Introduction

Speaker,
Executive Mayor,
Fellow MMC’s,
Councillors,
Municipal Manager,
HOD’s,
Representatives from COGTA, Treasury and Auditor General,
Ladies and Gentlemen,
Good Afternoon

The past couple of months, and in fact years I may say, have been particularly tough for our country’s economy.

Bad policy decisions, political instability and poor leadership have all lead us down a road that will require an equal, if not greater, amount of sound policy and decision making, political stability and good leadership - making decisions which have our people at heart, and not personal gains – in order to realise the extent of economic growth we ought to have been seeing at this stage of our country’s young democracy.

The ancient African proverb which says “If you climb up a tree, you must climb down the same tree” reminds us that actions have consequences, and it will require the same amount of energy and commitment it took to get to a certain point to return to the point at which you started.
In our case as a country, it will in fact take far more commitment to get the economy to work for every South African.

This means that it will be a couple of years before we start to see the fruit of our work in the form of a self-sustaining and thriving economy.

An economy that is able to create jobs for the millions of unemployed people living in this country.

An economy that sees the income gap between the richest and the poorest in society grow narrower.

An economy which sees all working South Africans make a decent living and therefore, more people living dignified lives.

This is the South Africa we here at Midvaal have in mind when making decisions and/or implementing policies that have an impact on people’s livelihoods.

Speaker,

While I will admit that the state of the economy has made putting this budget together that more difficult for us as a team, I find comfort in our understanding of our collective mandate as a municipality, which is essentially to carry out our constitutional responsibility to serve the people of Midvaal to the best of our abilities and resources, bearing in mind our vision to inclusively serve the needs of our community.

Putting together this final budget has reminded us of the increased need for good governance within our municipalities.
A trait we have shown time and again to exceptionally possess as a leadership.

With the increasing need for leaders to take a non-compromising approach towards corruption, wasteful and misdirected expenditure and sound decision making, we are honoured that the fruits of our labour continue to be legitimised through acknowledgements such as the Auditor General’s report which has confirmed Midvaal’s 4th consecutive clean audit and the recent Municipal Finance Sustainability report by Ratings Afrika, as mentioned by the Executive Mayor.

Ladies and Gentlemen,

It is a great honour and privilege for me to be able to present a community centred and good governance driven medium-term revenue and expenditure framework for the 2018/2019 – 2020/2021 financial year to you today.

Speaker,

The Municipal Systems Act compels municipalities to prepare an Integrated Development Plan (IDP).

The projects within the IDP must be linked to the municipality’s budget, to ensure that the IDP is an actionable document.

The draft IDP and Budget were tabled before Council on 22 March 2018, with the intention of giving all stakeholders the opportunity to comment on the draft IDP and budget prior to it being finally approved by Council today.
The documents were available for public inspection and comments were opened to the public from 23 March 2018 to 4 May 2018 on the Midvaal website, at all Midvaal libraries and pay-points, as well as at the Meyerton municipal office building.

To facilitate the public participation process, the municipality held various public meetings to highlight the key issues in the budget.

The information disseminated in these sessions included, among others, proposed policy changes, tariff increases to be implemented from the 1st of July and the accounts that community members can expect, as well as information on capital projects to be undertaken in the various wards in the coming year.

The public meetings also dealt with the new proposed property rates policy as well as the new valuation roll.

The meetings were characterised by robust discussions and whilst the various areas highlighted varying issues affecting their communities, a few main topics emerged, which included:

- The new valuation roll and property rates policy, specifically changes to the categories of properties in line with the amendments to the Municipal Property Rates Act;

- Housing – particularly wards 6, 8 and 10;

- Electricity – particularly Savanna RDP housing;

- Youth development programmes and unemployment.
Speaker,

The community members of Blue Saddle Ranches, Walkerville, De Deur and surrounding areas, Savanna City and Mooiland are very vocal about their dissatisfaction with the new property rates policy.

So much so that a complaint was lodged with the Organisation Undoing Tax Abuse, also known as OUTA.

A meeting was held with OUTA where the legality of the proposed policy was tested, and resulting from this meeting, a change to the policy was mandated, stating that vacant land which was initially proposed to be considered under three categories, namely: residential, business and/or industrial and agricultural would now be classified under a single category with a ratio of 1:3.

This has consequently led to the initially published vacant land tariff now having been changed accordingly.

The community of Savanna City had proposed tariff increases below inflation, but due to cost pressures, tariff hikes below inflation would not be financially viable.

Should such a proposal have been accepted, a reduction in the standard of service delivery would have been unavoidable.

Ladies and gentleman, whilst we are unable to accede to all the requests made by our communities, we certainly strive to address as many issues as possible given the resources at our disposal, and here are just some examples of where we can
implement proposals received through the consultation processes:

- Savanna City residents called for a special rebate for Flisp housing in the IDP meetings. We have heard their plea and will provide a 75% rebate on their property rates up to a maximum property value of R500 000.

- Owners of small holdings that are not predominantly used for agricultural purposes and who are now classified as residential properties under the new valuation roll, will receive a 50% rebate on their property rates up to a maximum property value of R750 000.

- Property owners who are not in agreement with their proposed property categories or values were given a 60-day objection period instead of the legislated 30 days to ensure every resident has the opportunity to lodge an objection if they so wish.

The municipal valuer is currently busy with the process of re-assessing those property categories and values and property owners will receive an indication of the outcome of their objections within the coming months.

Property owners will still have the right to appeal these findings should there still be disagreement after objections have been finalised.

- We understand that many households are struggling to make ends meet and with the ever-increasing cost of living, coupled with the recent hike in the VAT rate, we
know that this will unfortunately become more of a reality for additional families. It is for this reason that we have proposed that the indigent threshold be reviewed.

It is proposed that the threshold for combined monthly household income be increased from the current R3 500 per month to R4 000 per month.

In addition, we are proposing that beneficiary households of RDP housing where the title deeds have not yet been registered in the name of the beneficiaries also qualify for indigency status.

Previously it was a requirement that the property be registered in the name of the applicant before indigency status could be considered.

These adjustments are expected to benefit some 2 000 additional households.

Speaker,

The housing shortage issue affecting many of our residents is not one that is unique to Midvaal.

As we have seen in recent months, communities across the country are growing more and more agitated at the backlog in housing delivery.

In Gauteng alone, we know that government has a backlog of more than eight hundred thousand houses.
Studies show that by 2017, the national backlog in RDP housing would’ve grown to some 2,3 million, with the demand growing by about 178 thousand units by year.

The sporadic rise in protests which we have seen across many parts of the country, and even in our own municipality – as we have seen in Mamello and Sicelo recently are matters that need to be addressed with urgency.

However, as mentioned by the Executive Mayor, we cannot wage war against ourselves by destroying the same property and infrastructure meant to service us as a means of wanting to be heard.

This only draws away from the genuine grievances of the community and delays progress and other forms of service delivery as we saw in the previous financial year, where funds meant to be spent on certain projects had to be redirected to fix damaged roads and infrastructure following violent protest action.

We cannot continue cutting off our nose to spite our faces, because in the end it is ultimately us who suffer.

The housing issues in both Sicelo and Mamello, as well as other parts of the municipality like Savanna City and Boitumelo are being treated with great urgency by us as a municipality.

We continue to work with all sectors of government responsible for providing housing to ensure that our communities have access to adequate and decent
housing as stipulated in our constitution, and that it is
done as speedily as possible because we understand that
many of those people on these waiting lists have been
without decent housing for over decades.

Another issue hampering on the municipality and country’s
ability to grow is that of unemployment.

The country’s unemployment rate stands at 26.7% as of
the first quarter of 2018. This excludes the those who are
unable to work or those who have given up on actively
searching for employment.

This figure would climb up to a staggering 36.3% if we
included those discouraged job seekers.

We also know that young people aged 15-24 are the most
vulnerable in the labour market, with an unemployment
rate of more than 52% and 38.2% for those aged 15 to 34
years old, according to Stats SA’s first quarter of 2018
report.

It is for this reason that we continue to invest our operating
budget in funding programmes such as the Kgatelopele
Youth Development Programme, which has since its
inception recruited more than 200 candidates, 99 of which
successfully completed the programme.

Many of the participants have gone on to establish
successful small businesses which are now servicing
other businesses and communities within the municipality,
as well as the municipality itself.
As a way of responding to the increasing unemployment crisis, we also set up a municipal labour register to assist those seeking employment as well as recruiters and employers in gaining access to each other.

Since the creation of the labour register, more than 4000 Midvaal residents have applied to have their names included on the list, with nearly 600 of those placed in temporary employment, while more than 50 others are now in permanent employment.

In the new financial year, we hope to see these numbers grow exponentially as we strive towards our goal to grow the economy and create jobs.

Speaker,

While we strive to consider the needs of our residents as far as possible when drafting a budget, the reality is that we operate within a national and global economic environment, which affects our revenue collection rate, the amount of money we are allocated to spend, as well as the factors which will impact on municipal, business, and individual spending patterns for the coming year.

The budget for the 2018/2019 financial year was prepared with due consideration of the economic situation in the country, which is currently characterised by slow growth, a growing unemployment rate and the effects of the downgrading of the country’s credit rating to junk status by the international rating agencies.
National Treasury, in their Budget Circular 89 issued in December 2017, contextualised the global economic outlook, highlighting some of these factors:

“In the 2017 Medium Term Budget Policy Statement the Minister of Finance stated that, improving the country’s economic growth in the period ahead remains the biggest challenge. This undoubtedly echoes the sentiments expressed in the previous year’s annual budget circular, that the South African economic outlook is bleak.

The National Treasury’s macroeconomic projections show that per capita income will continue to stagnate unless appropriate financial decisions are taken. This implies that a new course of action is required to break the cycle of weak growth, escalating government debt, increasing unemployment and declining investment and business confidence.

It is important to note that the 2017 projected Gross Domestic Product (GDP) growth forecast of 1.3 per cent in the 2017/18 budget was revised down to 0.7 per cent. The rate of recovery will be slow and, at this time, it is anticipated that growth of 1.9 per cent may be reached by 2020.

Notably, the anticipated economic improvements, employment opportunities and business recovery have not materialised hence the economy remains unstable. The impact of the decline in mining growth and the struggle in the agriculture sector because of the persistent drought influence on the low economic growth.

The mining outlook remains subdued due to continued domestic policy uncertainty and rising production costs. Fixed-
capital stock in manufacturing has declined every year since 2009, indicating a gradual erosion of capacity. Formal non-agricultural employment declined by 0.2 per cent in the first half of 2017 compared to the same period last year. Employment prospects in manufacturing remain constrained. Similarly, employment growth in the trade sector is likely to remain under pressure given low consumer confidence and weak credit growth.

In summary, the country’s tax collection targets have not been met and this means that the fiscus has less funds available to allocate across the various spheres of government. Unfortunately, a similar decline cannot be measured in expenditure and this means that deficits are growing.”

On 30th March 2016, National Treasury issued the MFMA Circular 82 dealing with cost containment measures to be implemented from 2016.

Subsequently, National Treasury also issued the Draft Cost Containment Regulations.

I am proud to say that whilst the Regulations are still in draft format, the Midvaal Local Municipality is already applying the principles contained in the Draft Regulations to ensure that we do not waste a cent of our rate payers’ hard-earned money and that public funds are utilised prudently and to the benefit of the community.

Speaker,

Our mission statement is to strive daily to enrich the lives of our people.
This budget was prepared with this mission statement in mind, as we work to inclusively serve the needs of our communities and ensure that we do not compromise on the quality of services we are rendering.

Every year, National Treasury advises that municipalities should carefully consider affordability of tariff increases, especially as they relate to domestic consumers, while considering the level of services versus the associated cost.

Our expected collection rate for the 2017/2018 financial year is 94% and we have set a target of 95% for the coming financial year, but to achieve this, a lot of hard work will have to be done.

We have also reviewed our debt collection strategy to ensure this target is achieved.

Part of the strategy is to have a community outreach programme which has been dubbed the Mayor’s Extension Officers’ Programme.

This programme will enlist the services of trusted community members, who will be entrusted with the task of engaging, educating and informing residents on matters relating to municipal accounts, how to make payment arrangements, understanding your account status and many other aspects that will be mutually beneficial to the municipality and our communities.

Speaker,
In this budget, electricity charges will increase by 6.84% as recommended by NERSA.

The municipality will pay Eskom 7.32% more as of 1 July 2018 and as such a lower increase is given to our customers than what the municipality will be charged by Eskom.

Water will increase by 9.5%. As with electricity, the full increase received from Rand Water is not given through to the customer – we will pay Rand Water 12.2% more as of 1 July 2018.

Refuse collection charges will increase by 9.5%. The service is currently being rendered at a deficit – in other words, the cost of collecting refuse, is being subsidised by other services.

The cost of sanitation services will also increase by 9.5%. The rate in the rand for property rates will decrease significantly as a result of the new valuation roll.

We will be maintaining the social package which we provide to our residents at an annual revenue cost of R86 million – this will increase to a cost of R111 million in 2020/2021. The social package is funded from the equitable share grant.

Speaker,

The total capital budget for the MTREF period amounts to just under R300 million. Of this, R110 million will be spent in the next financial year.

Funding comes primarily from external loans – loan funding of R33 million will be used in the coming financial year as our
government grants alone are not sufficient to eradicate the backlogs.

Government grants amount to R57 million for the coming year.

In addition, we will use R12 million of our internal funds, being a combination of cash backed accumulated reserves and cash to be generated during the year. R8 million will be contributed by developers.

The most significant projects that we plan to implement in the next three financial years include further work to be done on the bulk electrical supply to Sicelo at a cost of R54 million, the new reservoir for Sicelo/Highbury at a cost of R40 million, roads resurfacing for R24 million, aged Bulk Water Pipe replacement at R23 million, rebuilding of roads at a cost of R12 million and the Sicelo North outfall sewer at an estimated R10 million.

Over the period we will also provide R9 million to rehabilitate our landfill sites to ensure compliance with environmental legislation.

Our water losses will be limited through the implementation of Pressure Management Infrastructure at a cost of R7.5 million, installation of Bulk Water Meters to the value of R6 million, the Refurbishment and Replacement of Water Supply Valves for R4.5 million as well as Water Meter Replacement Programme at a cost of R3 million.

We will invest R7 million in Gravel to Tar projects and a further R6 million in the construction of new roads. Savanna City residents can look forward to new parks amounting to R5.5 million. In addition, trees will be planted in Savanna City to
enhance the ambiance of the area. The Lakeside community will also benefit from a further R5.5 million that will ensure the completion of the Lakeside Sport Centre.

Speaker,

This is not an exhaustive list of capital projects but only examples of some of our key projects. The full list of capital projects is contained in the budget before of us today. These projects will surely go a long way in ensuring that we inclusively serve the needs of our communities.

Speaker,

The operating budget before us today totals R1.1 billion rand, an increase of 4.9% from the current financial year.

Operating expenditure budgeting is done on a zero-base budget approach insofar as practically possible. Where it is not cost effective to do zero based budgeting, incremental budgeting is applied.

Operating expenditure further includes infrastructure repairs and maintenance as a priority; budgeted expenditure is funded by realistically anticipated cash backed revenues; and, operational gains and efficiencies that result in operating surpluses will be used to fund capital expenditure – thus from our own cash backed funds.

Our budget calculations are done on the assumption of a 95% collection rate in Midvaal – this is an increase from the previous 94% target meaning that debt collection will have to be intensified this year.
We need to thank our residents for paying their rates and taxes on time, and we need to ensure that we put measures in place that will allow us to maintain our high debt collect rate because failure to do so would result in a decrease in the quality of services currently being rendered.

We encourage all persons with a combined household income of less than four thousand rand per month to register as indigents – registered indigents qualify for a monthly subsidy on their municipal accounts.

Indigents will continue to receive 6 kilolitres of water per month, free of charge.

All indigent households with a pre-paid metre will also receive 50 kilowatt hours of free electricity per month.

Such households will also receive their sanitation and refuse collection at no charge.

They will furthermore not pay assessment rates on the first five hundred thousand rand of their property value. Indigent pensioners will not pay any property rates.

The biggest portion of our budget, of which is 34%, goes towards the payment of bulk purchases from Eskom and Rand Water.

This cost is not within our control as the increases are approved by NERSA and Rand Water.
26% of the operating budget will be spent on salaries for employees. We believe that our employees are our greatest asset and as such we are implementing strategies to not only recruit highly skilled individuals, but also continually seeking ways to retain them.

Provision for depreciation and asset impairment has been informed by the Municipality’s Asset Management Policy. 11% of the budget has been allocated to depreciation.

Operational repairs and maintenance is a strategic imperative owing to the aging of the Municipality’s infrastructure and historic deferred maintenance.

To this end, a budget of R112 million has been provided for repairs and maintenance. This represents 10% of the operating budget.

Other allocations include councillor’s allowances, interest on external loans, contracted services, operational cost, inventory and provision for bad debt.

Provision for bad debt equates to 8% of the operating budget and the strict enforcement of the credit control and debt collection policy is therefore of vital importance to ensure the financial viability of the municipality.

In terms of Midvaal’s liquidity ratio, the municipality has set a limit of 1 as a benchmark.

The liquidity ratio shows the ability of the municipality to utilise cash and cash equivalents to extinguish or retire its current liabilities immediately, and ideally the municipality should have
the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1.

It is projected that the implementation of this budget will result in a liquidity ratio of 1.84 meaning that we will not have any challenges in settling our short-term liabilities.

Soeaker,
Midvaal has proven itself time and again to be a trusted champion of the interests of the people we serve.

Our recent 4th consecutive clean audit, and rating as the most financially sustainable municipality in the country’s economic hub of Gauteng tells only a portion of our story.

Midvaal is not only committed to ensuring good governance, rooting out corruption in all structures of governance, but most importantly we want to ultimately see the everyday lives of the people we serve change for the better.

Whether this is by ensuring safer roads, access to adequate housing, sport and recreational facilities, libraries, social packages for indigents, creating employment and other services which are made possible through the due management of the public purse, regular and rigorous monitoring and evaluation of processes and administration to ensure that money is spent on what it ought to be used for and remaining transparent and accountable to our communities.

I ask that we duly consider and adopt this budget, to allow us to continue with delivering quality services to our communities in the manner we have in the past.
As we begin a new financial year, I call upon each of us who has a responsibility in stewarding the municipality’s budget to do so with the poorest among us in mind.

May we set aside our individual impulses and remember the many people whose livelihoods depend on us.

May we also remember our constitutional obligation to serve all our communities to the best of our capabilities.

In closing, I would like to thank the Executive Mayor for his leadership, as well the full team of MMCs, our Municipal Manager, Mr Albert de Klerk, our CFO, Ms Annette van Schalkwyk and all HOD’s who have worked tirelessly to ensure that Midvaal lives by its pledge to be a well governed, effectively managed, financially viable and sustainable organisation.

Thank you!