

**2010 BUDGET SPEECH BY THE EXECUTIVE  
MAYOR, ALDERMAN FAITH MATSHIKIZA AT  
THE WEST RAND DISTRICT MUNICIPALITY  
ON THE 08<sup>TH</sup> JUNE 2010**

- Madam Speaker
- Chief Whip of Council
- Members of the Mayoral Committee
- Members of the Municipal Council and Provincial Government
- Members of the Regional Structure of the African National Congress
- Speakers from Local Municipalities
- Executive Mayors and Mayors from Local Municipalities
- Chief Whips from Local Municipalities
- Members of the Mayoral Committee from Local Municipalities
- Councillors present from the Local Municipalities
- Senior Management and staff from the West Rand District Municipality and Local Municipalities
  - Media present
  - People of West Rand Region

The Office of the Executive Mayor presents the budget speech when the economic environment in Europe is in turbulent circumstances. The challenges that befell Greece and the shaky Euro indicate the uneasy economic periods we are operating within. The newly elected British Government is faced with a deficit of over six (6) billion pounds that it must address in the budget that must be tabled by the Chancellor of the Exchequer. Fortunately prudent proactive measures taken by South African National Government have prevented us from experiencing such extremely negative conditions.

However, the current global economic outlook requires that National, Provincial and Local Government must approve their annual budgets based on realistically anticipated revenue. The decisions that are taken by government in this turbulent economic environment require tightening of our belts and doing away with nice-to-haves within our budgets. We are in a period and stage that requires internal persuasions and reasoning that guide the wisdom of the budget adopted. Decisions that are taken now, should be those that will benefit future generations, and even make the future generations proud of the legacy we left behind.

These words are not meant to reduce the confidence that we should possess to meet the challenges that are experienced by our communities. When members of our communities face scorching heat, freezing winters and empty stomach and idle days, they expect service delivery that will eliminate and reduce poverty. We should stand up and be counted, as the leadership that had vision to address the community needs before the 2011 local government elections.

His Excellency, President Jacob Zuma in his State of the National Address on Thursday 11 February 2010, which marked the 20 years since the release of Umtata Nelson Mandela, gave five (5) key areas that the ANC lead government must address:

1. Addressing the Quality of Basic Education;
2. Providing vibrant, Equitable and Sustainable Rural Communities;
3. Ensuring Creation of Decent Employment through Economic Growth;
4. That All People in South Africa are Free and Feel Safe; and
5. All South Africans must have a Long and Healthy Life.

These five (5) key areas have increased to seven (7) with the two additional focus areas by government in Gauteng Province.

These additional two key areas are:

1. Sustainable Human Settlement and Improved Quality of Life; and
2. Responsive, Accountable, Effective and Efficient local government system.

### **Madam Speaker, Councillors and Colleagues**

The former Executive Chairperson of General Electric, Jack Welch had this to say, “When you are dealt a hand in a game of cards, you must play that hand without fail, you cannot expect the deck to be shuffled.” When one is 86%

dependent on the grants and subsidies, that is the only purse that can be opened to distribute to the needy.

The municipality has resolved in previous years that it will render the integrated emergency services within the Region. Is this the RESOLUTION that has come to bite us? I say big NO!!! It's a RESOLUTION that fully recognises and supports the Unicity vision by either 2014 or 2016. It's a RESOLUTION that had long term vision. Regionalisation is the hand we have been dealt and the hand we have chosen. IMPLEMENTATION OF THE HAND WE WERE DEALT is being addressed by the Regional Transformation Committee. The Transformation Committee should address the Unicity vision by engaging in the necessary DUE DILIGENCE PROCESSES in the current financial year and not leave the bulk of the issues to the NEWLY ELECTED MUNICIPAL COUNCIL MEMBERS in 2011 LOCAL GOVERNMENT ELECTIONS. This is an internal process not requiring additional funding.

## **1. OPERATIONAL BUDGET**

The budget for OPERATIONAL EXPENDITURE in 2010/2011 is R267, 163 million. The municipality has provided an amount of R127, 925 million towards the salaries and wages of the personnel costs. This represents 46,6% of the total operational expenditure. The cost that is

allocated towards the rendering of the effective and efficient integrated emergency services within the Region is 21% of the total salary bill provided. Although the National Treasury norms and standards levels reflects between thirty to thirty five percent, the 46,6%) can be justified on the grounds of integrated emergency services and that the number of incidents that were reached within reasonable time, saves lives within our Region. As in previous years, the WRDM will address the phasing-in of the positions of contract workers in the Public Safety Department as far as the annual budget allows. The budget has further recognised the need to accommodate key three (3) personnel posts of the Environmental Manager, Air Quality/Pollution Officer and the Researcher.

The WRDM Council has been very prudent and responsible when the need to provide a credible balanced budget confronted us. We have never considered the need to rush towards the raising of external loans. These external liabilities have future bearing on the funds that must be allocated towards Interest and Redemption, i.e. the payments to the financial institutions that have provided such loans limit resources available for service delivery. The local municipalities have to increase the tariffs to cover these payments. In the WRDM, the difficult economic environment excarbates the outstanding debtors book in the balance sheet and submission of reports that motivate the write-offs.

The municipality has a capital balance of long term external loans amount of R15, 7 million as at 30 June 2009 in the West Rand District Municipality (WRDM) Financial Position Statement. An amount of R3, 695 million is provided in the budget towards Interest and Redemption on the Development Bank of South Africa (DBSA) loan.

Provision is made for allocations towards the local municipalities of an amount of R23, 843 million excluding an amount of R8, 9 million that is still available to be allocated by the WRDM Council before 31 August 2010. The total amount of R32, 743 million must be utilized in the 2010/2011 financial year and local municipalities must be encouraged to start their procurement process in good time. Any roll-overs that happen when the Programmes (Projects) are cash-backed reflect bad and poor planning.

The IGR Forum will have to address the roll-overs on capital projects when the communities are marching against municipalities for poor service delivery. We expect the transfers and contributions to the local municipalities to exceed eighty percent (80%) expenditure when the FIRST HALF ASSESSMENT REPORT is tabled in January 2011. National Treasury and national government redirects conditional grants

from the municipalities that show snail pace implementation to those that are spending the grants within the parameters of the financial year. The WRDM MUST NOT HESITATE TO CONSIDER SUCH MEASURES IN THE FUTURE.

The municipality has provided an amount of R20, 838 million and R16, 198 million for Programmes (Projects) and Professional Fees respectively. The allocation of R16, 198 million to the professional fees enhances Local Government: Municipal Finance Management Act (MFMA), Section 19 on the conducting of feasibility studies before funds are tied-up in capital projects that will not be realised and implemented.

All the Programmes (Projects) that are allocated an amount of R20, 838 million aim to address the Government Mandate of addressing the challenges of our competencies, provision of safe and healthy environment as well as realising the economic growth potential. The Department of Health and Social Development Chief Financial Officers at Provincial Government were tasked to review and seek funding for the HIV and AIDS programmes. We still have not received any response and an indication on how much will be allocated to the WRDM. You will all recall that the WRDM was provisionally promised a substantial amount. We have however, budgeted more than one million from the limited

financial resources at our disposal. The administration will continually engage the two PROVINCIAL DEPARTMENTS.

We continued to make allocations to the West Rand Development Agency. An amount of R6, 976 million is provided to enhance the effective and efficient administration of the WRDA. The joint Section 80 Committees of Finance and LED had a meeting on Wednesday, 02 June 2010, and Council will be informed of the innovations and future plans after the council recess.

The provision for the remuneration of Councillors is an amount of R7, 264 million, awaiting the decision of the Honourable Minister of COGTA. NATIONAL TREASURY HAS ALWAYS NOT SUPPORTED THE REMUNERATIONS OF COUNCILLORS FROM THE NATIONAL FISCUS WHENEVER SALGA PRESENTED SUCH A PROPOSAL. SALGA GAUTENG MUST TAKE THIS MATTER FORWARD, TO ENSURE DECENT ALLOWANCES TO MEMBERS OF THE MUNICIPAL COUNCIL.

## **2. CAPITAL BUDGET**



The total amount of R29, 828 million has been provided in the 2010/2011 approved and adopted budgeted for capital expenditure. The capital expenditure is different from the transfers and contributions to the local municipalities in the sense that the fixed assets on capital expenditure will reflect in the WRDM Financial Position Statement (Balance Sheet), and the transfers and contributions will reflect in the local municipalities' balance sheets.

The biggest capital expenditure provisions are R5, 784 million and R12, 220 million on 7, 5 kilometres pipeline refurbishment and construction of the multipurpose centre (MPCC) respectively. The municipality has experienced challenges from the Management Authority on the Environmental Impact Assessment reports that are still outstanding. The MEC has committed himself that all the outstanding EIA Reports will be provided without delay since they impact on service delivery in the DMA.

### **3. REVENUE BUDGET**

The total municipal revenue budget is R283, 046 million. The bulk of the revenue is the operational transfers of R200 268 million; other own revenue of R24, 77 million; capital transfers of R21, 086 million and R25 million surplus cash. The operational and capital transfers represents 78,

2% of the total revenue budget. The heavy reliance on the operational transfers is not of the WRDM own doing. THE FORMER HONOURABLE MINISTER OF FINANCE HAS ABOLISHED THE RSC LEVY IN 30 JUNE 2006 and National Treasury has not finalised the replacement tax instrument for the district municipalities. THE SIX (6) METROPOLITAN MUNICIPALITIES ARE ACCOMMODATED THROUGH THE FUEL LEVY AND DISTRICTS ARE STILL AWAITING THE OUTCOME ON THE LOCAL BUSINESS TAX (LBT).

**Madam Speaker, Councillors and Friends**

**IN CONCLUSION:**

The responsible decisions that are taken by the WRDM Council reduces the risk exposure of the municipality for future generations. The Minister of Finance, Pravin Gordhan stated in the Business Day of Thursday, 27 May 2010 that the

“Careful management of government finances could cut the budget deficit to 4, 1% over the next three years.”

One may ask, how does this translate to us as the municipality? Optimistically more funds could become available from the National Treasury for allocations to the local government sphere. Prudent management of limited financial resources reduces the chances of collapse of the municipality and ensures that all allocations to the programmes (projects), professional fees, capital costs and other operational costs are made in good time without fail to the service providers, financial institutions, allowances and salaries.

There is no danger that the municipality will be derailed from its strategic objectives and goals. The commitments that are made to the broader community are achievable due to the prudent financial management. THE CAPITAL PROJECTS ARE REALISTIC AND NOT THUMB SUCK PROJECTS THAT CANNOT BE ACHIEVED FROM EXISTING FINANCIAL RESOURCES.

**Madam Speaker, Councillors and Friends**

I deliver this budget speech in a week of hope and excitement because of the imminent Soccer World Cup. You are all welcome to attend the Regional Public

Viewing site during June/July to experience the magic of the Rainbow Nation –  
ALL RACES JOINED TOGETHER IN THE COMMON CELEBRATION OF  
SPORT.

Later in the year we will host the O R Tambo Games for an amount of  
R850 000, which limited amount is budgeted for the further promotion of sport  
and a healthy life style.

Former President Nelson Mandela once said “Art and sport have the power to  
change the world, the power to inspire, the power to unite people the way that  
little else can”

I take this opportunity to thank the municipal council members during the  
difficult economic period for approving and adopting the 2010/2011 budget, the  
MAYCOM understanding of the sacrifices made to achieve and produce the  
credible balance budget, the Budget Steering Committee for the technical  
advice and inputs, and the entire West Rand District Municipality  
administration for the support.

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“Faster, more responsive, caring and effective service delivery is what we want to see in 2010,” said President Jacob Zuma in January 2010. He added “We said the dreams and hopes of all the people of our country must be fulfilled. We said there was no place for complacency, cynicism and excuses.”

WRDM is committed to the President’s view and will ensure that the budget is implemented for the benefit of our people.

**Thank you!!!!**

**Dankie!!!!**

**Ke ya leboga!!!!**

**Ngiyabonga!!!!**

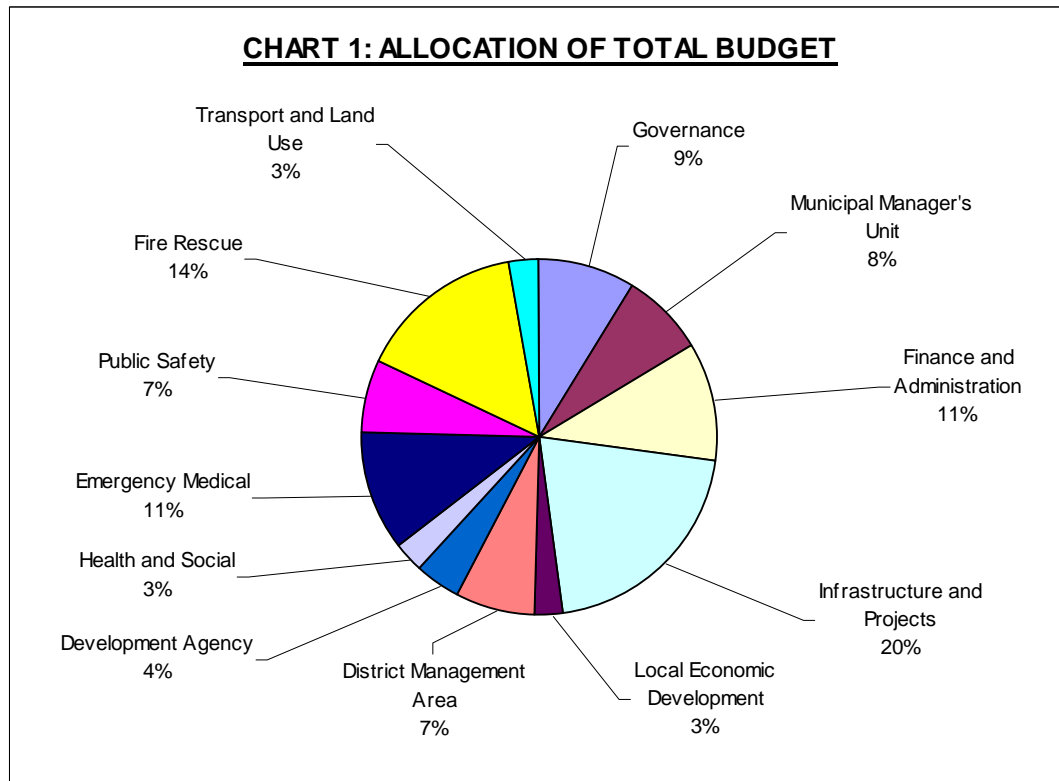
# BUDGET REPORT: 2010/2011 FINANCIAL YEAR

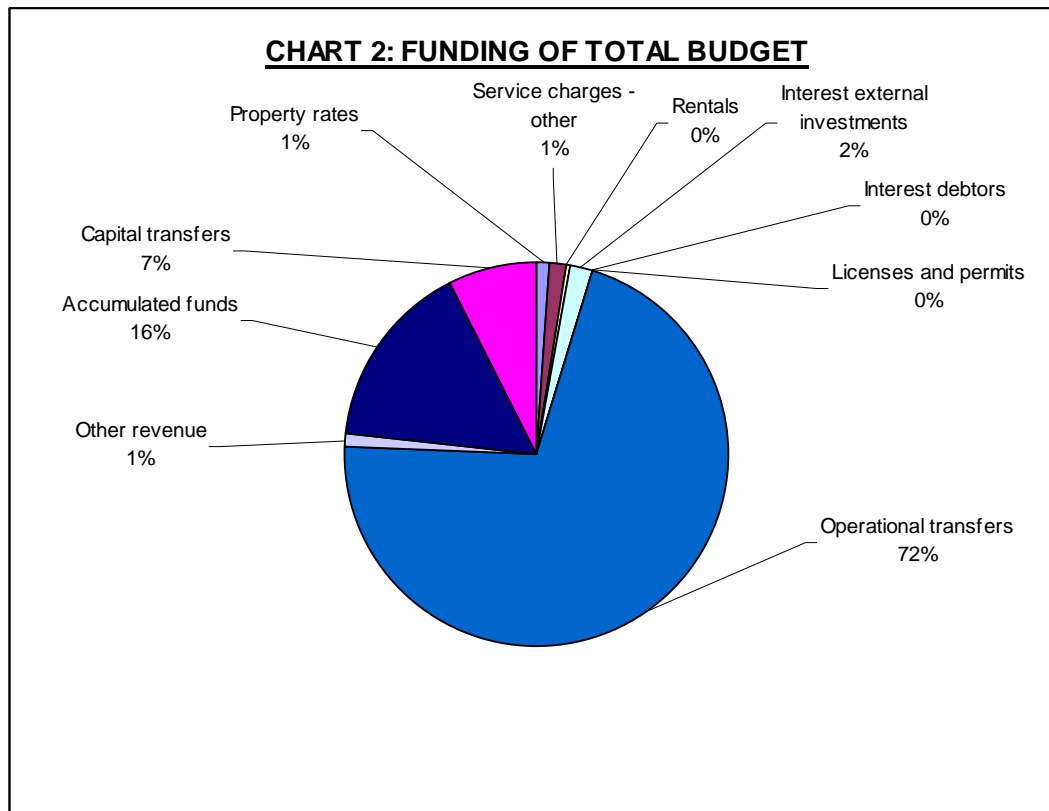
## **1. EXECUTIVE SUMMARY**

The following is a concise summary of the budget for the 2010/2011 financial year, as contained in Table A1 (Budget Summary):

<b><u>Description</u></b>	<b><u>2010/2011</u></b>
Operating revenue	R261 960 000
Operating expenditure	R276 063 000
Capital transfers (revenue)	R 21 086 000
Share of deficit in the WRDA	R 6 976 000
Capital estimates	R 29 828 000

**Chart 1** illustrates the main components on how the total budget will be allocated and **chart 2** indicates the main sources of revenue to finance the budgeted expenditure.





## **2. OPERATING REVENUE**

Total operating revenue amounts to R261,960 million and is contained in Table A4 (Budgeted Financial Performance).

### **2.1 Property rates**

After provision for rebates the expected revenue amounts to R3,2 million. This is an increase of 99% compared to the current financial year and is a result of the phasing in of the Propert Rates Act. No increase in tariffs are proposed.

### **2.2 Service charges - other**

The main components of revenue from service charges are the rendering of ambulance and fire services and the sale of electricity to tenants. The budgeted revenue from this source for 2010/2011, amounts to R3,7 million.

### **2.3 Rent of facilities and equipment**

Expected revenue for 2010/2011 amounts to R1,3 million of which the rental of shops (R1,1m) is the biggest contributor.

## **2.4 Interest earned – external investments**

This source of revenue refers to interest earned on the investment of surplus cash. As it is anticipated that the amount of surplus cash will reduce during 2010/2011 with the progress on roll-over projects and non-distributable reserves, interest earned, compared to the adjustments budget for 2009/2010, is also reduced.

## **2.5 Transfers recognised - operational**

Operating grants and subsidies represent the bulk (72%) of the revenue sources of the WRDM. With the abolishment of RSC levies, the WRDM is totally dependant on National and Provincial grants and subsidies as a revenue source.

A breakdown of the grants and subsidies for 2010/2011 is as follows:

RSC replacement grant	R133 727 000 (National)
Equitable share allocation	R 26 732 000 (National)
Ambulance subsidy	R 30 330 000 (Provincial)
Subsidy payment (WRDA)	R 6 976 000 (WRDM)
Library networks	R 503 000 (Provincial)
Finance management grant	R 1 000 000 (National)
M S I G	<u>R 1 000 000 (National)</u>
<b>Total</b>	<b><u>R200 268 000</u></b>

## **2.6 Other own revenue**

Other revenue amounts to R48,306 million and consists of the following main elements:

- Sale of refuse bags	R 1,500 m
- Insurance claims	R 1,290 m
- Recreation revenue	R 0,100 m
- Training fund refunds	R 0,300 m
- National, Provincial and WRDM grant roll-overs from 09/10	R19,877 m
- Accumulated funds	R44,877 m

## **2.7 Transfers recognised – capital**

Capital grants and subsidies amounts to R21,086 million and represents 7% of total revenue. A breakdown of the grants and subsidies for 2010/2011 is as follows:

Municipal infrastructure grant	R 6 086 000
Neighbourhood development grant	R15 000 000

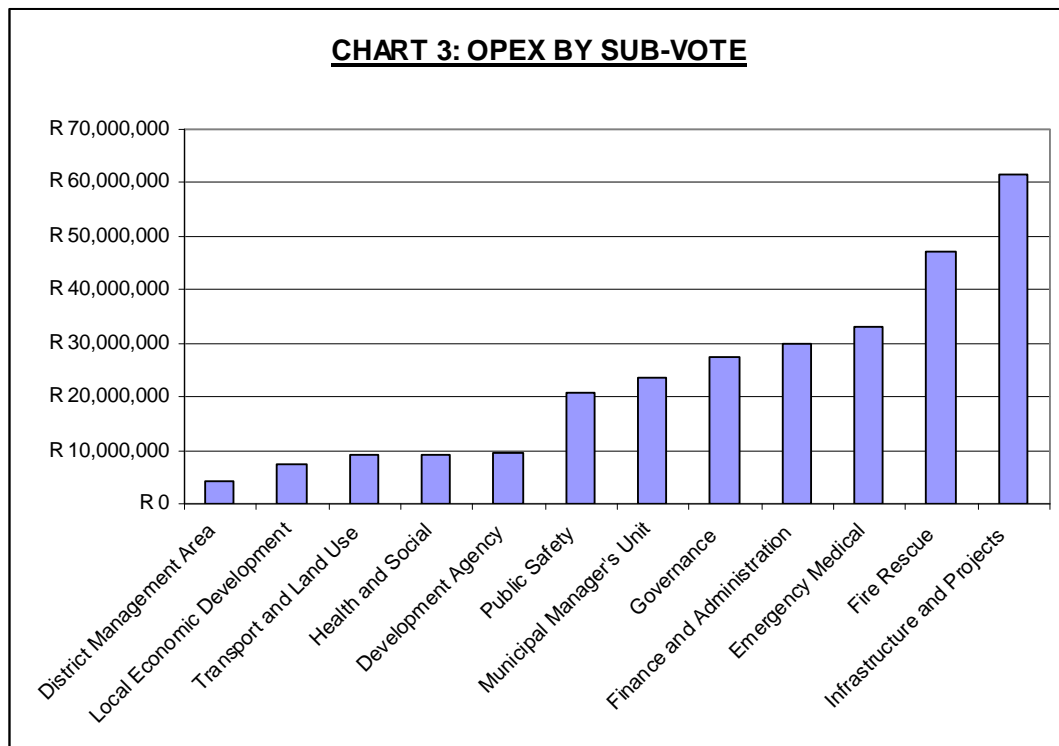


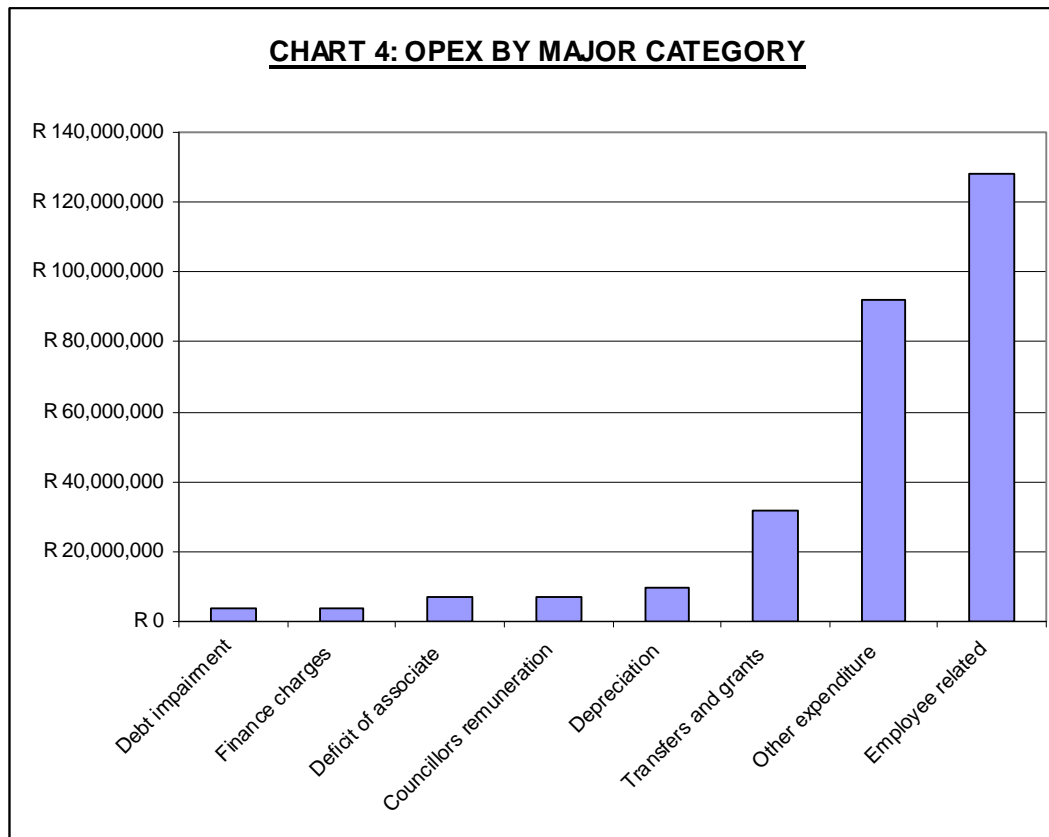
### 3. OPERATING EXPENDITURE

Operating expenditure, including the West Rand Development Agency, amounts to R283,039 million and is contained in Table A4 (Budgeted Financial Performance) and supported by information in Supporting Table SA1.

**Chart 3** illustrates operating expenditure by sub-vote and **chart 4** reflects operating expenditure by major category.

More information on operating expenditure is included in the attached supporting tables.





### **3.1 Employee related costs**

Zero-based budgeting was used to determine employee related costs for 2010/2011 and the following are included:

- Provisional annual salary increase of 8,5%.
- Provision for annual notch increases where applicable.
- Estimated increase in medical tariffs of 15%.
- Personnel costs related to Merafong Fire Services

Total personnel costs amounts to R127,925 million and represents 45% of total operating expenditure. The main components associated with personnel costs are contained in Supporting Table SA1.

Provision is made in the 2010/2011 budget for the filling of the following new posts:

Rural/Environmental Manager.

Air Quality/Pollution Officer.

Researcher.

### **3.2 Remuneration of Councillors**

Provision is made for an increase of 8,5% in councillor allowances.

### **3.3 Debt impairment**

Debt impairment relates to the provision for working capital regarding Fire Services, Emergency Medical Services and Property Rates to protect the cash position of the WRDM.

### **3.4 Depreciation**

Provision for depreciation for the 2010/2011 financial year, as per the financial policy of the WRDM, amounts to R9,551 million and makes provision for current assets, assets purchased during 2009/2010 and the capital budget of R29,788 million for the 2010/2011 financial year. The full application of GRAP 17 resulted in a significant increase (R1,6 million) in the provision for depreciation.

### **3.5 Interest and redemption on external borrowing**

This provision is for servicing the current external loan of the WRDM taken up from the Development Bank of South Africa which is redeemable by 30 September 2014. The capital balance of the external loan amounts to R15 725 300 as at 30 June 2009.

### **3.6 Transfers and grants**

Transfers and grants amounts to R23,843 million and consist of the following:

Randfontein LM	R1,936 m
Mogale City LM	R0,614 m
Westonaria LM	R8,779 m
Merafong City LM	R6,364 m
Asset financing reserve	R0,065 m
MIG allocation 10/11	R6,086 m
Un-allocated	R7,930 m

The above allocations include savings and unspent amounts in the project provision as well as new allocations made during the 2009/2010 financial year from MIG and COGTA funding which will not be spent by 30 June 2010.

### **3.7 Other general expenditure**

Other general expenditure amounts to R92,226 million and represents 33% of total operating revenue for the 2010/2011 financial year. Detailed information on other general expenditure is provided in Supporting Table SA1.

## **4. CAPITAL EXPENDITURE**

The capital budget of the WRDM for the 2010/2011 financial year amounts to R29,828 million of which R4,575 million is new capital and R25,253 million is roll-over capital from the 2009/2010 financial year.

### **4.1 Capital expenditure**

Infrastructure – water	R 5,784 m
Community halls	R12,220 m
Plant and equipment	R 5,381 m
Computer related	R 0,234 m
Office furniture and equipment	R 1,451 m
Civic land and buildings	R 1,100 m
Other buildings	R 2,158 m
Other	<u>R 1,500 m</u>
TOTAL	<u>R29,828 m</u>

### **4.2 Funding of capital expenditure**

The sources for financing the capital budget, are from:

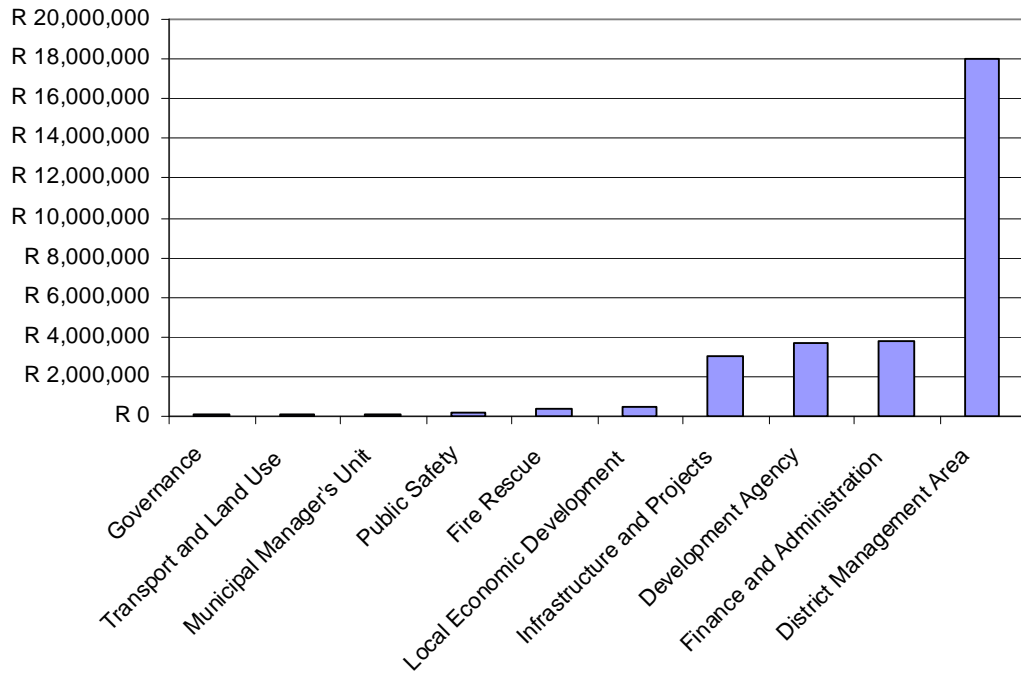
COGTA roll-over grants	R 9,415 m
Asset financing reserve	<u>R20,413 m</u>
TOTAL	<u>R29,788 m</u>

### **4.3 Main capital items**

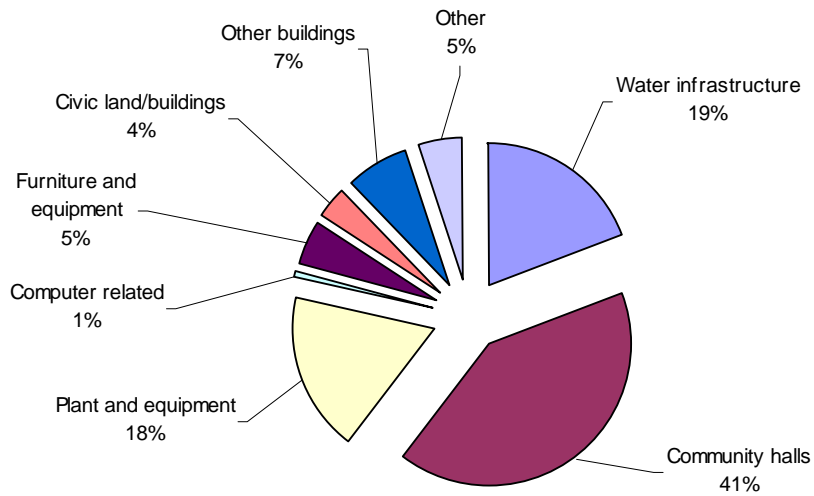
The following items with a budgeted purchase price of more than R100 000 is contained in the capital budget:

Pneumatic Jack	R 170 600
Skid units (8)	R 195 000
Equipment for council chambers	R 400 000 (roll-over)
Arts and Craft Centre	R 417 560 (roll-over)
Air-conditioning units	R 500 000
Upgrading/renovations to council chambers	R 600 000 (roll-over)
Furniture for council chambers	R 700 000 (roll-over)
Upgrading of security at council centre	R 1 500 000 (roll-over)
Buy-back centres	R 1 740 000 (roll-over)
Machinery and equipment	R 1 891 000 (roll-over)
Leak detection equipment	R 3 000 000
Refurbish pipeline/construct elevated water tank	R 5 784 400 (roll-over)
Multi purpose community centre	<u>R12 220 000 (roll-over)</u>
TOTAL	<u>R29 118 560</u>

**CHART 5: CAPEX BY SUB-VOTE**



**CHART 6: CAPEX BY MAJOR CATEGORY**



## **5. BUDGET ASSUMPTIONS**

During the compilation process of the draft estimates for the 2010/2011 financial year, the following assumptions were made:

- A 8,5% increase is budgeted for salary adjustment and Councillor Allowances.
- Inflation forecasts as per MFMA circular no. 51.

## **6. BUDGET RELATED POLICIES**

The following budget related policies are applicable in terms of the provisions contained in the MFMA. These policies can be viewed on the web-site of the WRDM.

- 6.1 Asset management policy.
- 6.2 Banking and investment policy.
- 6.3 Credit control and bad debt policy.
- 6.4 Supply chain management policy.
- 6.5 Property rates policy in the DMA.
- 6.6 Credit control and bad debt policy (Property Rates).

## **7. BUDGET PROCESS**

The IDP and budget process started in August 2009 and ended with a final Council meeting that was held on 26 May 2010 during which the IDP and budget were approved. During this process various meetings were held with all Departments in order to enhance a credible budget. Consultative meetings were also held on a number of occasions with the Section 80 Committee: Finance, Mayoral Committee and other political forums. Trade Unions, the Community and other Stakeholders were also invited to give comments and inputs on the draft IDP and draft budget of the WRDM. Public participation on the budget took place on Tuesday, 18 May 2010.

## **8. BUDGET RELATED MATTERS**

**8.1** Included in the budget of the West Rand District Municipality for 2010/2011, is the ring-fenced entity of the West Rand Development Agency (WRDA).

The WRDA consists of Head Office, Donaldson Dam Recreation Resort and the Plastic Recycling Plant, with a draft

- Operating expenditure budget of R9 671 890,
- Operating revenue budget of R9 671 890, and a

- Capital budget of R3 695 790.
- Subsidy payment from the WRDM of R6 975 890.

The main sources of revenue are the sale of refuse bags in the Plastic Recycling Plant to the amount of R1 500 000, unspent operating conditional grant of R1 000 000 and the subsidy from the WRDM. No provision is made for a contribution from the Industrial Development Corporation.

Operating expenditure is directed towards:

Employee related costs	R 3 137 600
Depreciation	R 1 013 100
Repairs and maintenance	R 485 000
Municipal levies and charges	R 329 600
Professional fees	R 1 775 000
Directors remuneration	R 691 000
Office operational costs	R 622 100
Training	R 86 700
Security services	R 435 000
Conferences and seminars	R 300 000
Audit fees	R 87 500
Computer software	R 50 000
Advertisements	R 100 000
Telephone costs	R 115 400
Other general expenses	R 172 890
Lease equipment	R 108 000
Marketing	R 100 000
Insurance	<u>R 63 000</u>
Total	<b><u>R 9 671 890</u></b>

Total capital expenditure amounts to R3 695 790 and is directed towards:

Plastic Recycling Plant	R3 631 000 (roll-over)
Office equipment	<u>R 64 790</u>
	<b><u>R3 695 790</u></b>

**8.2** Included in the budget of the WRDM for the 2010/2011 financial year is the rendering of Fire Services in the area of jurisdiction of Merafong City Local Municipality. The total operating budget for rendering this service, as provided by officials from Merafong City LM, amounts to R19 716 110. The latter resulted in the operating budget of the WRDM closing with a deficit of R16,093 million.

**8.3** After performing a cash reconciliation as at 30 June 2009, based on the audited financial statements for the 2008/2009 financial year, the result is as follows:

Audited cash and investments	R114 614 951
Less:	
Audited liabilities and cash backed reserves	R 70 723 898
Contributions and roll-overs	R 11 047 400
Retained as safety net	<u>R 7 843 653</u>
Surplus cash	<u>R 25 000 000</u>

The surplus cash will be utilised in the 2010/2011 financial year to finance the transfer of the rendering of Fire Services in Merafong City Local Municipality to the West Rand District Municipality and to assist the Local Municipalities in the area of jurisdiction of the WRDM with their development needs.

## **9. LINKAGE OF THE BUDGET WITH THE IDP**

The budget of the West Rand District Municipality for the 2010/2011 financial year is linked to the Integrated Development Plan and such evidence is contained in the IDP document.

More information on the linkage of the budget with the IDP is contained in the attached supporting tables SA4, SA5 and SA6.