



**BUDGET SPEECH DELIVERED BY THE
EXECUTIVE MAYOR
SJ LEEUW**



25 MAY 2004



Mr Speaker
Chief Whip of the Majority Party – African National Congress
Chief Whip of the Opposition Party – Democratic Alliance
Honourable Members of the Council
Municipal Manager
Heads of Department
Distinguished Guests
Members of the Media
Ladies and Gentlemen

Today, we table our fourth and Medium Term Expenditure Framework (MTEF) budget of Matjhabeng, the budget that is aimed at entering into **“A people’s contract to create work and fighting poverty, resulting in a better life for all our people.”**

Mr Speaker, I feel honoured and privileged to present the budget that aims to, *inter alia*,

- **Move our country forward, decisively towards the eradication of poverty and underdeveloping our country, taking care to enhance the process of social cohesion.**
- **Strengthen our system of local government.**
- **Further integrate our system of governance, responding effectively to the requirements for cooperative governance.**
- **Build the sense of national unity, united action and the new patriotism**
- **Mobilize all our people voluntarily to act together to achieve the tasks of reconstruction and development.**
- **Consolidate the practice of creating public – private partnerships and building government – civil society cooperation.**

The above mentioned targets have been laid by President Thabo Mbeki during the State of the Nation Address of the Houses of Parliament, Cape Town, on the 21 May 2004.

Mr Speaker, the President further said: **“We also need to achieve further and visible advances with regard to the improvement of the quality of our people. To achieve these the following will be done:**

- **We will ensure that within the next five years, all households would have easy access to clean running water.**
- **By December this year, through our programmes, we will provide clean and portable water to 10 million South African since 1994.**
- **During the current year more than 300 000 households will be provided with basic sanitation.**
- **Through our integrated system of government, with a strengthened local government work, our state enterprise, Eskom, we will, within the next eight years, ensure that each house have access to electricity.”**

Mr Speaker, these are some of the challenges that are facing us to overcome, as it will be shown later on in the capital projects presentation.

First and foremost, as we all know that South Africa is celebrating 10 years of Democracy and Freedom, throughout the year, 16 May 2004 was the most remarkable and historic day for the South Africans, Africans and the International Community. It brought great joy and hopes for South Africans when FIFA has, at last and for the first time, brought the Soccer World Cup to Africa. The award came at the right time when South Africa is celebrating 10 years of Democracy and Freedom and for this we say, Thank You FIFA Executive Committee for giving us this wonderful gift that will help in creating work and fighting poverty to ensure that better life for all is achieved.

Mr Speaker, on behalf of the people of Matjhabeng and the entire region, I would like to take this opportunity to congratulate South Africa's Bid Committee, President Thabo Mbeki, three of Africa's Nobel Peace Prize Winners, (i.e. Dr Nelson Mandela, Mr FW de Klerk and Archbishop Desmond Tutu), three of Africa's most outstanding footballers (Roger Milla from Cameroon, Kalusha Bwalya from Zambia and Abedi Pele from Ghana), for realizing our African dream of hosting the 2010 Soccer World Cup. Winning this African Bid will have far reaching consequences and an immediate impact on all our lives in more ways than we can imagine.

We therefore, need to join hands and begin to improve the tourism sector of our community and try to package our unique features and attractions. Matjhabeng Municipality, through infrastructure development, will make sure that we create an atmosphere which will put us in a strong position to compete with other towns in participating in the whole World Cup Action. As a Local Municipality at the coal – face of delivery, our duty is to ensure that our people benefit from the World Cup windfall.

Mr Speaker, it is of utmost importance to keep on reminding ourselves of the National Policy Framework and Directives to be observed and implemented at Local Government Level. The Minister of Provincial and Local Government, Mr Sidney Mufamadi, on the occasion of the celebration of the third anniversary of the New Local Government System and the Inauguration of the National Vuna Awards for Municipal Performance Excellence, Gallagher Estate, Johannesburg on the 05 December 2003, said:

“In order to achieve financial viability, it is necessary for a municipal jurisdiction to have a relatively resilient and sustainable economic base – where people are working and earning living wages, and businesses, large and small, are facilitating the steady exchange of goods and services.

This resilient and sustainable economic base is indeed sustained by reliable Municipal Services and the local environment created for prosperity.”

Mr Speaker, as another sphere of Government and organ of state, it is also expected from us to observe and comply with the Acts of Parliament. The Cabinet approved the establishment of the Municipal Infrastructure Grant (MIG) on the 05th March 2003.

- **The vision of the MIG Programme.**

The vision of the MIG programme is to provide all South Africans with at least a basic level of service by the year 2013 through the provisions of grant finance aimed at covering the capital cost of basic infrastructure for the poor.

- **MIG Principles**
 - a) Focus on infrastructure required for a basic level of service.
 - b) Targeting the poor.
 - c) Equity in the allocation and use of funds
 - d) Decentralization of spending authority within national standards.
 - e) Efficient use of funds.
 - f) Reinforcing local, provincial and national development objectives.
 - g) Predictability and transparency.

- **MIG Objectives**
 - Fully subsidize the capital costs of providing basic services to poor households.
 - Distribute funding for Municipal infrastructure in an equitable, transplant and efficient manner which supports a coordinated approach to local development and maximizes developmental outcomes.
 - Assist in enhancing the developmental capacity of municipalities, through supporting multi – year planning and budgeting systems.
 - Provide a mechanism for the coordinated pursuit of national policy priorities with regard to basic municipal infrastructure programmes, while avoiding the duplication and inefficiency associated sectorally fragmented grants.

- **Key Functions Municipalities understate with respect to MIG:**
 - a) Project selection and integration with IDP's.
 - b) Receiving and allocation of MIG funds.
 - c) Administration of MIG funds received into municipal accounts.
 - d) Management of MIG projects.

Mr Speaker, MIG has non-negotiable tight schedules that need to be observed without exception. Municipalities are expected to establish a Project Management Unit (PMU) in order to take responsibility for managing MIG projects. Without the establishment of a functional PMU, designated Municipalities like Matjhabeng and Lejweleputswa District Municipality will not access R49million and R29million earmarked for them respectively. In this regard, I expect the Administration to table the PMU establishment report within the next two weeks.

It is worth mentioning that all the CIMP and Expanded Public Works Programmes Funds will be channeled into MIG Funds.

It is absolutely crucial to realign all the existing CIMP projects to suit the MIG criteria, otherwise municipalities will forfeit the existing CIMP allocation.

During the 2004 Budget Speech, the Minister of Finance, Mr Trevor Manuel, on the 18 February 2004, said:

"Key financial reforms for the local sphere over the next three years will be driven by the implementation of the Municipal Finance Management Act, which will take effect on 1 July 2004. A programme for the phased implementation of the Act will be issued shortly. It will take due regard of the uneven capacity of municipalities to implement financial reform."

The Municipal Financial Management Act No:56 of 2003 (*MFMA*) aims to modernise budget and financial management practices by placing local government finances on a sustainable footing. It also aims to put in place a sound financial governance framework by clarifying and separating the roles and responsibilities of the mayor, executive and non-executive councillors and officials. It consequently serves to maximise the capacity of municipalities to deliver services to all its residents, customers, users and investors.

The *MFMA* addresses a number of financial and fiscal reforms. The most significant reforms being the new budget process and its link to the Integrated Development Plan (IDP), new accounting standards and formats, the establishment of audit committees and other internal controls, improvements to procurement and supply chain management, performance measurement reporting, staff competency levels and new mechanisms to resolve financial problems and misconduct.

The Act empowers the mayor (or executive committee) to provide political leadership by being responsible for policy and outcomes, and holds the municipal manager and other senior managers responsible for implementation and outputs. Non-executive councillors are empowered to play a key policy-approval and monitoring role through the municipal council.

The Act aims to enable managers to manage, but make them more accountable, by introducing regular and consistent reporting requirements. The challenge facing all role-players is to improve the efficiency and effectiveness of the municipality through the best use of management information.

The five underlying principles in the *MFMA*, which form the basis of the key reforms envisaged in the Act, are consistent with the other legislation on local government. It is anticipated that these principles and the specific reforms that flow from them will encourage a **stronger, better managed and more accountable local government** sphere, one that is better placed to meet the emerging demands and new challenges of the different communities that it serves in a more consistent and sustainable manner. The following principles are discussed:

- *Promoting sound financial governance by clarifying roles*
- *A more strategic approach to budgeting and financial management*
- *Modernisation of financial management*
- *Promoting co-operative government*
- *Promoting sustainability*

The Act also gives effect to the constitutional principle that recognises that the local sphere of government is “distinctive” and “independent”, with the power to determine its own budget and policies. It also recognises the approval and oversight role of the municipal council, as a legislature in its own right.

Eleven urgent priorities for implementation

All municipalities, irrespective of their capacity, will need to comply with the following priorities:

- ✓ Preparing an implementation plan
- ✓ The Municipal Manager must be the Accounting Officer responsible for all funds managed by the municipality (implementation of Chapter 8)
- ✓ Establishing a top management team with an Chief Financial Officer (CFO) and appropriate delegations
- ✓ Implementing Chapter 3 to ensure effective cash management and the control of all banking accounts by the CFO, including the primary bank account
- ✓ Monthly reporting revenue and spending for the 2004/05 budget
- ✓ Implementing interim procurement regulations from 1 July 2004
- ✓ Implementing the MSA amendments and *MFMA* for all corporate or municipal entities, PPPs, long-term contracts and borrowing
- ✓ Completing past financial statements for submission to Auditor-General by 30 April 2004 and tabling of annual reports
- ✓ Submitting 2003/04 financial statements to Auditor-General by 30th September 2004
- ✓ Complying with the membership provisions for tender committees and boards of entities by 1 July 2004
- ✓ Comply fully with the 2004 Division of Revenue Act, including section 8 on completing negotiations with Eskom or Water Boards as external mechanisms

ACHIEVABLE GOALS

1. Cleaned consumer data
2. Financial system that is user friendly, increase productivity and enhance accurate reporting
3. Enhanced debt collection using ward based personnel under guidance of Ward Councillor
4. Professional Credit Control
5. Accurate meter readings
6. Improved Internal Controls
7. Phase in implementation of MFMA including GAMAP
8. Valuation Roll compliant to the Local Government: Property Rates Act
9. Staff development
10. Output based and goal orientated performance as per Operational Plans
11. Improved customer service

The economic outlook of Matjhabeng is surely turning positively as we are able to address some of the IDP priorities which we could not do in the past due to lack of resources. Because of the fragility of our economy, we are required to increase our tariffs without financially hurting our people.

It is necessary to address our income, assessment rates, sewerage charges, refuse charges, reconnection fees, tariffs, water and electricity charges and other services that contribute to the well being of this Municipality accordingly.

We are targeting our revenue to be R882,554,000 (R882.5million). It is expected of Treasury Department to maximize the collection ensuring that we realize this revenue projection.

Mr Speaker, we cannot continue to tax the commodities like water, electricity and sewerage, and that requires us to come up with other tax measures like licensing of motor vehicles, in consultation with Provincial Treasury and Minerals and Energy Department for fuel levy or any other taxes. Expanding tax base is an urgent and important priority for us in order to be financially sustainable. The collection of taxes that the people are supposed to pay should be maximized and consistent.

The impact of an ordinary account is reflected in this budget is as follows:

In order to realize our vision of being: **“To be a united, non-racial, transparent, responsive, developmental and efficient municipality, that renders sustainable services, so as to improve the quality of life in the community. Together, Mmoho, Tesame, Sisonke”**, we have to put more effort in the implementation of the following themes:

- **Municipal services to all residents.**
- **Sustainable growth and improved quality of life.**
- **Accessible, accountable and responsive municipality.**
- **Resourceful and developmental municipality.**

Mr Speaker, the 2004-05 IDP priorities which this budget aims to address are the following:

- **Refuse removal**
- **Water conservation**
- **Financial sustainability**
- **Service sites**
- **Ageing infrastructure**
- **Transformation of the institution**
- **Road maintenance & reconstruction.**

Mr Speaker, the budgeted expenditure of R882,554,000 (R882,5million) will address the following:

R882,5million has been set aside for Operating Budget - the Operational Plans goes into details of what needs to be done in terms of IDP Priorities.

Further to Operational Budget, we have the Capital Expenditure Programme, which the President outlined during his state of the Nation Address to the Houses of Parliament, Cape Town on the 21 May 2004.

In response to the President’s call, Matjhabeng has made the following provisions for capital projects:

- **R16,8million has been put aside for ageing infrastructure to upgrade pump stations, sewerage works, replace worn-out sewers, upgrading cemeteries, electrical sub-stations at various places as well as replacing fleet and equipment.**
- **R16,8 million for serviced sites to eradicate bucket system of 1500 sites with water borne, providing 2200 sites with existing communal taps with water reticulation, putting high mast lights and electrification programme.**
- **R12,6 million for roads maintenance and reconstruction for construction of gravel roads, re-surfing of streets (access roads).**
- **R4,2 million for transformation of institution and others for fencing of cemeteries, setting up the Municipal Infrastructure Grant (MIG) Project Management Unit and office convention, furniture and equipment.**

Mr Speaker, there are various number of IDP projects as outlined in the detailed budget document that this budget aims to achieve within Matjhabeng.

The critical service delivery will be difficult to achieve if **Together, Mmoho, Tesame, Sisonke** we do not put more effort to realize the projected income as budgeted.

This budget will contribute to the improvement and development of economic situation and also contribute in bettering the lives of our own people.

Mr Speaker, Honorable Councillors, with this budget, if implemented effectively, efficiently and economically, Matjhabeng community will be more determined than ever to make this area a desired place to live.

In conclusion, I would like to express my sincere appreciation to:

- Finance Team: Chief Financial Officer – MR Nkurumah Pitso,
Manager Budget Control - Mr Phillip van der Merwe for their outstanding work and dedication in producing this budget under guidance of International Finance Advisor, Mr Cecil Maschanasse who has left the service.

I would also like to welcome Mr Eric Tucker who will be joining us in the coming weeks.

- National Treasury for their guidance in compiling this budget.
- Department of Provincial and Local Government for their support.
- Members of Ward Committees, Organized Business and Industry, and other stakeholders and role-players for their valuable contributions during the compilation of this budget.
- I would also like to thank Members of the Mayoral Committee, Councillors and Departmental Heads for their inputs and support given.

With this budget, we enter into people's contract to create work and fight poverty - **Together, Mmoho, Tesame, Sisonke.**

I thank you all.