



BUDGET SPEECH

delivered by

THE EXECUTIVE MAYOR,
FATHER SMANGALISO MKHATSHWA

20 MAY 2004

Mr Speaker, Distinguished Guests, Colleagues, Ladies and Gentlemen

More than a month ago our people once again exercised their democratic right to vote for the government of their choice in the third national and provincial elections. As was widely expected by all political commentators and analysts of note, the majority of the people of South Africa voted overwhelmingly to renew the mandate of the ruling party to govern our country for at least the first five years of our next Decade of Democracy.

Shortly after the elections President Thabo Mbeki wrote an article published in the on-line **ANC Today** of 16 April 2004 and he said the following, amongst other things:

"...the people of South Africa voted overwhelmingly for national unity and reconciliation. They voted to unite in action in a people's contract, together to create jobs, to fight poverty and build a better life for all." He continued by saying that, "... These masses have made the unequivocal statement that they have the greatest confidence in our movement to lead our country as it begins its Second Decade of Freedom.

We therefore celebrate, with much pride, our achievements as a government over the past ten years of freedom and democracy and the overwhelming confidence shown by the majority of our people in this government to score even greater advances to address the challenges that lie ahead of us in the next decade.

Premier Mbhazima Shilowa also captured this sentiment very clearly in his opening address to the Gauteng Legislature in February 2004 when he said:

"Our achievements and progress constitute solid building blocks on which to construct future successes and effectively address the shortcomings and challenges that lie ahead. The journey to a better life is well underway. The legacy of apartheid is increasingly being pushed aside in the face of a concerted and comprehensive programme of reconstruction and development to improve the lives of all our people..."

Tshwane as part of government has also registered remarkable achievements in its mere three and a half years of existence. Some of these achievements were highlighted extensively in our February 2004 "State of the City Address", but it is important to remind ourselves of the most recent deliverables as part of our reconstruction and development programme and our journey to improve the lives of our people, such as:

1. Notable progress has been made in installing infrastructure to distribute electricity to residents in an equitable, efficient, cost-effective and sustainable manner. We have connected 2 355 stands to the supply grid in the 2003/04 financial year to date as part

of the Electricity for All project, erected 303 streetlights as well as 77 high mast lights. After many months of protracted negotiations between the municipality, ESKOM and other role-players most households in the ESKOM-supplied areas are now receiving 50 kWh free electricity since February this year in terms of the targeted approach and negotiations have already commenced to implement the broad-based approach whereby all households in these areas will benefit.

2. Regarding water, several water and sanitation projects were implemented during the financial year in the marginalised areas of the city. Tshwane is the national frontrunner in the implementation of Government's commitment to providing a free basic supply of water to all our people. An important development regarding the Roodeplaat Temba Water Services Trust, which is a R530 million Public-Private Partnership project, is that we have recently been granted the license to upgrade the Temba purification plant and draw water from the Roodeplaat Dam, to increase reticulation around the Hammanskraal areas and supply water to the areas north of the Magaliesberg. This project promises to alleviate the shortage of fresh water and to provide capacity for future business and industrial expansion in the far northern areas of Tshwane.
3. Job creation through various roads and stormwater projects have received special attention during the current financial year. In this regard seven emerging contractors are utilised for maintenance work employing some 340 local labourers. Unbundling of contracts and employment of emerging contractors are used to create maximum employment opportunities for local people. A pilot project utilising labour intensive methods for sealing of roads has been initiated in Soshanguve during December 2003, as part of the R49 million project for the upgrading of internal roads in Tshwane, and 30 emerging contractors attended the training – shortly up to 40 emerging contractors will be utilised with 530 local labourers employed on this project.
4. In terms of health care, free primary health care services are rendered from 23 municipal clinics. All clinics conduct HIV/AIDS counselling and testing and 70 per cent now have rapid tests, whilst five clinics have already started to render services for the prevention of mother to child transmissions. The World Aids Day door-to-door campaign reached 29 784 households and 1 800 volunteers were trained. The Rosslyn clinic is being upgraded and a mobile clinic service has been introduced in Soshanguve.
5. The provision of Emergency Management services are important community functions rendered by this municipality. Over and above the rendering of daily emergency services, the following achievements were accomplished: Extensive upgrading of security measures was done at various fire stations at a cost of R3,21 million and five rescue pumpers and three aerial apparatus have been purchased at a cost of R29 million, whilst Phase 2 of the Disaster Management Information System will be implemented by the end of this financial year.

6. The Tshwane Metropolitan Police Service plays an important role to ensure a safe and secure environment in the city. The establishment of a one-stop service centre for the northern regions has brought the full spectrum of policing services closer to these communities. Further, there has been a noticeable stabilisation in crime owing to the metro police's holistic approach to crime prevention by addressing social issues, which are causing and contributing to crime, and pro-actively and re-actively addressing environmental issues which create opportunities for crime.
7. Municipal by-laws are there to regulate errant behaviour within the boundaries of our municipality. In a first for the country on the 6th of April this year a dream came true with the formal launch of the first fully-fledged municipal court in Tshwane. The task of these courts is to effectively deal with people who violate municipal by-laws, certain traffic offences and other relevant delegated legislation. This is definite proof of our commitment as local government to promote co-operative governance and law enforcement.
8. One of the key aims of our waste management section is to render a basic waste service to all residents. In achieving this goal we appointed 34 community-based contractors to provide waste services particularly in the north-western areas. This is also creating much needed job opportunities but at the same time contributing to poverty alleviation and a cleaner environment.

In the current financial year a total of 190 000 240/ containers and 98 000 85/ containers have been distributed and an additional 26 856 service points have been provided with waste management services, such as residential complexes, townhouses and business.

Cemetery services have implemented a total of 11 projects to the value of R11,5 million which include the upgrading of numerous cemeteries in Ga-Rankuwa, Majaneng, Temba, Lotus Gardens, Mabopane and Soshanguve. In addition Phase 2 of the development of two new cemeteries, namely Honingneskrantz and Hatherly cemeteries has also been completed and a total amount of R3 million was utilised to purchase and install crematory furnaces at the Rebecca Street Crematorium.

A total of ten new parks and twelve phase 2 upgrading projects have been implemented mainly in formally disadvantaged areas such as Soshanguve, Stinkwater, Nellmapius, Atteridgeville, Mamelodi, Saulsville, Mabopane, Ga-Rankuwa, Winterveldt and Temba. These new parks will provide much needed recreational facilities for these communities as well as contribute to the overall greening and beautification of the city.

9. We have also evaluated and approved over 2 300 land use applications and over 16 000 building plans over the past twelve months. These are a clear indication of the growing investor confidence in our city.

10. In terms of housing delivery in the current financial year, we have built 7 100 houses and completed 8 226 serviced sites and 228 family units.

Lastly, a feasibility study report for the re-building of Munitoria will be tabled for consideration by Council shortly which will propose various options for the design, construction, operation and maintenance of the new municipal headquarters. It is envisaged that construction will start later this year or in early 2005, depending on which option is approved by Council.

These achievements show that we are indeed on track as a city to improve the lives of all our people and confirm once more why Tshwane has been voted the best-managed city in South Africa for the past two years and declared best performer in the public sector in the 2003 Impumelelo Top 300 Companies Award.

BUDGET PROCESS

Mr. Speaker, Ladies and Gentlemen,

Turning to the 2004/05 budget process. The City of Tshwane, as a leading pilot municipality in the National Treasury budget and finance reform programme, is at the forefront of transforming and modernising public finance management in order to deliver better value for money and improve the services that are delivered to communities.

We have witnessed an unprecedented and innovative public participation process as part of the compilation of this budget. This was the first time that the municipality has embarked on such an extensive public participation and community consultation drive and we have really done well.

Reflecting on the process we can report to you today that fourteen different meetings were held across the city with a wide range of stakeholders, close to 1 500 representatives participated, with more than 200 questions raised, 17 written submissions received and 10 oral presentations were made during our first Budget Public Hearing.

Various issues were raised by participants and we managed to provide feedback and responses on most of the critical issues during the Second Budget Conference held on 21 April 2004. The process was reasonably effective and successful although various areas for improvement have been identified which will be attended to during the next budget cycle.

Furthermore, the improved integration between the IDP and Budget process will assist in ensuring that community expectations are aligned to financial planning.

BUDGET PRIORITIES

The fourth Medium-Term Budget, which is a culmination of the community consultation process, we are tabling today ushers in the second decade of freedom and democracy and the last leg of the term of office of the current council. The budget choices and priorities that inform the resource allocations build on the achievements we have made and address the critical strategic challenges that we face as a country and a city to further strengthen our democracy and freedom in the years ahead.

The key priorities for Tshwane for the next three years and beyond are:

1. Investment in social and economic infrastructure to boost social service delivery on the one hand but to also improve the competitiveness of the city's economy;
2. Extension of basic services to all residents of Tshwane to fight poverty and build sustainable communities;
3. Redirection of discretionary operating and capital funds to priorities identified in our emerging City Development Strategy;
4. Creating and stimulating a conducive environment for sustainable economic development and job creation; and
5. Building a sound institution based on a transformative agenda, good governance and management, to ensure more effective and efficient service delivery.

FINANCIAL STRATEGY

Our financial strategy recognizes that the implementation of the newly promulgated Municipal Finance Management Act (MFMA) requires a fundamental shift in the financial principles that we pursued in the past. The days of municipal finance management using the balanced annual cash budget technique as its core strategic financial toolkit, predominantly focusing on short term goals, are gone forever. This will be replaced by longer term financial planning, augmenting the City Development Strategy and IDP processes.

Mr. Speaker, the following are the major factors that have been taken into consideration and which primarily determine our financial planning approach:

1. Our capacity to raise loans to fund capital development in the city is based on the magnitude of outstanding borrowings owed by the Municipality to its financiers and the impact that annual loan and interest repayments will have on annual operating and cash flow budgets. This budget has been prepared on the basis that the maximum capital expenditure capacity is created within the constraint of ensuring that the interest and redemption payments do not exceed 15 per cent of the total operating budget.

2. A long established benchmark measures employee cost as a percentage of the operating budget. The percentage comparison from one municipality to another varies quite considerably, as it is directly impacted on by the level of outsourcing of services. The medium-term budget has been prepared on the basis of minimising the employee cost as a percentage of the operating budget. In addition various projects to manage the municipality's staff numbers, such as an organisational audit, alternative service delivery investigations and the implementation of the new One Integrated Transaction Processing System (OITPS), are being spearheaded by the Office of the Municipal Manager which will have a significant impact on further managing employee cost over the next three to five years.
3. The MFMA requires that the budget be based on realistic forecasts of revenue recovery. The Medium-Term Financial Plan and annual budget have been prepared on the basis of achieving an average debtors collection rate of 97 per cent in 2004/05. It is expected that this percentage will, however, progressively increase by an average of 0,5 per cent per annum through the medium-term as the new consumer debtors' improvement strategy is progressively implemented. We will therefore continue to enhance our credit control, debt collection and billing processes and improve on the quality of services that we deliver to ensure that residents pay for the municipal services that they utilise.
4. With regard to tariff increases and cost pressures, the draft Medium-Term Budget proposes average tariff increases of 7, 6,5 and 6 per cent on all main consumer services and assessment rates over the next three years with effect from 1 July and for electricity from 1 February each year. This is in line with the maximum growth limits determined by the Minister of Finance in terms of the Local Government Transition Act.

Mr. Speaker, I am sure that colleagues would agree to a large extent that the increase in tariff charges is somewhat outside of our control where price increases for bulk electricity, coal and water are set by external agencies and salary increases are negotiated at a national bargaining council level. Discounting the impact of these price and salary increases in lower consumer tariffs indefinitely, will erode our future financial position and viability and hence our capacity to deliver services in a sustainable manner.

During the next budget cycle we will investigate possible changes in tariff structures, for example aligning our assessment rates with the provisions of the new Property Rates Bill, as well as modelling a basket of differentiated tariff increases for different consumer services to ensure an optimal mix which we trust will be beneficial to both the municipality and residents.

The proposed tariff increases for 2004/05 will generate additional revenue of R247,1 million which will fund new service delivery initiatives in the city.

The Minister of Finance recently reminded us on 18 February this year that Joseph Schumpeter pointed out that economic development:

"is a powerful index of a society's values, not merely in its language and numbers, but in the lived experience of its impact on people, families, workers, businesses and organizations".

The City of Tshwane has enjoyed above average economic growth of 5,1 per cent during the period 1996 to 2002 although not fast enough to meet all the needs and aspirations of our people.

Economically we have adapted reasonably well to the ever increasing challenges of living and operating in a globalised world. Our companies are on the cutting edge of technological advances and are aggressively conquering new and retaining and expanding existing international markets.

Despite tough conditions, our exports, for example, have risen from approximately R6 billion in 1996 to R33 billion in 2002. Foreign investors are very interested in our city. Ford Motor Company of Southern Africa for example has announced their local plant in Tshwane as the manufacturing source for future vehicle and component export programs. They invested R1 billion and will export 2 700 commercial vehicles and 30 000 passenger vehicles. Backward linkages will ensure that other South African firms benefit from this and production parts to support an estimated 70 000 vehicles per annum will be exported from local suppliers to other international markets.

I now sound like the proverbial two-handed economist: On the one hand we are doing very well economically – we are competing globally and creating wealth, our firms are globally competitive and the city has the people and infrastructure to attract more investment. On the other hand, unemployment and poverty is on the increase and we have experienced job-poor growth. This is our greatest challenge.

Economic Development remains one of our key priorities and while not ignoring competitiveness, it needs to be driven by creating jobs and for us as a city to create a conducive environment for this to happen. We need more jobs! We need better jobs! We need sustainable jobs! Without a sound economy, and high levels of employment, we will soon become an unsustainable city – not only economically but also socially and environmentally.

In terms of current legislation, the Minister of Finance is required to determine the guideline growth rates for municipalities. The guideline growth rates for municipal budgets for the next three years are set at 7, 6,5 and 6 per cent and take into account increase in transfers, anticipated changes in service charges and tariffs for electricity and water and medium term salary agreements between the South African Local Government Association (SALGA) and organised labour.

Mr. Speaker, based on the afore-mentioned factors our operating revenue budget will increase from R6,8 billion in 2004/05 to R7,6 billion in 2006/07. Our main sources of revenue over the next three years will be derived from electricity, assessment rates and water, with RSC levies, sanitation and refuse removal also making a significant contribution. Inter-governmental grants will also see a significant increase especially with regards to the municipality's share of the equitable share from nationally raised revenue which will increase with close to 30 per cent in 2004/05.

The operating budget also provides for expenditure of R6,8 billion in 2004/05 increasing to R7,6 billion in 2006/07 resulting in a balanced operating budget. Close to 55 per cent of operating expenditure is allocated to Service Delivery in terms of water and sanitation, roads and stormwater and electricity provisioning, more than 20 per cent to the Housing, Economic and Social Development functions and approximately 9 per cent to Community and Public Safety in terms of our stated budget priorities alluded to earlier.

The capital budget increases from R1 billion in the current financial year to R1,2 billion in 2004/05 and to R1,4 billion in 2006/07. This represents a massive increase of 81 per cent compared to the 2002/03 financial year. Approximately 75 per cent of the capital budget will be earmarked for infrastructure and housing development projects over the next three years. It is also important to note that the ratio of capital funds deployed, which is a measure of the effectiveness of the municipality, will increase from 12,7 per cent in 2002/03 to 15,2 per cent in 2006/07.

The total budget of the municipality increases from R7 billion in 2003/04 to R8 billion in 2004/05 and to a further R9 billion in 2006/07, representing an increase of 28,5 per cent over this period.

INTERGOVERNMENTAL TRANSFERS

Mr. Speaker, Ladies and Gentleman

The evolution of a stable and well-functioning intergovernmental fiscal system has been a notable success of South Africa's first decade of democracy. National transfers to local government will grow by 5,8 per cent over the next Medium-Term Expenditure Framework and the increased local government allocations are intended to accelerate the delivery of municipal services, especially basic services to poor households.

National transfers to Tshwane will increase with just over 37 per cent over this period from R378,5 million in 2004/05 to R519,2 million in 2006/07, whilst a total amount of R204,2 million will be received from the Gauteng Provincial Government over the next three years.

The unconditional equitable share which is based on a redistributive formula that favours poorer municipalities and is intended to supplement our own revenue to deliver free basic services such as water, sanitation, electricity and refuse removal will show a significant increase of 56,9 per cent from R191,8 million in 2004/05 to R300,9 million in 2006/07.

Tshwane will also receive a sizeable share of the new Municipal Infrastructure Grant (MIG) from National Government which will speed up delivery of infrastructure in priority areas such as water and sanitation, refuse removal, roads and community facilities primarily for the benefit of poor households and communities. The MIG aims to remove the backlogs in basic municipal infrastructure over a ten-year period and the strong growth in the grant of 32,2 per cent from R151,5 million in 2004/05 to R200,3 million in 2006/07 should also facilitate the expansion of labour-based projects in the construction and maintenance of infrastructure in line with the goals of the Expanded Public Works Programme (EPWP).

BASIC SOCIAL PACKAGE

Mr. Speaker, many self-appointed representatives of the poor or poorest of the poor in our midst would want us to believe that we are not a caring government, especially when they so passionately debate the proposed tariff increases by propagating, in a very patronising manner, that it is too high and that it will hit the poor more than anyone else. Let me remind them, in case they have forgotten that almost 70 per cent of the people, including the poorest and most vulnerable people in this country, convincingly rejected these self-appointed "pro-poor" representatives by showing their overwhelming confidence in this ruling party at the ballot boxes on April 14.

As President Thabo Mbeki said in his article of 16 April:

"Our political opponents, echoed and supported by Afro-pessimists from the developed world of the North, have worked hard during and before (and now after) the 2004 elections to propagate the dishonest view that problems that could not be solved in the United States for two centuries, could be solved in South Africa in one decade.

As they were bound to, the people have firmly rebuffed all the desperate efforts to mislead them. They have done so because their own direct and practical experience has taught them the truth that some sought to deny. They have done so because through a long history of political struggle under the most difficult conditions, they have learned to distinguish illusion from reality.

... As it has done before, the ANC will not disappoint the expectations of the masses of our people whom our opponents consider to be but a contemptible and irrational mob."

In line with this commitment not to disappoint the masses of our people living in this city this budget retains the elements of the basic social package of free services announced during the tabling of the 2003/04 Budget. Furthermore, the basic social package supports one of our key budget priorities of extending basic services in order to fight poverty and building sustainable communities.

The total value of the basic social package will amount to R331,4 million in 2004/05 and will include free water, sanitation and electricity within certain consumption limits, subsidised refuse removal and the continued exemption from assessment rates for properties with a site value less than R10 000. In addition to this we will continue to render and further extend water and refuse removal services in informal areas.

The structure based on consumption of the free basic services will ensure that the poor households in our communities are also insulated from the impact of tariff increases.

SERVICE DELIVERY INFORMATION

The service delivery information, which includes measurable objectives and targets, is included in the detailed budget document for each municipal department and function. This signifies a marked improvement in our budgeting process, ensuring that members of Council, communities and ratepayers pay equal attention to both financial results and non-financial outcomes, which in our view should greatly improve service delivery and ensure greater public accountability for the effective, efficient and economical utilisation of municipal resources.

The following are some of the key service delivery targets for the next medium term, which will position Tshwane very well to honour our promise to our people of fighting poverty and creating work:

1. Installing additional 15 000 water connections per annum which will reduce the number of households without yard connections by 33 per cent over the next three years; Reducing the estimated sanitation backlogs with close to 15 per cent by expanding water borne and pit latrine (VIP) services; Of importance is the target of lowering the unaccounted for water from 19 to 17 per cent over the next three years. 1 000 jobs will be created in 2004/05 increasing to 1 200 in 2006/07 through the implementation of various water and sanitation projects.
2. The main electricity projects which will be undertaken include, amongst others, the construction of substations, electrification, public lighting and strengthening of the networks. The measurable outcomes of these projects will include the electrification of 3 200 stands, expansion of 570 street lights and 70 new high mast lights as well as the maintenance of existing infrastructure. 2 900 jobs will be created through the implementation of capital projects.
3. Major roads and stormwater projects will be the construction and rehabilitation of roads, signs, sidewalks and kerbs and keeping pedestrians safe as well as construction of stormwater systems.

2 306 km of gravel roads will be bladed, 230 km of gravel roads will be re-gravelled for each year and 42 km of roads and 25 km of storm water systems will be constructed. This will create 632 jobs next year increasing to 834 jobs for 2006/07 and 196 emerging contractors will be appointed and developed in project execution over the next 3 years.
4. 40 per cent of emergency medical and ambulance service calls will be attended to within 10 minutes, increasing to 60 per cent in year 3. The fire fighting, rescue and special service will be rendered according to the defined risk categories, increasing from 85 per cent to 95 per cent in 2006/07. Approximately 31 620 fire safety activities will be attended to, that is hydrant inspections, fire safety inspections etc.
5. As we are sensitive to our social responsibility to ensure that the housing needs of our people are met, the municipality will fast track this process by supplying 17 000 affordable and sustainable housing opportunities for low income households in the next financial year. Furthermore, 3 000 families will be relocated to Mooiplaas, the Mamelodi hostel will be upgraded to house 150 families and 25 000 more families will be captured on the housing waiting list.
6. We are also planning to provide waste services in areas of the city that are not formally proclaimed townships. These include Soshanguve, Mabopane, Winterveldt,

Ga-Rankuwa, Diloppe, Stinkwater, Suurman, Majaneng, Lephengville and Skampaneng amongst others. The annual cost to council is estimated at R5.4 million to render the service by means of community based contracts. This would be offset against the current cost to council of approximately R10 million per annum to deal with the serious problem of illegal dumping. It is intended to implement this extended waste service programme from the beginning of the new financial year.

7. In terms of rendering primary health care we are planning to increase clinic attendance from 795 721 to 811 715 over the next three years and that all antenatal clinics will provide services for the prevention of mother-to-child transmissions.
8. Regarding pro-active policing which is primarily aimed at ensuring a safe and orderly environment for all people within the city we are planning to contain the growth in incidents of crime by 12,3 per cent over the next three years and to reduce accidents at the twenty top priority locations by five per cent per annum.
9. In order to facilitate and direct private and public sector investment and development our target is to increase the turnaround times for the approval of land use applications by at least 10 per cent per annum over the next three years.

Lastly, Mr. Speaker, Ladies and Gentlemen planned projects such as the Mabopane, Hammanskraal and Denneboom stations will provide facilities to promote the development of the informal sector, whilst other projects such as the Hammanskraal Skills Training Centre, Glass Recycling, Lalela and the Olievenhoutbosch Multi-purpose Centre will provide facilities to promote the development of Small, Micro and Medium Enterprises (SMME's).

These are some of the key service delivery targets extracted from the departmental business plans and I would encourage Councillors and members of the public to study the detailed information in the budget document so that we can enhance public participation, public accountability and the public monitoring of the execution of these plans during the coming financial years.

CONCLUSION

In conclusion, I want to express my sincere appreciation to:

- Members of the Mayoral Committee, in particular the Portfolio Incumbent for Finance and Audit – MMC Kaptein Chauke, for the leadership and political guidance,
- Members of the Finance and Audit Portfolio Committee, Councillors and Ward Committee Representatives for their valuable contributions and commitment during the compilation of this budget,
- Members of the public, residents, organised business and industry, and all other stakeholders who made submissions and inputs during the public participation process,
- The Municipal Manager, Chief Financial Officer and his budget team, as well as all other officials who have managed the budget compilation process through sheer hard work and dedication.

Mr. Speaker, Ladies and Gentlemen

This Budget is appropriately designed to effectively carry out the massive mandate that we received from our people on April 14 this year.

This Budget is indeed a true reflection of our municipality's commitment to ensure that we improve the lives of all our people.

This Budget defines and represents the basis of our contract with the people to create work and fight poverty and should ensure that we do not betray the trust of our people.

Finally, Mr. Speaker, Ladies and Gentlemen

This Budget and the outcomes it plans to achieve, inspires us with immense confidence that we are indeed on the right track to meet our obligations to all our people and stakeholders in Tshwane to ensure a better life for all.

Woza e Tshwane! I repeat, Come to Tshwane! Kom na Tshwane!

I thank you all.