

**2020**

**Integrated Development Plan and Budget Speech**

*Building relationships of trust within the municipal environment-the road towards sustainable basic services provision*

**Councillor Koalane Komane**

**Executive Mayor**

**30 June 2020**



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**Honourable Speaker**  
**Members of the Mayoral Committee**  
**Chairperson of the Finance Committee and Members**  
**Members of the Integrated Development Plan and Budget Steering Committee**  
**Honourable Councillors**  
**Distinguished Guests**  
**Members of the Media**  
**Officials**  
**Setsoto Citizenry**

Good Morning

It is my honour to introduce the fourth Budget of the fourth administration of this municipality's lifespan. Today I table:

- The final Integrated Development Plan for 2020/2021;
- The Medium-Term Revenue and Expenditure Framework for 2020/2021 to 2022/2023;
- The Three-Year Infrastructure Investment Programme;
- The Tariff Proposals;
- The Finance Related Policies; and
- The Integrated Development Plan Sector Plans.

**Mr. Speaker**, as this is my maiden speech to this house as the Executive Mayor and member of this council, allow me to pay tribute to my parents **Mr. Marabi Koalane** and **Mrs. Mantso Koalane**. May their soul rest in eternal peace. They have supported me all the time, never doubted me, they sacrificed everything to make me the person I am today. **Mr. Marabi Koalane** even when he was at his weakest point, persisted to go out and be a migrant labourer. **Mrs. Mantso Koalane** the pillar of my strength, would never rest and went through rains, storms and cold weather for my siblings and me. Every time when the going gets tough, I remember the resilience of these two anchors, for which I will forever be grateful.

Great men and women have stood here to deliver integrated development plan and budget speeches in the same capacity as myself. I would like to acknowledge their contribution to the prudent stewardship of the strategic planning and finances of this municipality. To them I say, *'thank you for your contribution and the foundation you have laid for all of us to follow'*. To my immediate predecessor, **Ms. Maoke Nthateng**, on behalf of the council of Setsoto Local Municipality, I wish to say *"thank you for your dedicated service to the citizenry of Setsoto, including your years as an official and a Councillor"*.

In May 2019, the African National Congress received a massive mandate to lead the sixth administration again. With renewed vigour, under the leadership of His Excellency The President, Mr. Ramaphosa, government committed itself to serve the people of South Africa with humility and dedication. As we enter the last leg of our term of office, in line with the 2019 African National Congress Manifesto, I wish to thank the voters who have demonstrated continued confidence in the African National Congress to lead this council and transform their lives for the better.

People of Setsoto Local Municipality have unequivocally given the mandate for a continued economic reform, for not just political stability, but also reposed faith in our economic policies. This is the Integrated Development Plan and Budget to boost the quality of our lives and enhances our livelihoods. Only through higher growth we can achieve that and have our youth gainfully and meaningfully employed.

Let our businesses be innovative, healthy, and solvent with the use of technology in line with the Fourth Industrial Revolution. For every youth, for every member of our society who seeks a better life, for every woman wishing to standup and get counted, for every individual from minority sections of our society, this Integrated Development Plan and Budget aims to have your aspirations and hopes addressed as compiled during the integrated Development plan roadshows, as well as your written comments.

**Mr. Speaker,** during this challenging times due to Covid-19 Pandemic, this council is committed to transforming the economy through, refocusing existing policies, strategies and programmes, such as: sustainable service delivery through information communication technologies, creating a local environment that is conducive to sustainable jobs creation; fighting corruption; improving education and training; providing quality health care; and attracting local and international investors, in order to create inclusive economy with greater citizen participation. The focus is to improve efficiency of spending in the municipality and delivery of services to promote the growth of the private sector to transform our economy to higher income status so as to increase revenue base.

The preparation of this Integrated Development Plan and Budget, which is the fourth in the current term of office of this council, was largely guided by emerging strategies issued by the Department of Corporative Governance and Traditional Affairs and National Treasury from ongoing review of the National Development Plan and the Medium-Term Strategic Framework, and serves as progress report toward the attainment of the goals and objectives contain in the medium-term strategic plan, which in turn, constitutes the building blocks towards the achievement of National Development Plan Vision 2030, which is the primary and guiding document for the future of our citizenry.

## **COMPILATION OF THE INTEGRATED DEVELOPMENT PLAN 2020/2021 AND MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK 2020/2021-2022/2023**

**Honourable Councillors**, the application of sound financial management and accounting principles for the compilation of the municipality's strategic plans is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided continually, sustainably, economically and equitably to all communities. Given the current Covid-19 Pandemic, the municipality's business and service delivery priorities were reviewed and reprioritized as part of this year's planning and budgeting process.

A critical review of expenditure was also undertaken on non-core and "nice to have" items. Key areas where savings were realised were on telephone and internet usage, printing and stationery, workshops, accommodation and catering due to the implementation of Cost Containment Policy approved by council.

**Mr. Speaker**, the municipality has embarked on implementing a range of revenue collection strategies to ensure that revenue due to the municipality is collected. Various customer care initiatives have been undertaken to ensure that communities are truly involved in the process of planning and budgeting to ensuring a people led government.

Municipal Finance Management Act, 56 of, Circulars Number 98 and 99, were also used to guide the compilation of the Integrated Development Plan 2020/2021 and the Medium-Term Revenue and Expenditure Framework 2020/2021 to 2022/2023. Municipal Standard Chart of Accounts version 6.4 was also introduced with circulars to ensure a Municipal Standard Chart of Accounts compliant Integrated Development Plan and Budget.

### **OPERATING REVENUE FRAMEWORK**

**Mr. Speaker**, for the municipality to continue improving the quality of services provided to its citizens, it needs to generate the required revenue. In these tough economic times, strong revenue management is fundamental to the financial sustainability of every municipality.

The reality is that we are faced with developmental backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding, hence difficult choices have to be made in relation to tariff increases and balancing expenditure against realistically anticipated revenues. The municipality's revenue collection strategy is built around the following key components:

- National Treasury's guidelines and macro-economic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure eighty percent annual collection rate for property rates and key service charges;
- Electricity tariff increase by National Electricity Regulator of South Africa;
- Achievement of full cost recovery of specific user charges, especially in relation to trading services;
- Determining tariff escalation rate by calculating revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 6 of 2004;
- Implementation of the new valuation roll;
- Increased ability to extent new services and recover costs;
- Indigent Policy and rendering of free basic services; and
- Tariff Policy of Council

#### **OPERATING REVENUE BY SOURCE**

The total operating revenue has grown by six percent or **Thirty-Five Million Five Hundred and Seventy-Five Thousand Rand** for the **2020/2021** financial year when compared to the **2019/2020 Adjustment Budget**. For the next three years the municipality have estimated to collect **One Billion Seven Hundred and Forty-Three Million Rand** made of the following amounts: **Five Hundred and Fifty Million Five Hundred and Twenty-Nine Thousand Rand** for **2020/2021**; **Five Hundred and Eighty-One Million Eight Hundred and Ninety Thousand Rand** for **2021/2022** and **Six Hundred and Ten Million Nine Hundred and Eighty-Five Thousand Rand** for **2022/2023** respectively. **Mr. Speaker**, the revenue basket is made up of the following revenue sources:

- Property Rates- with an increase of **six percent** to an anticipated **Sixty-Nine Million Seven Hundred and Ten Thousand Rand** from **Sixty-Five Million Seven Hundred and Sixty-Four Thousand Rand** in the **2019/2020** financial year;
- Electricity Revenue-as guided by National Electricity Regulator of South Africa, and increase of **six percent** to an anticipated **Seventy-Eight Million Seven Hundred and Ninety-Two Thousand Rand** from **Seventy-Four Million Three Hundred and Fifty-Six Thousand Rand** in the **2019/2020** financial year;

**Mr. Speaker**, our communities should be made aware that, in terms of the Final Tariff 2020/2021\_V4, and as guided by National Electricity Regulator of South Africa during our discussion, the following tariffs are proposed:

### Domestic Tariffs: Conventional

- Block 1      **0-50 c/kwh** is increased from **R 0,99 to R 1,06**, which translate into a **seven percent** increment not **seven percent**;
- Block 4      **600> c/kwh** increased from **R 1,98 to R 2,10** which translate into **six percent**

### Domestic Tariffs: Prepaid

- Block 1      **0-50 c/kwh** is increased from **R 0,99 to R 1,06**, which translate into a **seven percent** increment not six percent;
- **Block 4      600> c/kwh** increased from **R 1,92 to R 2,04** which translate into **six percent**

There is a difference of **R 0.06** between the tariff for Block 4 between the Conventional and Prepaid Tariffs as guided by National Electricity Regulator of South Africa

- Water Revenue- an increase of **six percent** to and anticipated **Sixty-One Million Five Hundred and Seventy-Four Thousand Rand** from **Fifty-Eight Million Eighty-Nine Thousand Rand** in the **2019/2020** financial year;
- Sanitation Revenue- an increase of **six percent** to an anticipated **Thirty-Five Million One Hundred and Twenty-Two Thousand Rand** from **Thirty-Three Million One Hundred and Thirty-Four Thousand Rand** in the **2019/2020** financial year;
- Refuse Revenue- an increase of six percent to an anticipated **Forty-Four Million Seven Hundred and Nine Thousand Rand** from **Forty-Two Million One Hundred and Seventy-Eight Thousand Rand** in the **2019/2020** financial year;
- Transfer and Subsidies Revenue- an increase of seven percent to an anticipated **Two Hundred and Ten Million Two Hundred and Forty-Six Thousand Rand** from **One Hundred and Ninety-Six Million Seven Hundred and One Thousand Rand** in the **2019/2020** financial year;
- The remaining **Two Hundred and Ninety-Six Million Five Hundred and Thirty Thousand** in the revenue basket is made up of the following:
  - Rental of Facilities and Equipment;
  - Interest earned-external investment;
  - Interest earned-outstanding debtors;
  - Dividends Received;
  - Fines, Penalties and Forfeits;
  - Licenses and Permits;
  - Agency Services;
  - Other Revenue; and
  - Gains on Disposal of PPE.

## OPERATING EXPENDITURE BY TYPE

**Honourable Councillors**, the operating expenditure of the municipality, excluding capital grants is estimated at **Two Billion Two Hundred and Ninety-Seven Million Three Hundred and Three Thousand Rand** over a period of three years, made up of the following:-

- **Six Hundred and Eighty Million Nine Hundred and Sixty-Four Thousand Rand** in the **2020/2021**;
- **Seven Hundred and Eighty-Eight Million Four Hundred and Fifty-Eight Thousand Rand** in the **2021/2022**; and
- **Eight Hundred and Twenty-Seven Million Eight Hundred and Eighty-One Thousand Rand** in **2022/2023** financial years respectively.

The budgeted allocation for employee related costs for the **2020/2021** financial year totals **Two Hundred and Twenty Million One Hundred and Seventy-One Thousand Rand**, which exclude councillor remuneration. This translate into a **twelve percent** from the **2019/2020 Adjustment Budget**. Filling of critical positions in terms of the approved organisational structure were and the annual increment is based on the ongoing wage negotiations. The current organisational structure also needs to be reviewed as it was last approved in **February 2014**.

The cost associated with the remuneration of councillors is determined by the Minister of Corporative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 20 of 1998, provision of **Sixteen Million Nine Hundred and Seventy-Three Thousand Rand** has been made for the remuneration of councillors, this translate into and increment of **five percent**.

**Mr. Speaker**, provision for debt impairment for the 2020/2021 financial year amounts to **Seventy-Two Million Rand**. While this expenditure is considered a non-cash flow item, it informs the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues. Looking at this figure it shows that the municipality has only realistically budgeted for a **seventy-five percent** collection rate.

Provision for depreciation and asset impairment has been informed by the municipality's Asset Management Policy and Generally Recognised Accounting Practices standards. The implementation of Generally Recognised Accounting Practice 17 Accounting Standard has meant bringing a range of assets previously not included in the asset register as well as addressing the audit findings from the previous financial year. This has resulted in a significant increase in depreciation figures relative to previous years.

Finance charges consist mainly of the repayment of interest on long-term borrowing the municipality has with financial institutions. The municipality has long-term borrowing with the following institutions:

- Development Bank of Southern Africa;
- Amalgamated Banks of South Africa; and
- Wesbank

The municipality has no intention to acquire additional borrowing for the Medium-Term period.

Bulk purchases are as a result of the purchase of electricity from Eskom and this increase is determined by National Electricity Regulator of South Africa as already alluded to. Other expenditure increased by **fifty-three percent**; however stringent cost containment measures are in place to curb unnecessary expenditure.

### **BASIC SOCIAL SERVICES PACKAGE**

**Ladies and Gentlemen**, the social package assist households that are poor or face other circumstances that limit their ability to pay for services. To receive these free basic services; households are required to register for indigent subsidy as per the municipality's **Indigent Policy**. In terms of the Service Delivery and Budget Implementation Plan, the target is to register **Seven Thousand Household** of the **Twelve Thousand Household** as per the Statistic South Africa Community Survey of 2016 in the next financial year. The cost of the social package of the registered indigent household is largely finance by the national government through equitable share allocation in terms of the Division of Revenue Division. The subsidy is as follows:

- Household earning between **R 0-R 3 760** per household received **Hundred Percent** Subsidy, which includes:
  - Water at Basic plus 6kl at **R 122.02**
  - Electricity at Basic plus 50kwh at **R 53.00**
  - Refuse per month at **R 125.97**
  - Sewer per month at **R 108.33**
  - Total household account at **R 409.32** per month
- In terms of council resolution number **75/5 of 2018**, council also resolved that contribution for Indigent Burials be increased within the township from **R 1 500** to **R 1 800** and burials at the farming areas be increased to **R 2 500**
- In our endeavour to collect all revenue due to the municipality, the smart metering system is configured in a way that when electricity is bought, **fifty percent** of the money is allocated to the arrear amount whilst the other **fifty percent** is allocated to the current account.

## CAPITAL INVESTMENT PROGRAMME

**Mr. Speaker**, the following provides a breakdown of budgeted capital expenditure for the **2020/2021 Medium-Term Revenue and Expenditure Framework**:

- Ficksburg/ Meqheleng: Conversion of 969 Ventilated Improved Pit latrine to waterborne toilets **One Million Three Hundred Thousand Rand**
- Meqheleng: Development of New Cemetery **One Million Six Hundred Thousand Rand**
- Moemaneng/ Marquard: Upgrading of Recreational and Sport Facilities **Six Hundred Thousand Rand**
- Upgrading of the Water Treatment Works in Clocolan/ Hlohlolwane **Thirty-Five Million Rand**
- Construction of a Central Water Treatment Works in Senekal with rising main pipes and raw water supply pipes and pump stations from all Dams **Ninety Million Rand**
- Clocolan: Upgrading of the Wastewater Treatment Works **Three Million Rand**  
Clocolan/Hlohlolwane: Replacement of an old 5km asbestos water rising main pipeline **Twenty Million Rand**
- Marquard: Upgrading of Sport and Recreational Facility **Four Million One Hundred Thousand Rand**
- Ficksburg/Meqheleng: Rehabilitation of 1.5km surfaced road and storm water drainage **Five Million Rand**
- Clocolan/Hlohlolwane: Installation of 5 high mast lights **Two Million Five Hundred Thousand Rand**
- Ficksburg/Meqheleng: Installation of 10 high mast lights to the value of **Three Million Five Hundred Thousand Rand**
- Marquard/Moemaneng: Installation of 8 high mast lights to the value of **Two Million Rand**
- Senekal/Matwabeng: Installation of 7 high mast lights to the value of **Two Million Rand**
- Marquard/Moemaneng: Refurbishment of 3 Existing Boreholes (COVID-19) to the value of **One Million Rand**
- Senekal/ Matwabeng: Refurbishment of the Sewer Pump Stations to the value of **Four Million Rand**
- Clocolan/ Hlohlolwane: Provision of Waterborne Sanitation System to 350 households to the value of **Four Million Rand**
- Bucket Eradication in Marquard/ Moemaneng to the value of **Thirty Million Rand**
- Bucket Eradication in Ficksburg/Meqheleng to the value of **Fifty Million Rand**
- Bucket Eradication in Clocolan/Hlohlolwane to the value of **Seventy Million Rand**

**Mr. Speaker**, the above infrastructure investment programme is funded to the tune of **One Hundred and Seventy-One Million Four Hundred and Thirty-Three Thousand Rand**, made up of the following conditional grants:

- Municipal Infrastructure Grant amounting **Forty-Nine Million Seven Hundred and Fifty Thousand Rand**;
- Regional Bulk Infrastructure amounting to **Ninety-Two Million One Hundred and Eight Thousand Rand**;
- Water Services Infrastructure Grant amounting to **Twenty-Six Million Three Hundred and Seventy-Five Thousand Rand**; and
- Integrated National Electrification Programme amounting to **Three Million Two Hundred Thousand Rand**.

In our endeavour to promote local economic development, I propose that the **One Hundred and Seventy-One Million**, earmarked for infrastructure development for the 2020/2021 financial year, be ensured to circulate within the municipality by employing local contractors and labour.

Qualified and experienced local contractors should be identified from our supplier database and be requested to submit proposals for the implementation of programmes and projects. When a project is implemented in a unit of the municipality, preference should be given to local contractors and labour in those respective towns.

Gone are the days where contractors come into our municipality only to take away our finances and we do not see any value for money when they are gone. We should ensure that at least seventy percent of this funding is circulated within the municipality to increase our revenue base and the living conditions of our people.

## **CONCLUSION**

To summarise my introductory remarks, this Integrated Development Plan and Budget, Mr. Speaker, is dedicated to providing better living conditions to all citizens as contained in the Integrated Development under the following Key Performance Areas;

- Basic Services for **Four Hundred and Ninety-Three Million Seven Hundred and Eighty Thousand Rand**;
- Local Economic Development for **Eight Million Two Hundred and Twenty-Two Thousand rand**;
- Institutional Capacity for **Fifty-Nine Million Seven Hundred and -Ninety Thousand Rand**;
- Financial Management and Accounting for **Fifty-Nine Million Seven Hundred and -Ninety Thousand Rand**;

- Good Governance, Transparency and Accountability for **Twenty-Nine Million Six-Hundred and Ninety Thousand Rand**; and
- Public Participation for **Twenty-Nine Million Six-Hundred and Ninety Thousand Rand**.

These are the areas of our performance, holding these areas together, are our two hands-one , corruption free, policy driven, good governance and two- clean and sound financial management and accounting.

**Mr. Speaker**, as I conclude, I wish to take this opportunity to thank all who contributed to the compilation of the Integrated Development Plan 2020/2021 and the Medium-Term Revenue and Expenditure Framework 2020/2021 to 2022/2023, National and Provincial Treasury, Department of Corporative Governance and Traditional Affairs, all Sector Departments for the continued support in many ways to our developmental endeavours, ranging from grants, loans and technical assistance, among others.

Our municipal staff for their dedication, commitment, and resilience in providing sustainable services to our communities. My fellow councillors for their oversight and political guidance. I look forward to your continued cooperation, as the municipality embarks on the transformation journey towards the local government election 2021/2022 and beyond.

I now call on council for the consideration and approval in tandem of the Integrated Development Plan 2020/2021 and Budget 2020/2021 proposals.

I thank You, **Mr. Speaker**.