the President Zuma, National budget speech by Minister Pravin Gordon and State of province address by Premier Mabuza. Madam Speaker all the key elements of this important events will form the pillar of our municipal budget and service delivery implementation plan, along with the objectives of the National Development Plan.

Madam Speaker the appointment of Municipal Manager and Director Planning and Economic development are well advanced and will be affected in this current financial year.

As I finish Madam Speaker, please pass our appreciation to our loyal customers, our communities who try hard to meet the municipality half way by paying for their services in these difficult economic times, our staff for hard work, our business people for their continued support, and the support from the IGR family in the province and national.

Madam Speaker this budget remains our important weapon to pursue better life for all as mandated by the electorate. We shall never disappoint and we endeavor to do more for our people

The municipality is at bay whilst service delivery remains our major focus point. Through our outstanding performance in the implementation and the management of conditional grants we are anticipating additional allocations for the WSIG and MIG conditional grants.

This is a clear indication that as Thaba Chweu Local Municipality we are earning the well-deserved confidence of all stakeholders and oversight bodies.

We are definitely on the right path to achieving excellence in all areas of delivery.

We will continue to serve with humility as servants of the people

I thank you