

**SPEECH DELIVERED BY THE EXECUTIVE MAYOR, COUNCILLOR SEIPATI MBIWE ON THE TABLING OF THE ADJUSTMENT BUDGET 2023/2024 AND ADJUSTMENT SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN 2023/2024 DURING A COUNCIL MEETING HELD ON THE 28 FEBRUARY 2024 AT THE MUNICIPAL COUNCIL IN FICKSBURG AT 10H00**

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Speaker-Councillor Pakalitha Mavaleliso

Members of the Mayoral Committee

Members of Council

Chairperson of Municipal Public Accounts Committee-Councillor Khahlake

Chairperson of the Audit and Performance Committee-Me Jane Masite

Municipal Manager-Me Nomvula Malatjie

Chief Financial Officer-Mr. Lefa Moletsane

Directors

Chief Audit Executive-Me Selina Lebeko

Members of the public;

Members of the media present; and

All protocol observed

**Good Morning ladies and gentlemen.**

**Introduction**

Speaker, it is my obligation as the Executive Mayor of Setsoto Local Municipality to submit the Adjustment Budget and Adjustment Service Delivery And Budget Implementation Plan for the current financial year of 2023/2024 in accordance with section 28(4) of Municipal Finance Management Act, 56 of 2003 and section 54(2) of the same Act. In terms of section 28(2) of the Municipal Finance Management Act, 56 of 2003, a municipality:

1. must adjust the revenue and expenditure estimates downwards if there is material under collection of revenue during the current year;
2. may appropriate additional revenue that has become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
3. may authorize the utilization of projected savings in one vote towards spending in another vote; and
4. may correct any errors in the annual budget.

In terms of section 23(1) of the Municipal Budget and Reporting Regulations, Government Gazette 32141 dated 17 April 2009, the above mentioned adjustments can only be done after the mid-year budget and performance assessment has been tabled to council, but not later than 28 February.

Honourable councillors, society is correct to expect more from the governments they elect to office, and which is funded through their hard-earned wages and taxes. Whilst we are all

disappointed by the pace at which our numerous socio-economic challenges are being resolved, and this is healthy for a robust and at times noisy democracy, we must equally acknowledge and applaud where progress has been made.

Speaker and councillors, years of prudent and responsible governance, has however helped us to weather this storm much better than many other municipalities. Our focus for the rest of this financial year as well as the next, will be to finish projects that have already started which include critical projects, sustainable service delivery, management of leakages and sewer spillages, clearing of illegal dumping sites, management of landfill sites, electricity loses, fixing of roads and stormwater drainage and maintenance of municipal properties.

New multi-year projects which will be rescheduled to the outer years will be reflected in the budget for the next financial year. The main purpose of this adjustment budget is therefore to adjust the material under and over budgeted figures as well as to accommodate additional revenues received and cuts made in terms of government grants, due to fiscal constraints, in particular the Regional Bulk Infrastructure grants from **One Hundred and Fifty Million Rand to One Hundred and Twenty Million Rand, and the Twenty Million Rand** will be redirected to the Ficksburg Waste Water Treatment Plant refurbishment.

Speaker, the Municipal Manager and the Chief Financial Officer, in accordance with their mandate streamlined the compilation of the adjustments budget in consultation with the Executive Mayor, the Special Extended Mayoral Committee and the Budget Steering Committee, with a special invitation to the Finance Committee, to ensure that the Adjustment Budget is truly an inclusive municipal document.

Ladies and gentlemen, during the mid-year budget and performance assessment, we were able to identify **Thirty Million Rand** additional revenue from the following revenue sources:

Twenty **One Million Rand** at a sixty percent collection rate of **Thirty-Five Million** from the cash adjusted budget and **Nine Million Rand** from additional revenue from own collection. This additional revenue have been committed as follows:

## **1. CAPITAL ADJUSTMENT BUDGET**

Ladies and gentlemen, there are no major adjustment on the capital budget with the original budget having been approved at **Two Hundred and Thirty-Four Million Nine Hundred Thousand Rand** and with the proposed adjustment budget to **Two Hundred and Thirty-One Million Four Hundred Thousand Rand**. The allocations is as follows:

### **Vehicle Purchases from borrowing**

- Acquisition of two tipper lorries
- Procurement of reflux compactor trucks

- Acquisition of bakkies
- Acquisition of one TLB

Speaker, vehicle purchase budget of **Fourteen Million Seven Hundred Rand** continues to represent our investment and dedication to our communities throughout the municipality to improve service delivery and the creation of job opportunities through economic growth.

Regional Bulk Infrastructure Grant was originally at **Hundred and Fifty Million Rand** and it is planned to be reduced by **Thirty Million Rand** and additional **Three Million Seven Hundred Thousand Rand** reduction. The Water Services Infrastructure Grant has increased from **Fourteen Million Rand to Nineteen Million Three Hundred Thousand Rand** to accommodate all grants that will be transferred to the municipality. Internally generated funds equate to Twenty Seven Million Eight Hundred Thousand Rans which comprises expenditure on new assets and expenditure which will improve the lifespan f various assets.

## 2. FILLING OF CRITICAL VACANT POSITION

We remain committed to investing in our municipal workforce to provide sustainable services to our communities. Taking all proposed adjustments into consideration, will result in the current approved employee relate cost budget of having an additional employee related cost of Three Million Seven Hundred Rand, which will be expensed according to appoint the following critical vacant positions to enhance service provision:

- Director Community Services
- Manager Environmental Management
- Manage Local Economic Development
- Process Controllers
- Operators
- Labourers-Water and Sanitation
- Labourers-Roads and Stormwater
- Labourers-Waste Management
- Labourers-Parks and Cemeteries
- Council Spokesperson
- Pa to the Municipal Manager

The underperformance for the current financial year is sadly not within our control and we have been working relentlessly, making every effort to balance the needs of our residents with the funds available and the restrictions imposed by the non-payment of municipal service.

Mostly it is important to create an environment attractive to investment and conducive to economic growth. It is vital that we make sure that we have the necessary infrastructure in place to create opportunities for economic growth and improvement of services for our citizens. The

additional revenue will be spread according as per the below information with sixty percent of the revenue earmarked for service delivery:

- Technical services allocated **Eleven Million Five Hundred Thousand Rand** for sewer spillages, increased water provision, land audit and formalisation of Matlharantlheng, Oudstad, and land next to Manie Fourie ground
- Fleet Division for maintenance and repairs of yellow and white fleet allocated **Two Million Five Hundred Thousand Rand**
- Corporate Services for the recruitment and appointment of critical vacant positions allocated **Three Million Seven Hundred Thousand Rand**
- Department of Community Services to the tune of Seven Million Seven Hundred Thousand Rand for the cleaning of landfill sites, dumping sites and acquisition of compactor trucks

Speaker, included in there above are the quick wins while we will also be providing other services as per our mandate and our daily operations. The total of the quick wins is **Seventeen Million Seven Hundred Thousand Rand**. With the process followed during the mid-year budget and performance assessment, taking into consideration projected spending or projected billed revenue, versus what was actually processed, it was identified that the operational budget should be adjusted accordingly.

### **3. OPERATIONAL INCOME**

The operational income budget of 2023/2024 increases with five point three-four percent from **Six Hundred and Fifty-Eight Million Rand** to the proposed budget of **Six Hundred and Ninety-Three Million and Seven Hundred Thousand Rand**. In total an increase of **Thirty Five Million One Hundred and Ninety-One Thousand Rand** was realised across all revenue sources. The major increases in this regard came from the following revenue sources:

- Interest earned from receivables is **Fifteen Million Six Hundred Thousand Rand**
- Interest from current and non-current assets is **Seven Million Four Hundred Thousand Rand**
- Property Rates is **Five Million Rand**
- Electricity revenue is **Two Million One Hundred Thousand Rand**
- Water revenue is **One Million Four Hundred Thousand Rand**
- Wastewater management revenue is **One Million Rand**

Honourable members, the major adjustment revenue is from the exchange revenue sources at **Twenty-Nine Million Four Thousand Rand** while the non-exchange revenue sources is adjusted with **Five Million Seven Thousand Rand** with the total being **Thirty-Five Million One Hundred Thousand Rand**.

#### 4. OPERATIONAL EXPENDITURE

The operational expenditure budget of 2023/2024 increases with twenty-six point seven-nine percent from **Six Hundred and Fifty-Eight Million Five Hundred Thousand Rand** to the proposed budget amount of **Eight Hundred and Thirty-Four Million Nine Hundred Thousand Rand**, resulting in an adjustment budget of **One Hundred Seventy-Six Million Four Hundred Thousand Rand**.

Speaker, cognisance had to be taken that there is still a need to provide services for the period from February 2024 until June 2024, therefore, expenditure had to be increased in various line items that are linked to service delivery. The following expenditure votes were increased in order to address service delivery challenges:

- Employee related costs increased from **Two Hundred and Thirty-Five Million and Five Rand** to **Two Hundred and Thirty-Eight Million Seven Hundred and Five Thousand Rand**
- Contracted costs increased from **Twenty-Five Million Nine Hundred Forty-Nine Thousand Rand** to **Thirty-Two Million Four Hundred and Forty-Nine Rand**
- Inventory consumed **Twenty-Three Million Eight Hundred Thirty-Three Thousand Rand** to **Twenty-Five Million Seven Hundred and Thirty-Three Thousand Rand**
- Operational Costs increased from **Thirty Million Nine Hundred Sixty-Three Thousand Rand** to **Fifty-Nine Million Six Hundred Sixty-Six Thousand Rand**

#### 5. EXTERNAL LOANS

Council has approved to apply for loans to the value of **Fourteen Million Seven Hundred Thousand Rand** during the original budget and the figure remains unchanged. It is expected that loans will be secured in the last quarter of the financial year.

#### 6. SUMMARY OF CHALLENGES

Speaker the following are some of the challenges that are facing the municipality regarding its annual budget:

- Inadequate revenue due to low payment levels by majority of the consumers.
- Poor budget implementation where annual funds allocations, are spent fully before the end of the financial year.
- Inadequate budget allocation for non-cash items thereby resulting into unauthorised expenditure.
- No strategies / inadequate strategies implemented towards curbing the losses [distribution losses and other losses].
- Reduction in grant allocations from National Government thereby affecting the planning spending / projects.

## 7. CONCLUSION

We are not in a so good financial standing and not one of the most sustainable municipalities in South Africa, but we have received a qualified audit opinion for the 2022/2023 financial year. I want to assure everybody that I as the Executive Mayor, with your support, shall do everything I can to ensure that the municipality becomes one of the best municipalities in South Africa. We had to sacrifice some of our “luxury” projects to ensure that critical projects that benefit our residents, receive priority. We accept that and move forward.

Speaker, in the past six months we have proven ourselves as one of the municipalities in South Africa who are able to pay our creditors in time, including Eskom bill, because of our diligence, hard work and commitment to our residents. I am not prepared to give that up at any cost and will therefore continue our relentless mission to deliver services and opportunities to our communities.

Ladies and gentlemen, we have learnt valuable lessons. We have lost a lot but gained a lot of strength and wisdom. We will continue to apply our newly found, hard learned lessons with conviction. The road ahead will be difficult. The current economic challenges will continue to affect our people and our budgets, and we will realistically enter the next financial year with very tight belts, but I believe we are ready to face these challenges, because we have a committed and dedicated team.

There is an African proverb that says: ***Smooth seas do not make skilful sailors.***

No one could have anticipated the challenges and repercussions of the past six months. I am however deeply grateful for the team I have had at my side to ensure that we continue as a caring government during the most trying times in this municipality.

I table this adjustment budget, with great responsibility. We shall continue to work hard to provide the best leadership and guidance during this difficult economic times and to create a business ready environment for when this challenges ends, filled with opportunity for all.

In conclusion, Honourable Speaker, I would like to assure the people of the Setsoto Local Municipality that when crafting this adjustment budget we made sure that basic services to the people remained a priority; and investment in infrastructure takes place.

Honourable members, going forward, the fiscal framework will further be severely constrained. I urge you, my colleagues in the mayoral committee and the council to enforce reforms in their respective departments and implement the appropriate oversight on all allocations and service delivery programmes.

Colleagues, thus, we have to do more with less. We must make the Rand work harder for us.

Honourable Speaker, I wish to thank the Mayoral Committee Members, Municipal Manager Directors, Middle Management, Supervisors, each and every employee including the EPWP and CWP in our municipality, who worked tirelessly and provided guidance and wisdom shared. Also, I would like to say a special thank you to the Special Extended Mayoral Committee, where we extended an invite to Finance Committee to be part of the deliberations, for putting together the adjustment budget.

Speaker, in the agenda serving before council are the recommendations set out as recommended in the Adjustments Budget and the Adjustment Service Delivery and Budget Implementation Plan items. I herewith formally submit recommendations in the items on Adjustment Budget 2023/2024 and Adjustment Service Delivery and Budget Implementation Plan in the Council Agenda, for consideration and approval.

I thank You

**COUNCILLOR SEIPATI MBIWE**  
**EXECUTIVE MAYOR**