

BUDGET SPEECH
FINANCIAL PERIOD 2013-2014
30TH OF MAY 2013

Honourable Speaker, Cllr Baijoo;
Deputy Mayor, Cllr Zuma
Colleagues in the Executive Committee
Fellow Councillors
All Distinguished Guests present;
The entire Management led by the Municipal Manager
Ladies and Gentleman

I am once again deeply honoured to stand before all of you to deliver the budget for the 2013/14 financial year. Chairman Mao once said ***"It is the duty of the cadres to serve the people. Without the people's interests constantly at heart, their work is useless"*** I stand here to present the peoples' budget informed by their interest, their wishes, their dreams and their goals for a better life for all. I am doing so mindful of the fact that if our budget is not informed by the wishes of the masses, Like Comrade Mao said, it is useless.

But not only is our work useless if it is not responsive to the needs of the masses, Comrade Mao further states that ***"masses are the greatest conceivable weapon for fighting against imperialism and domestic reactionaries"***. This then means that without our masse behind us and our side, we can forget about overcoming all the challenges confronting our society.

LEGISLATIVE REQUIREMENTS

Mindful of the legislative requirements that the IDP and budgeting processes needs to go through, ours has been a joyful journey as we have undertaken this process with the intentions of fulfilling the wishes of the voters who gave us this mandate through an overwhelming majority in the local government elections of 2011. Mr Speaker, I have no doubt that even if there were no such onerous legislative requirements, the journey that we have undertaken would have still remained relevant, informed by the democratic principles of the African National Congress which promotes a government of the people by the people for the people.

Accordingly Mr Speaker, it is my wish to state before this Council that we run an administration based on democratic principles as taught to us by the African National Congress, at the same time talking to Section 6(1) of the Municipal Systems Amendment Act which states that ***"a municipality's administration is governed by the democratic values and principles embodied in section 195(1) of the Constitution"***. Our Council is also a listening institution that takes the views and concerns of our people seriously as per Section 6(2) (a) which requires each municipality ***"to be responsive to the needs of local community and to facilitate a culture of public service and accountability amongst staff"***

Mr Speaker everywhere you go people will tell you that local Government is one sphere that is over legislated. I am not here to complain about that and it is not my space to do that. However I want to assure the Council that the IDP and Budget put before you for your consideration has met all the legislative requirements.

TARIFF MODELING AND BUDGET PREPERATION ASSUMPTIONS

Mr Speaker, last year we went through a paradigm shift in terms of tariff modelling. This year we have maintained the same tariff model. Mr Speaker, during the Budget Rates and Tariff hearings, a lot of our customers raised concerns about our MCB Charges as well as proposing the block tariffs. Regrettably we have not been to factor that in our current budget. I have already instructed the Municipal Manager and the Chief Financial Officer to work with the Rates Tariffs and Charges Committee to look into this matter. In addition, the Chairperson of the MPAC, Honourable Cllr Tarr has also offered to provide his assistance on the matter.

Accordingly, our tariffs are as follows:

Rates

The rates residential exemption limit was maintained at R100 000 and an increase of 5.5% was applied. Various submissions were received during the hearings to increase this limit to R150 000, however, doing that would have resulted in a revenue loss of R8.4 million which our municipality can ill-afford at this time.

Refuse Tariff modelling

An increase of 5, 5%, which is in line with the inflation was factored in the current budget.

Water tariff modelling

Mr Speaker, you will recall that when we started the budgeting process, our proposed tariff was 10%. This was informed by the tariff increase imposed on us by the bulk supplier, Umngeni water and the demand for further capital outlay in areas where there is still no supply of portable water. Many of the inputs that we received were not happy with the proposed increase and we did listen.

- The proposed 10% is based on Umngeni planned increase of 8% plus our operational cots markup of 2% for 2013/14
- That the household consumers will be subsidized by 7 kl through indigent program. This is an increase of 1 kl per month per indigent household;

Accordingly we have increased the water tariff by 10% and increased a basic charge of R 15 by 5,5% for residential and increase the basic of R 25 by 5,5% for others.

BUDGET ASSUMPTIONS

The following assumptions have been used to prepare the proposed final budget,

Headline inflation forecasts

As part of the process of setting tariff increases and increasing the budget expenditure, National Treasury issued an inflation forecast through MFMA circular No 67 of 5.5%, 5.4% and 5.4% respectively over the MREF period. This has been well considered and this resulted in an increase in

all tariffs except electricity and water to be increased below 10%.

Eskom bulk tariff increases

Mr Speaker, you will remember that we started with a proposed tariff of 18% increase for electricity. This was informed by the then submission of Eskom to NERSA, wherein they had requested a 16% increase. It is important to note here that this Council, EXCO in particular was very vocal in challenging such a hike by Eskom, Sasithi isixabanisa nabantu ngoba lokho u Eskom akwenyusayo nathi sifaka u2% ngaphezulu. Kodwa ke asibonge ukuthi sakhala kwezwakala ngoba uEskom wehlile ephoqwa uNERSA esuka ku 16% wayohlala ku 8%. Nathi sibe sesikwazi ukuthi sigcine sifake u 10% kuphela okuyiwona esenyusa ngawo ugesi. Accordingly the final tariffs is 10% made up of 8% charged by Eskom and 2% as our operational mark-up.

BUDGET RELATED POLICY REVIEW

Mr Speaker, the MFMA requires the municipality to review budget-related policies on an annual basis at the same time that it is preparing its budget. We have also done as such and would like to quickly take you through the policy changes that we have reviewed:

- (i) ***Credit Control & Debt Collection Policy:*** The changes to the Credit Control and Debt Collection policy encompass stricter credit control measures with respect to prepaid meters. Previously, the Credit Control and Debt Collection policy did not make provision for credit control action in respect of prepaid meters. The policy has been amended to ensure that there are no revenue leakages within this ambit.
- (ii) ***Rates policy:*** The changes to the Rates policy are in terms of the Municipal Property Rates Act and accommodates the introduction of a rebate for developers and child headed households as outlined in the tariff register. These categories of owner are defined in the policy.
- (iii) ***Tariff Policy:*** The changes to the tariff policy specify the change in terminology of the indigent tariff. The policy has been amended to apply the indigent tariffs as specified in the tariff register whereas previously this was referred to as a lifeline tariff.
- (iv) ***Indigent Policy:*** The changes to the Indigent Policy are in terms of National Treasury recommendations. The policy has been amended to apply the indigent tariffs as specified in the tariff register whereas previously this was referred to as a lifeline tariff. The concessions have been amended as per National Treasury recommendations.
- (v) ***Budget policy:*** The changes to the Budget policy is mainly the removal certain clauses to be included on the procedure manual. The overall budget policy is informed by chapter 4 of the MFMA to a large extent.
- (vi) ***Cash management & Investment policy:*** The changes to the cash management & investment policy is mainly the removal certain clauses to be included on the procedure manual.
- (vii) ***Funding & reserves policy:*** This policy is being introduced for the first time, basically this policy is meant to guide the use reserves and other funding that may

become available. This policy is necessary since R60 million of our capital budget will be funded from municipal own sources of income.

(viii) **Virement policy:** The changes to the virement policy are mainly to do with the removal of certain clauses to be included on the procedure manual.

WORDS OF GRATITUDE

Mr Speaker, EXCO members and fellow Councillors, let me take this opportunity to convey a few words of gratitude on your behalf:

1. Firstly we want to convey our gratitude to the National Treasury which continues to be a beacon of light for us. We take their advice very seriously , but we take full ownership of this budget and if there are flaws, no blame should be directed to the National Treasury, instead it should come to us
2. We also want to thank the Office of the Premier for continuing to provide assistance and to put us on the World map. Recently the Premier officially launched celebrations of the 175th anniversary of Pietermaritzburg. Despite his busy schedule he, and his entire office always respond positively to our calls;
3. We also want to thank the MEC for COGTA in KZN, Ms Dube for her continued support to Msunduzi. We want to give her our assurance that as the second biggest city in the province, her support has not gone to waste and because of it, we are fast becoming a city of choice second to none.
4. We want to convey our gratitude to all Cllrs, particularly the Budget Steering Committee, Rates, Tariffs and Charges Committee, the EXCO members and all Councillors who participated in the budget preparation process. We thank you for your contributions and want to tell you that this is only the beginning.
5. Mr. Speaker, I also want to convey the Council's gratitude to the Technical Budget Steering Committee lead by the Accounting Officer and the Chief Financial Officer. We are mindful of the sleepless and stressful hours that you have spent at work away from your families since the 23rd of January 2013. We thank you for such sacrifices.

CONCLUSION

Mr Speaker you would have noted that this budget speech is considerably shorter compared to the previous year. That was simply because in the previous year there were lots of changes in terms of tariff modelling and rates. This year we are saying the test of the pudding is in the eating. Accordingly we will talk less and do more.

In one of his books, Comrade Mao, the Chairperson of the Communist Part says "***We may encounter many defeats along the way but we shall never be defeated***" With the IDP and Budget before you, Honourable Speaker, Deputy Mayor and fellow Councillors, I have no doubt in my mind that we shall

never be defeated.

It is against this background Mr Speaker, that I now so move that the Council:

1. MOVE FOR THE IDP ADOPTION

IT IS RECOMMENDED THAT:

- 1.1 Council approves the Integrated Development Plan for 2013/14 to 2016/17.
- 1.2 The Municipal Manager be authorized to submit the approved Integrated Development Plan for assessment to COGTA within ten (10) days after approval by the council.

2. MOVE FOR THE ADOPTION OF THE BUDGET AND RELATED POLICIES

IT IS RECOMMENDED THAT:

- 2.1 The annual budget of the municipality for the financial year 2013/14 and the multi year and single-year capital appropriations as set out in the following tables is approved:
 - 2.1.1 Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2 on page 24;
 - 2.1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3 on page 26;
 - 2.1.3 Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4 on page 28; and
 - 2.1.4 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5 on page 30.
- 2.2 The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 2.2.1 Budgeted Financial Position as contained in Table A6 on page 32;
 - 2.2.2 Budgeted Cash Flows as contained in Table A7 on page 34;
 - 2.2.3 Cash backed reserves and accumulated surplus reconciliation as contained in Table A8 on page 34;
 - 2.2.4 Asset management as contained in Table A9 on page 36; and
 - 2.2.5 Basic service delivery measurement as contained in Table A10 on page 38.

- 2.3 With effect from 1 July 2013, the tariffs for property rates – as set out in Annexure A is approved as follows:
- 2.3.1 the tariffs for electricity – as set out in Annexure A
 - 2.3.2 the tariffs for the supply of water – as set out in Annexure A
 - 2.3.3 the tariffs for sanitation services – as set out in Annexure A
 - 2.3.4 the tariffs for solid waste services – as set out in Annexure A
 - 2.3.5 the tariffs on property rates randage as informed by latest property valuation roll
- 2.4 All the budget related policies as per the Annexure are submitted in terms of S7 of Municipal Budget and Reporting Regulations
- 7.3 With effect from 1 July 2013 the tariffs for other services, as set out in Annexures A, is approved.
- 7.4 To give proper effect to the municipality’s annual budget, cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality’s funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

I thank you.
Ngiyabonga
Baie dankie

Presented by Cllr C.J. Ndlela
Mayor: Msunduzi Municipality
May 30, 2013