



Budget Speech
delivered by
The Executive Mayor
Father Smangaliso Mkhathshwa

26 May 2005

Mr Speaker, Colleagues, Distinguished Guests, Ladies and Gentlemen

The draft 2005/06 medium-term budget was tabled in Council at the end of March this year and was followed by extensive public participation and community consultation meetings as required by the Municipal Finance Management Act (MFMA) and the Municipal Systems Act (MSA). It is also important to note that the budget was made available at all libraries, customer care offices across the city and on our website. This was the second time that the municipality had embarked on such a public participation drive, which involved all 76 wards with approximately 1 200 people participating in 15 different zonal meetings.

Mr Speaker, the public participation process undertaken was not only to comply with the legal requirements of the MFMA and MSA, but it also sought to give effect to the bold pledge made in the Freedom Charter that "*the people shall govern and that all people shall be entitled to take part in the administration of the country.*" As Tshwane we have in the past and will continue, to make sustained efforts to reach out to our people and engage with them in a meaningful way on matters affecting their daily livelihoods as citizens of our city. In order to give substance to these consultations and to formally comply with the MFMA, I will later formally respond in this speech and give feedback on the submissions received during this process.

Mr Speaker, Ladies and Gentlemen

I think it is also critical that we place this budget in its proper developmental and service delivery context and I want to do this by quoting what Minister Sydney Mafumadi said when he opened the National Forum on Municipal Finance, recently held at the Ceasar's Conference Centre. The Minister said:

"Government takes the view that the basic tasks of development and democratic institution-building cannot be undertaken without a sound

municipal fiscal base. We are also of the view that municipal finances play an important role in the daily lives of our people. Our ability to access such basic services as water, electricity, refuse removal and sanitation depends on the efficacy with which the finances of our municipalities are managed and the efficient way in which these and other resources are allocated."

The budget that is before Council for consideration and approval today is therefore a budget of hope, reflecting positive achievements over the past four years, which were outlined in detail in the State of the City Address delivered in February this year and also setting a firm basis for optimism about the future. It is a budget grounded in the reality of a country and a city that is growing ever more confident in our ability to meet the needs of our people while progressively rolling back the economic and social legacy of its apartheid past.

As President Thabo Mbeki correctly asserted in his State of the Nation Address on the 11th of February this year:

"We are not being arrogant or complacent when we assert that our country, as a united nation, has never in its entire history enjoyed such a confluence of encouraging possibilities. On behalf of our government, we commend our programme to the country, confident that its implementation will help to place us on the high road towards ensuring that we become a winning nation and that we play our role towards the renewal of Africa and the creation of a better world.

Acting together, we do have the capacity to realise these objectives. And sparing neither effort nor strength, we can and shall build a South Africa that truly belongs to all who live in it, united in our diversity!"

Minister Trevor Manuel in his budget speech delivered in Parliament on the 23rd of February this year went further by saying that:

"Even as we enjoy the fruits of the progress made in our first decade, we know that our work is not complete until all our people have achieved freedom from want, freedom from fear, freedom from prejudice, freedom from injustice...In order to complete this liberation, the most vulnerable among us must see their rights to development being realised each passing year, through progressive advances..."

In our State of the City Address in February we said, as part of our contribution to celebrating the Golden Anniversary of the Adoption of the Freedom Charter at the 1955 Congress of the People in Kliptown, that *"As the capital city of our democracy, it behoves us to nail our colours to the Freedom Charter, and to signal a final and decisive break with the oppressive past with which we were once so intimately associated."*

Mr Speaker, this budget therefore seeks to address these developmental and transformational imperatives by deliberately and purposefully directing increased resources to key priority areas identified by the President, the Minister of Finance and in our own City Development Strategy to ensure that the Freedom Charter remains a living document and plays its central role in the formation of a new South Africa, and a new Tshwane.

Budget priorities

The key Government priorities for local government to ensure that we pursue the programme for reconstruction and development and as confirmation of our determination to realise the vision contained in the Freedom Charter include:

*"The people shall share in the country's wealth!,
All shall enjoy equal human rights!,
There shall be work and security! and
There shall be houses, security and comfort!"*

Economic outlook

Mr, Speaker, turning to the economic outlook according to **ABSA 'Econotrends' Economic Outlook** *"South Africa is considered to be experiencing one of its best economic periods in many years. Lower inflation outcomes and interest rates are creating an economic environment for all-time high consumer confidence. However, external factors such as the huge increase in the cost of oil will place upward pressure on inflation. The Production Price Index (PPI) was negative and very low during 2004, but has started to accelerate and is expected to reach 5,6% in the second quarter of 2006. CPIX is also expected to accelerate during 2005/06".*

Tshwane, compared to other developing cities on the continent and elsewhere in the world or even South African cities, is very fortunate to have inherited a number of world class institutions. However, in common with many South African cities, we have to continue to address the legacy of apartheid in a very decisive and focussed manner.

This is reflected in our economic performance: On the one hand we have consistently grown faster than other South African cities, but on the other hand unemployment and poverty levels have not significantly reduced. Although our growth is slowly starting to translate into jobs which in turn assist in rolling back the frontiers of poverty, this is not happening fast enough. Although the government cannot create jobs directly, we can and must however provide an enabling environment in which enterprises can thrive. It is these enterprises that create the needed jobs.

We have indeed in the past created and continue to create the necessary environment for the automotive sector to expand and thrive. This sector is not only contributing direct jobs to the local Tshwane economy, but is also contributing much needed foreign direct investment. The strong rand is partly due to the work that we have done to help make this sector globally competitive. Our exports generally have risen much faster than the national average. Tshwane now contributes approximately 10 per cent to the national export drive.

The City Development Strategy with its four pillars will contribute to the creation of the conducive environment. We are looking at strengthening other clusters and will direct investment to specific prioritised geographic areas (Zone of Choice). There are many exciting possibilities for the future and when we look back and evaluate the benefits we are deriving from our involvement in the Auto Supplier Park, the Automotive Industry Development Centre and The Innovation Hub, I am amazed! The investment is paying far more dividends than we anticipated. This is due to the entrepreneurial spirit of our businesses and the confidence that foreign firms have in South Africa and our city.

We need to stimulate this entrepreneurial spirit even more. In partnership with a number of institutions we will assist entrepreneurs with information, training, mentoring, access to skills, access to markets and access to finance.

It is correct that Tshwane has attracted more than its fair share of foreign direct investment over the past decade, but we need to pay more attention to foreign investors. We realise that they have a number of options where they can invest. Conditions, neither in South Africa nor in Africa have been conducive in the previous century, but I believe, through the implementation of NEPAD, we are at the threshold and a boom that will make the industrial revolution look humble. We will continue to follow sound macro economic policies and the City will remain well governed. Investors provide the jobs and we will lean over backwards to ensure that they remain competitive and continue to employ more and more people.

Budget framework

Addressing the 2005/06 medium term budget framework, in the words of the Minister of Finance, Mr Trevor Manuel, our budget *"seeks to contribute to the season of hope...through reinforcing the momentum of our social and economic progress. In framing the Budget, it is this vision that has been our practical guide – a vision rooted in the actual, lived experience and struggles of ordinary people."*

Mr. Speaker, the medium-term budget for the next three years was prepared within the context of government's macro-economic and fiscal framework as well as the imperatives of the City Development Strategy.

As part of a three-year rolling budget process, the budget framework for the next three years sees revenue and expenditure increasing from R7,3 billion in 2005/06 to R8,1 billion in 2007/08.

A basket of differential tariff increases are proposed to determine the most acceptable and equitable funding regime taking into consideration the actual cost of delivering services, budget priorities, national legislation, regulations and policy guidelines. Whilst the increases proposed for assessment rates is 7%, waste and sanitation 6,5% and for water 8,3% on average, with no tariff increase for electricity, the weighted average increase for 2005/06 is proposed at only 3,9%, compared to the current forecast of the Municipal Cost Index of 6,7%, the CPIX forecast of 4,8% and the National Treasury growth limit of 5,5%. The proposed tariff increases will yield additional revenue of R200,1 million in the next financial year.

Our main sources of own revenue over the medium term will be derived from electricity, property rates and water, with RSC levies, sanitation and refuse removal also contributing significantly to the municipality's revenue raising capacity. The review of the local

government fiscal framework by National Treasury may have a sizeable impact on our revenue budget in the two outer years, particularly with respect to the possible effects of the establishment of regional electricity distributors (REDs), the new property tax legislation and the phasing out of regional services council levies. These impacts should therefore be taken into account during the 2006/07 budget process.

Total revenue from intergovernmental grants and refunds comprise approximately 8,9% of total operating revenue and will increase from R650,4 million in 2005/06 to R609,2 million in 2007/08. The municipality's total allocation in terms of the equitable share, which supplements own revenue to deliver free basic services, will amount to R827,7 million over the next three years. An amount of R65 million has also been allocated, in terms of the Division of Revenue Act, to Tshwane in terms of the Restructuring Grant which supports our restructuring and alternative service delivery initiatives.

The bulk of operating expenditure is allocated to the infrastructure-related votes of electricity (32,0%), water and sanitation (15,7%), housing (13,1%) and roads and stormwater at 5,8%. This accounts for just over 66% of total operating expenditure. Community safety and health and social development votes are allocated 8,9% and 4,0% respectively of the operating budget.

Employee costs will be reduced to approximately 30% of total operating expenditure by 2009/10 through productivity improvements as part of the Long-term Financial Strategy and compulsory savings on the non-filling of funded vacancies. Also in terms of the Long Term Financial Strategy, the repairs and maintenance of infrastructure appropriations will increase by 2% in real terms for the first two years and thereafter by 1% in real terms for the year thereafter.

The capital budget increases from R1,641 billion in 2005/06 to R1,732 billion in 2007/08. Approximately 79,0% of the capital budget will be earmarked for infrastructure and housing

development projects over the next three years to address backlogs, rehabilitate existing infrastructure and create much-needed jobs through the use of labour intensive methods wherever possible.

The next financial year will also see important advances in the implementation of the new plan for the development of sustainable human settlements announced by government last year. We will see greater impetus given to investment in housing and the development of residential communities. Through our CDS approach we practically agree with Minister Manual when he said that *"We cannot, in good conscience, build dormitory suburbs characterised by neglect, settlements that have no sports facilities, entertainment, business opportunities, social or policing infrastructure."*

Tshwane will also receive a significant share of the Municipal Infrastructure Grant (MIG) from National Government to 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. MIG allocations will see an increase of 35,8% over the medium-term from R198,2 million in 2005/06 to R269,1 million in 2007/08.

Mr Speaker, Ladies and Gentlemen, there shall be houses, security and comfort for the majority of the people of Tshwane through the effective implementation of this budget over the medium to long term.

Basic social package

The 2005/06 medium-term budget also retains the elements of the basic social package in line with government's priority of providing basic services to those who cannot afford to pay for them owing to adverse social and economic realities. Owing to the social package, the total value of income forgone will be R345,5 million in 2005/06 and will include free water, sanitation and electricity benefiting on average 339 000 households, refuse removal within

certain consumption limits benefiting 127 660 households and the continued exemption from assessment rates for properties with a site value less than R10 000 for 78 600 households. In addition to this we will continue to render and further extend water provision through communal stand-pipes and refuse removal services through bulk containers and removal of plastic bags in informal areas.

Mr Speaker, Ladies and Gentlemen, there shall be houses, security and comfort for the majority of the people living in our City as we move forward decisively to eradicate the legacy of the past and firmly establish our new democratic state.

Public participation issues

Returning to the key outcomes of the public participation meetings, which definitely provided us with a better understanding of some of the common local priorities, which are very close to the hearts of our people. Even though we cannot mention every single issue that was raised, the following are some of the key issues:

-  Infrastructure, housing, roads and stormwater were the main issues raised especially in the Northern Areas of the City.
-  Repairs and maintenance shortcomings were frequently discussed mainly in the Central, Southern and Eastern areas.
-  The service delivery problems experienced in the cross-boundary areas of the City.
-  Lack of local economic development initiatives in certain areas.

In responding to some of the key issues raised during the public participation meetings, it is also important to emphasise that community expectations must be matched with the reality that we operate with a finite resource base whose expansion requires greater co-operation between the municipality and the people. Following the submissions and representations received, the budget was reviewed in the following areas:

- ✎ The capital budget for infrastructure was increased.
- ✎ Additional funds for repairs and maintenance were provided for in the operating budget translating in a real increase of 2% per annum for the next two years.
- ✎ Additional allocation on the capital budget for the 2010 Soccer World Cup.
- ✎ Fast-tracking the implementation of the Integrated Transport Plan approved by Council on 24 February this year.
- ✎ Programmatic implementation of the CDS to address the backlogs and developmental challenges in the North.

Although the attendance at some meetings was not as expected, we want to express our sincere appreciation to all residents, ward committees and all other stakeholders and organisations who participated during the meetings. We will work hard, especially through strengthening the functioning of our ward committees and better inter-departmental coordination, to ensure that we improve during the next community consultation process.

Key service delivery targets

Mr Speaker, there is an increased focus in Government on improved service delivery, value for money and quality of spending. The President in his State of the Nation Address set the example by clearly spelling out the marching orders for all spheres of government and public entities.

Based on the important role of the local sphere of government in that it impacts directly and immediately on the livelihood of our people, the municipality has committed itself to the following key service delivery targets:

- ✎ Installing electricity networks to connect an additional 8 000 households in the next financial year and increasing the value of contracts to be awarded to emerging contractors by 23,9% to R4,1 million.
- ✎ With regard to water and sanitation provision, we are planning to install 8 200 meters of bulk water pipelines and 14 168 meters of internal sewer networks as well as 5 000 new meters to non-metered households in the City. Through the implementation of projects we are planning to create 1 400 jobs for local labour, which is an increase of 40% compared to the current year and further appoint 23 emerging contractors which shows an increase of 35,3%.
- ✎ The Roads and Stormwater Department will appoint 57 emerging contractors as part of the Expanded Public Works Programme which will create approximately 788 jobs. We are planning to complete 1 600 kilometers of road markings, repair 2 500 dangerous potholes and rutting, and build and upgrade 42 kilometres of road and maintain 480 kilometres of roads.
- ✎ On the housing front we are planning to provide 5 000 top structures, appoint 47 emerging contractors, plan 22 000 new and 10 000 serviced sites in the coming financial year.
- ✎ We will continue embarking on our HIV/AIDS programmes, increase clinics to allow access for people with disabilities from 78% to 82% and increase the number of antenatal clinics providing Prevention of Mother to Child Transmission (PMTCT) services from 47% to 73% in the next financial year.
- ✎ Our Fire and Rescue Services, will ensure that a total of 47 Fire fighting vehicles are available throughout the City on a daily basis and will further ensure a response time

of within 8 minutes to risk category A incidents and a response time of within 13 minutes to risk category C incidents.

- ✎ In terms of the provision of Emergency Medical and Ambulance Services we will ensure that no less than 21 ambulances are operationally available throughout the City on a daily basis to ensure a response time of within 18 minutes to high risk (priority 1) incidents within urban areas and a response time of within 40 minutes to high risk (priority 1) incidents within rural areas as well as a response time of within 40 minutes to low risk.
- ✎ On the tourism front, we as a City recognise the potential economic spin-offs from this sector, hence we are planning to aggressively promote the City as a unique tourist destination and expand our market share from 2% to 2,5% in the next financial year.
- ✎ The annual Tshwane Business week held earlier this month continues to provide an important forum for promoting smart business partnerships and promoting international economic and trade opportunities for the City. As part of the City's key performance area of developing our economy, we are planning to create about 3 000 jobs through the municipality's economic development projects and to spend 40% of our procurement budget promoting Broad Based Black Economic Empowerment (BBBEE).
- ✎ We want to improve the market share of the Fresh-produce Market over the next three years and to increase its operating surplus to ensure continued financial viability.

Mr. Speaker, these are some of the high-level indicators and targets and further detail can be obtained in the City Scorecard and from the individual departmental business plans.

Mr. Speaker, Colleagues, Ladies and Gentlemen, the service delivery objectives elucidated in this budget can only be achieved in partnership with our community and it therefore means that all of us must and should honour our part of the social contract by paying for services to ensure that we succeed in our quest to remain viable and sustainable as a municipality and in rolling back the frontiers of poverty and under-development.

Conclusion

In conclusion I want to express my heartfelt gratitude to:

- ✎ Members of the Mayoral Committee on the Budget for providing the necessary political oversight during the budget process.
- ✎ Members of the Mayoral Committee, the Portfolio Committee on Finance and Audit (under the leadership of MMC Kaptein Chauke), all Councillors and Ward Committee Representatives for their valuable contributions and commitment during the compilation of the budget.
- ✎ The Municipal Manager.
- ✎ The Chief Financial Officer and his budget team, as well as all officials who have played a pivotal role with the compilation of this budget.

With that Honourable Speaker, I now formally table the 2005/06 medium-term budget including Annexures A to K for Council's consideration and approval, in terms of section 24(1) of the Municipal Finance Management Act.

Let all people who love their people and their country (and their city) now say, as our people said in Kliptown half a century ago: "*These freedoms (expressed in this budget) we will fight for, side by side, throughout our lives, until we have won our liberty.*"

I thank you.

