

**THE SPEECH BY HER WORSHIP; MAYOR OF LEPELLE-
NKUMPI LOCAL MUNICIPALITY; CLLR MARIA
MOKGAETSI RAMOKOLO ON THE OCASSION OF THE
TABLING OF THE IDP REVIEW 2018/19, THE ANNUAL
BUDGET FOR 2019/20 MEDIUM TERM REVENUE AND
EXPENDITURE FRAMEWORK, BUDGET POLICIES AND
PROPOSED TARIFF INCREASES FOR 2019/20**

30 MAY 2019; LEBOWAKGOMO CIVIC HALL

Honourable Speaker, Cllr Barnard Ntsoane;

Honourable Chief Whip, Cllr Tswaledi Thobejane;

Colleagues in the Executive Committee;

Chairperons of Section 79 Committees;

Fellow Councillors;

Our Traditional Leadership;

Leaders of Political Parties in Council, ANC, EFF, DA, LEBCO and LNDP;

Acting Municipal Manager, Ntate Mashamba, Executive Managers
and Officials of our Municipality;

Members of Ward Committees;

Comrades and Compatriots;

Good Mornong! Dumelang! Re a lotsha! Thobela! Lotshane!

It is an honour to present to this august house the IDP review 2018/19,
the Annual Budget 2019/20 Medium Term Revenue and Expenditure

Framework, Budget related policies and proposed tariff increases for 2019/20.

We are pleased that this Council takes place exactly in the month that is more significance to all South Africans. We are just recovering from mobilising our people to go to the polls and vote. We all agree that our people have spoken and change is inevitable.

We congratulate all the political parties who have made it to the National Parliament and Provincial Legislature. The President has just been inaugurated on the 25th of May 2019, and also welcoming the election of Premier of Limpopo Province, Honourable Stanley Chupu Mathabatha by the Provincial Legislature that was held on the 22nd of May 2019. In this regard, we also like to send our gratitude the former Mayor of Lepelle-Nkumpi Local Municipality, Mme Nakedi Sibanda-Kekana who has joined the Limpopo Legislature.

Honourable Speaker, through election we are reassuring our people, that the NDP, which our road map that outlines the type of society we envisage by the year 2040. Our vision is to develop communities where households will have access to water & sanitation, roads & storm water, electricity, health and low cost housing.

Today we are tabling a budget that can make our municipality a better place to live, work and play. Our people will today, like every year, hear how we are going to spend their money on turning their lives around.

After all the budget, as always, is informed by their views which we acquire through the IDP and Budget consultation processes. At this point, allow me to thank the community of Lepelle-Nkumpi for their co-operation in this regard.

1. Legislative Requirement

The MFMA, Act 56 of 2003 states that the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. Section 24 (1) states that the municipal council must at least 30 days before the start of the financial year consider approval of the annual budget.

2. PROCESS PLAN

Our municipal council have adopted a process plan in July 2018 to define steps to be followed for review of the five years IDP for 2019/20 and compilation of three years budget for 2019/20 – 2021/22. The following activities were undertaken to compile the 2019/20 IDP/Budget as per the process plan:

- Council approval of the review process plan was done on 27 July 2018
- Desktop data gathering for IDP status quo was done.
- Ward consultation meetings were conducted by Mayor and EXCO for all the thirty wards from October to December 2018.
- IDP/Budget consultation meetings with traditional leaders was held in September 2018 and April 2019
- IDP/Budget Steering committee meetings were held in July 2018
- IDP/Budget Management meetings were held to prepare for strategic planning sessions and steering committee meetings
- Departmental planning sessions and extended management planning session were held during the month of December 2018, February 2019 and March 2019
- EXCO Lekgotla was held in January 2019, February 2019 and May 2019

- Organisational strategic planning session with all councillors was held on the 22nd March 2019 and 17 March 2019
- IDP/Budget stakeholders' representative forum met on the 20th March 2019
- First draft IDP was tabled to council on the 29th March 2019
- Public and stakeholders consultation on draft IDP/Budget and budget related policies was conducted on the 19th May 2019 in four cluster meetings.

Fellow Councillors, this IDP compilation took into consideration the legal framework and policy context for alignment and integration. It also took into consideration, the recommendations of CoGHSTA MEC's Assessment of the 2018/19 Lepelle-Nkumpi IDP and 2018/19 Draft IDP, Engagement Session with Treasury regarding 2018/19 Budget and 2019/20 Draft Budget and 2017/18 Auditor General's Annual Report.

This IDP/Budget is a product of involvement of community members, organised community stakeholder's participation and internal stakeholders' involvement.

3. FINANCIAL VIABILITY AND AUDIT PERFORMANCE

Honourable Speaker, we need to acknowledge that we did not perform well as far as financial performance and audit outcome is concerned. It is a wish for every institution to achieve clean audit opinion. However, there is a lot of work, skill and commitment that goes into achieving this outcome. It is about compliance and accountability. Our audit opinion was not satisfactory, as such we need to double our effort in order to improve.

Even though we did not perform well, we were able to receive an Award from SALGA in 2016/17 financial year for MIG spending. Let us

continue to move with speed in order to avoid withdrawal of grant spending while our communities are in dire need of service delivery.

4. OVERVIEW OF BUDGET ASSUMPTIONS

The following budget assumptions were made during the compilation of the draft 2019/20 MTREF budget:

- The current economic environment, inflation rate including unemployment and affordability of services;
- Tariffs, levies and charges were calculated within the inflation targets (all services charges and rates increased by CPI)
- Cash backing of reserves, municipality working on ensuring reserves are cash backed;
- Capital projects are funded by grants and own funding;
- Debt increasing on monthly basis (debtors book over R186.3m), service provider appointed to assist with the development of the Revenue Enhancement Strategy which includes the debt management and recovery strategies; and
- Salaries budget was increased by **6.5%** based on the recent SALGA collective agreement.

Honourable Councillors, we are presenting an annual budget of **R408.4m** for **2019/20** financial year. The operating expenditure (Opex) is **R304.3m**. This is a decrease of R36m. The Opex is funded as follows:

- Revenue generated internally – **R230.8m** and
- Budget Provisions – **R73.4m**

The capital budget for the municipality will be decreasing from **R209.98m** to **R104.2m**. This amount will be funded as follows:

- Revenue generated internally – **R52.8m**
- Government Grants – **R51.4m**

Allow me Honourable Speaker to throw caution to the wind on the investment as a source of funding. Investment have impacted negatively on the revenue of the municipality including the projected interest from the investment. All wards and municipal departments have been affected by the loss of these funds. R50 million on sale of sites at units H, Q and R which was part of a recovery plan to the investment loss is no longer feasible.

Nonetheless, it remains critical for the municipality to invest in its infrastructure to progressively meet the needs of the community and grow the economy. More so, because the Municipality's own resources and the allocations from the national fiscus are not sufficient to meet these growing demands.

As part of the sustainability plan, amongst others, our municipality intends to go all out to mobilise financial resources to make up for the investment loss and grant withdrawals. We will also renegotiate land leases with the malls and network towers. In a long term, we will continue to pursue the objective of becoming electricity supplier and water service authority. Mayoral Imbizos will also focus on revenue enhancement.

5. INFRASTRUCTURE

Even under difficult conditions, we continue with our radical economic transformation agenda informed by the prevailing economic environment we face as a country. The primary tenant of economic transformation agenda is the enablement of economic growth,

development and transformation for the betterment and empowerment of its economically active citizenry.

We have the responsibility to come up with answers to the critical issues of unemployment and poverty. Ours must remain a mission to create enabling environment for inclusive growth and job creation.

As we continue with our course to enhance the economy of our municipality, amongst others, we are deliberately allocating funds to strategic key projects including the following:

- **R28.6m** for the upgrading of internal street from gravel to tar in Lebowakgomo from Zone S to BA phase 2.
- **R6.1m** for the upgrading of internal street from gravel to tar in Lebowakgomo Zone S to Q;
- **R1.5m** for the upgrading of internal street from gravel to paving blocks in Lebowakgomo Zone B;
- **R10m** for upgrading of access road from gravel to tar at Mooiplaas;
- **R465 000** for upgrading of access road from gravel to tar at Malakabaneng
- **R5.1m** for upgrading of access road from gravel to tar at Hwelereng
- **R3.1m** for upgrading of access road from gravel to tar at Hweleshaneng;
- **R6.8m** for upgrading of access road from gravel to tar at Klipheuiwel; and
- **R15.3m** for road maintenance municipal wide for 2019/20 and outer years.

Honourable Speaker, there is no doubt that we need to urbanise our municipality. We must agree to promote integrated human settlements through massive infrastructure services rollout. This

includes the continuation of investment in energy infrastructure. Due to budget constraints, we have put aside an amount to ensure that we build overhead electricity reticulation and households connections. For the financial year 2019/20, public lights and the overhead electricity reticulation and house connections will be done at different wards and villages within our municipality.

Honourable Councillors, all the 2019/20 to 2022/23 projects for implementation by Lepelle-Nkumpi Municipality are attached in the Council documents.

6. TARIFFS

Fellow Councillors, this budget proposes a **5.6%** increase across the board except for the usage of recreational facilities, while water from CDM will increase by **6%**. However, this continuous under recovery of our assessment tariffs need closer attention.

7. SOCIAL PACKAGE

The progressive **“pro-poor”** agenda we adopted when we came into office in **2016** would be skewed if we did not continue with our noble gesture of a social package for the most vulnerable and indigent members of society. This we do because we believe in a better life for all. We will continue to make life more liveable for thousands of our people. This will also include women, youth and people with disabilities.

8. HUMAN RESOURCE

We have engaged with organisational structure and no changes have been effected on it. We are mindful of the fact that the issue salary

disparity is still a challenge. We will continue to engage our staff with the view of finding an amicable solution.

Honourable Speaker, the budget indicates the following:

- Total revenue including grants equals **R408m** for the **2019/20** financial years;
- As per DoRA bill, total grants equal **R307m** for the **2019/20** financial year. The budget indicates that the municipality is grant dependant as the highest contributor is income received from National Treasury for Grants and Subsidies at **57.05%** for **2019/20** financial year;
- Revenue from Trading Services (property rates and refuse removal) including interest charged from overdue accounts for **2019/20** is at **R38.49m**, which is **7.14%** of the total budget;
- The agency services include commission from sale of water and sanitation of an amount of **R2.3m** and **R2.4m** respectively and agency fees the Department of Roads and Transport is in line with the **80/20** agreement and the Capricorn District Municipality service level agreement; and
- Income from accumulated surplus for the **2019/20** financial year to cater for capital expenditure amount to **R30m** which will be used to cater for capital expenditure.

Honourable Councillors, total operating expenditure for **2019/20** equals to **R304.3m**. No vacant positions are budgeted for in **2019/20** financial year and the savings will be used to fund capital expenditure. Included in the operating expenditure budget for the **2019/20** is provision for bad debts amounting to **R32m** and depreciation amounting to **R39m** and electricity projects of **R6.7m**.

Out of the total capital budget of **R104m** for **2019/20** financial year, **R51m** will be funded by Municipal Infrastructure Grant (MIG) which is **49%** of the total capital budget.

Honourable Councillors, still on the subject of capital expenditure, let me take this opportunity to reflect on the growing challenges brought by the expectation of local businesses for the “**said 30%**” share of economic opportunities. The municipality is first and foremost committed to promoting the imperatives of the preferential policy framework within the scope of BBBEE Act.

In this regard, the municipal administration is urgently required to ensure that the intent and spirit of the legislation is adhered to and that the laws of the country are not misinterpreted outside what National Parliament intended when the legislation was passed.

Therefore, the municipality will ensure that in all tenders above the threshold, the **30%** sub-contracting requirement is implemented. In cases of sectors, where there is limited sub-contracting capacity, the administration should develop a comprehensive programme on how it will support local companies to acquire requisite capacity.

We call upon communities to stop the abrupt stoppage of projects while we engage one another to settle any issue that may arise in a contract.

9. BUDGET RELATED POLICIES

Honourable Speaker, to successfully implement the budget, policies are critical. All budget policies were reviewed and no changes have been effected except the Supply Chain Management Policy. The Supply Chain Management Policy has not changed completely, however, we have received the Draft SCM policy from Provincial Treasury to promote uniformity within the SCM processes as such it

will form part of our SCM policy. The reviewed policy has incorporated the Preferential Procurement Regulation 2017, and other circulars issued by National Treasury as guidelines to the procurement processes.

Procurement to local contractors (sub-contracting) which was clause 8 on the 2018/19 approved SCM policy has been removed and only sub-contracting as per Preferential Procurement Regulation 2017 which applies for all subcontracting. As part of this submission, the following are key documents being tabled for your perusal and approval:

- The Final Draft IDP Review 2018/19;
- The Annual Budget for 2019/20 MTREF;
- The Tariff Policy; **(No changes)**
- The Proposed Tariff and Tariff increases; **(No changes)**
- Supply Chain Management policy;
- Draft SCM Policy and Model SCM Policy Infrastructure Procurement and Delivery Management;
- Asset Management Policy; **(No Changes)**
- Bad Debts and Write Off Policy; **(No Changes)**
- Tariff Policy; **(No changes)**
- Credit Control and Debt Collection Policy; **(No changes)**
- Budget and Virement Policy; **(No changes)**
- Cash and Investment Management Policy; **(No changes)**
- Indigent Policy. **(No changes)**

10. CONCLUSION

On behalf of the Council and the residents of Lepelle-Nkumpi, we thank all of you for your dedication and putting your municipality on the map. You have been working hard since 1996 to improve the living

conditions of the people, to undo the legacy of exclusion and neglect. Many community members and households were without electricity, water, roads and houses.

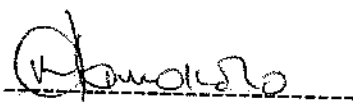
Special thanks to the political leadership both the governing party and opposition parties, our traditional leadership, the people of Lepelle-Nkumpi and all other stakeholders.

To the Acting Municipal Manager and his team, we have come this far and there is a lot more to do ahead. We therefore call upon all of us to take extra-ordinary efforts to bring relief to our people. We assure you that as council we shall not rest together with our partners until all households in our municipality live in dignity and obtain basic services. The new era has dawned in our municipality. **Let us give hope to our electorates.**

As council, we will continue creating a conducive atmosphere for the growth of our local economy. The electorate has mandated us to improve the quality of services we provide to our communities by being accountable and working closely with our communities.

I therefore accordingly, in terms of **Section 16 (2)** of the Municipal Finance Management Act, table the IDP Review 2018/19, the Annual Budget for 2019/20 MTREF, the proposed tariffs and tariff increases for 2019/20 to 2021/2022 and Budget related policies as per item **5.1.1** of the council agenda.

I thank you.



Cllr. Ramokolo M.M

Mayor