

**STATE OF THE MUNICIPAL ADDRESS BY THE MAYOR OF
MANDENI MUNICIPALITY, HIS WORSHIP, COUNCILLOR SB ZULU
ON THE OCCASION OF THE TABLING OF THE FINAL INTEGRATED
DEVELOPMENT PLAN (IDP) 2018/19, ORGANISATIONAL
DEVELOPMENT STRUCTURE AND BUDGET 2018/19 AT
ISISBUSISIWE HALL ON 30th MAY 2018**

**Madam Speaker,
Deputy Mayor,
Chairperson of the MPAC,
Chairperson of Women's Caucus
Members of the Executive Committee,
Fellow Councilors,
Members of Traditional Councils within Mandeni,
Head of Administration,
Senior Management,
Municipal Officials,
Media, and
Members of the Public at large,
Ladies and Gentlemen**

Ladies and Gentlemen it is with great honour that I stand before you, to table the mSCOA Budget for 2018/19 & Medium Term Revenue and Expenditure Framework (MTREF) which goes together with the Final Integrated Development Plan for 2018/19 as well as the Municipal Organisational Development Structure for 2018/19.

I am indeed humbled as the Mayor of Mandeni Municipality to be afforded an opportunity of presenting an Annual Budget for 2018/2019 & (MTREF) in terms of Section 24 (1) of the Municipal Finance Management Act (MFMA).

Madam Speaker, the work in putting together this critical mSCOA Budget started when the Council adopted the Process Plan on the 30th of August 2017 and I would like to confirm that indeed we did not deviate from the said plan. As required by law, I can confirm that the Integrated Development Plan for 2018/19 has been informed by the inputs made by all stakeholders within the Municipal Jurisdiction hence the Final Budget for 2018/19 has been greatly informed or influenced by the IDP.

Madam Speaker it is important for me to take stock or to reflect on the progress made by the Municipality during the current Financial Year 2017/18 in line with approved projects and programmes as presented before the start of the Financial Year.

In terms of Good Governance and Public Participation, I can confirm that the Municipal Council and all Council Structures remained stable since the beginning of the Financial Year up to now and such structures have met as scheduled. On behalf of Council I would like to acknowledge and appreciate the progress that has been made by the Municipal Public Accounts in dealing with issues raised by the Auditor General under 2016/17 Audit and I would like to believe that we are on course to reclaim our Clean Audit status. Madam Speaker, according to Cogta-KZN Back to Basics Quarterly Assessments, the Municipality has sustained its functionality status since the beginning of the Financial Year to date, but there is always a room for improvement and we shall

strive for that. Madam Speaker I can also confirm that the Council headed to the call by SALGA on establishment of Structures of Council to deal with issues of Women and it is on record that this Council managed to establish the Women's Caucus during the Third Quarter of 2017/18 Financial Year but more work is required in ensuring that the Committee is able to deliver on its mandate through the creation of a conducive environment. We have managed to capacitate our Ward Committee structures, which are critical for effective community participation in the budget, PMS and IDP processes.

In terms of Institutional Development and Municipal Transformation, the Municipality at the beginning of the Financial Year Developed and Adopted the Recruitment Plan for Senior Managers in line with Circular 10 of 2017 for Provincial Cogta. The Municipality has made steady progress in implementing such plan and the Council managed to fill the position of the Municipal Manager during the Second Quarter and further filled the positions of the Chief Financial Officer and Director Economic Development, Planning and Human Settlements during the Third Quarter of 2017/18. Of concerning is the position of the Director Technical Services which has remained vacant for over two years with all the efforts made by Council in filling this position. The Municipality managed to have all positions at Middle Management filled by end of Second Quarter for 2017/18. The Council has reviewed all Municipal Policies critically the Supply Chain Management Policy which will not only seek to ensure that the Municipality complies with Supply Chain requirements but if implemented accordingly, it will ensure the beneficiation and growth of Local Businesses through opportunities that will be as a result of procurement of goods and services by the Municipality.

In term of Basic Service Delivery and Infrastructure Development, The Municipality has continued with the implementation of Roads Projects like rehabilitation of all Highview Park, upgrade of Hlomendlini Bus Route, Upgrade of the main intersection in the Town Centre. The Municipality continued with the maintenance of the roads and storm water and we need to accept that there is still a long way to reach a state where we will be satisfied with the level of maintenance service the Municipality delivers. I can confirm also that the Council has taken into consideration the concerns on the slow pace on maintenance of rural roads due to lack of plant equipment hence the Council has prioritised the procurement of a new Grader under 2018/19 Budget.

The Municipality has also continued with the roll out of Electricity Projects in various areas through INEP Programme. Recently we have noted the challenges within Inyoni Khenana Housing where there are few households electrified compared to the number of households that are already occupying houses, thus creating a situation where there are illegal connections which have affected the operation of the school in the area. We are pleased to report that this situation is receiving an urgent attention and the processes of securing additional funding to electrify those households is in progress.

The Municipality in partnership with the Department of Human Settlements has made steady progress in providing RDP houses to people of Mandeni and since the beginning of 2017/18 Financial Year a total of 351 houses were built and handed over to beneficiaries within both Macambini and Inyoni Housing Project.

In terms of Community Facilities and Social Development, the municipality constructed the Sports field at Chappies in Ward 14 though some defects have been identified and the process to have them addressed is in progress and the Contractor should be back on site soon. The Municipality has commenced with the construction of the Community Hall Project in Ward 13; and procurement processes to construct Ward 5 Community Hall are at advanced stage and such project shall commence at least by the beginning of 2018/19 Financial Year. Also in terms of construction of Modular Library, steady progress has been made by the Department of Arts and Culture.

In terms of Local Economic Development, the Municipality has made a number of interventions around challenges facing Isithebe Industrial Estate on issues of employment of locals and business opportunities. The engagements with different stakeholders are on a continuous basis since the challenge has not been resolved as yet. The Municipality has continued with the roll-out of Expanded Public Works Programme across all 18 Municipal Wards. Also over 500 jobs opportunities have been created since the beginning of 2017/18 Financial Year through implementation of various projects within the Municipality. The Municipality continued to work with various stakeholders and Government Sector Departments in supporting Local SMMEs and through a partnership between the Municipality and Absa Bank, two SMMEs one dealing in Furniture Making and another in Engineering are currently receiving financial support. The Department of Rural Development and Land Reform has supported a local Cooperative by providing them with a container, a blocks making machine and a mixer to the value of R220 000.00.

Further, the Municipality has successfully engaged with Tronox on the upgrade of the road to Dokodweni Beach with Tronox to unlock access to the Beach in promotion of Tourism hence an allocation of budget by Tronox under 2018/19 for the said project.

Madam Speaker in terms of the Final Draft Integrated Development Plan, a Comprehensive Document is included on the Agenda of Council but I wish to highlight few areas in terms of the projects and programmes as follows:

Critically the Municipality has set aside a budget of R4 mil for the procurement of a new Grade which shall assist in enhancement of maintenance of rural municipal roads and the municipality has also set aside the budget for maintenance programmes. A total Budget of R745 000 has also been set aside for the maintenance of urban roads. A budget of R600 000 has been allocated for streetlights maintenance in various ward within Mandeni. R1 500 000 has been put aside for 1250kva transformer repairs in Frye Road ward 3.

The following areas will be electrified during the 2018/19 Financial Year being, Khenana Phase 3 Electrification Programme for a minimum of 54 HH in Ward 10 with an allocated budget of R1 161 000, Thulasi Eziwewe Electrification Programme for at least 54 HH in Ward 12 with an allocated budget of R1 161 000, the electrification programme Nyathini, Lombothi and Wangu Ward 8 with an allocated budget of R2 127 450 shall be finalised during 2018/19 Financial Year.

Grass Cutting at R3.7 million has been set aside for a full rollout in the 2018/19 financial year and this is one of the set aside programme for local businesses and procurement processes of a new panel is at advanced stage.

To further address these unemployment and poverty challenges, the municipality has set aside over R3.2 m to continue with implementation of Expanded Public Works Programmes.

The municipality in responding to issue of Youth Development Programmes has set aside a total Budget of R600 000 for Sports Development Programmes; set aside at total of R960 000 for various Youth Programmes to mention a few, Artist Development Programme, Training and Development Programmes targeting Youths, Youth full Driver Training Programme and it remains critical that Youth and Women are also the main beneficiaries on opportunities that are derived from municipal and any government departments procurement processes. The Municipality has also secured a bigger space for Youth Affairs within Spar Centre in Sundumbili and this shall ensure improved services to Youth of Mandeni.

In our quest to address the scourge of youth unemployment we adopted a programme of well thought interventions: Address skills development through a partnership with Mandeni TVET College, SETA and Isithebe Industrial Estate, entrepreneurial assistance and job placement initiatives.

The Municipality is so conscious of three key national challenges i.e., unemployment, poverty and inequality, and in an effort to address these challenges the Municipality has committed to support the development of entrepreneurs, cooperatives and small, medium and micro enterprises (SMMEs) that produce goods and services that meet the needs of our people.

We intend to provide focus support to these mentioned enterprises in order to compete with the large national corporate that dominate sectors such as retail, manufacturing and construction. This will be achieved through training, start-up funding, economic infrastructure and market access for the goods and services. We regard this approach as signals of a paradigm shift in growing and developing the Mandeni Economy

In terms of Financial Viability and Management, the Municipality remains under financial distress, mainly due to low rate of payment of rates and services by the rate payers. The budget as will be presented to you today; has been compiled under extremely tough operating conditions. The low collections rates which impact negatively on our ability to optimally rendered services is attributed to the economic meltdown and the inability of our communities to pay for services.

We have been innovative by embarking on a proactive approach in funding our operations and enhancing revenue and reducing costs. The challenge to produce a sustainable, affordable budget necessitated reductions to certain budget provisions, such as particular anticipated capital projects as well as reduction in travelling and subsistence and purchases of furniture and other equipment.

Effective application of funds will not only result in improved service delivery but increase the revenue base of the Municipality. Therefore, the following activities have been identified as essential for the 2018/2019 operational budget:

Revenue collection and enhancement

This entails the establishment of a Strategic Coordination Committee (SCC) for the financial and operational turnaround. Establishment of Revenue Enhancement and Debt Collection Task Team as well as access to Extended Public Works Programme grant and other funding.

On organisational change and management: Madam Speaker in the process of preparing the IDP and Budget for 2018/19, the Council further embarked on a process to review the Organisational Structure to ensure that appropriate human capital is available to ensure effective implementation of the IDP and Budget for 2018/19. Of critical note is the consideration by Council on the prioritisation of Youth Development in line with the Lekgotla Resolutions which has seen the Council prioritising the position of the Youth Manager and such position shall be filled during the 2018/19 Financial Year. The comprehensive Organisational Structure is included in the Council Agenda and shall be considered by Council for adoption.

Madam Speaker, in preparing the budget we had to consider the 2018 Budget review which emphasized that, although global risk factors remain elevated, the world economy continues to provide a supportive platform for South Africa to expand trade and investment.

The world economic growth is at its highest since 2014 and continues to gather pace with the Gross Domestic Product (GDP) growth increasing across all major economies.

South Africa has experienced a period of protracted economic weakness which diminishes private investments. This is mainly attributed to domestic constraints, associated to political uncertainty, and declining business and consumer confidence. The local economy is beginning to recover after a short recession, however the improvement is insufficient. Growth has remained stagnant at less than 2 per cent and unemployment remains high at 26.7 per cent. The prerequisites for increased revenue and expanded service delivery are more rapid growth, investment and job creation.

The GDP growth rate is forecasted at 1.5 per cent in 2018, 1.8 per cent in 2019 and 2.1 per cent in 2020. Statistics South Africa's December 2017 economic statistics showed an unexpected improvement in the economic outlook, largely as a result of growth in agriculture and mining.

Madam Speaker, due to the unfavourable economic conditions more of our people are unemployed, which will result in shrinking of the current revenue base putting pressure on the current Municipal revenue and cash-flows over the medium-term.

Faced with these realities the budget is very lean and mean considering that the grants from National Government through Division of Revenue have been reduced. These economic challenges will continue to exert pressure on Municipal revenue generation and collection levels hence a conservative approach is advised for revenue projections.

Every project that is implemented through tender process must have a component or percentage that goes towards sub-contracting of local small contractors obvious in line with the thresholds and targeted special groups as guided by the new Regulations. Understanding our categorization as a Category 2 Municipality, and our financial levels, during the review of the Municipal SCM Policy, the Municipality has considered the recommended R30 million tenders to be the starting point of sub-contracting as a bit high and thus Council has agreed that R15 million shall be considered for subcontracted services at minimum 30 percent towards the designated groups and preferable the elements of joint ventures must be seriously encouraged.

We have identified areas that are a set aside for women and youth in particular including all designated groups. These projects include Youth Programmes, Sports Development Programmes, Grass cutting, and small component of construction such as side-walks. To this end, the Municipality is regularly preserving the development programme that will target small local contractors.

As a focus area of government we continue to excel in the Municipal standard chart of account (mSCOA) implementation. It is a great pleasure to announce that the final budget that is being tabled is submitted in this format with a success result from National Treasury. We will not fail to transact come 1st of July this year. This successful submission follows a great deal of alignment with the IDP. The adoption of this practice has early benefits of knowing each and every rand where it goes on the ground and which ward will benefit.

Revenue management still puts this Municipality under pressure due to low levels of collection. The high debt amounts owed by customers is a cause for concern to the sustainability of this Municipality. This is further compromised by the tariff setting that are not cost reflective.

The Municipality has currently undertaken a project of implementing a new General Valuation Roll that will be implemented in 2018/19 financial year. The life span of the Valuation Roll will be rolled over a period of 4 years with supplementary valuation rolls updated throughout annually over that period. The rates tariff for 2018/19 is proposed to be increased taking into consideration the rates shock.

It is without a doubt that the expenditure must be cut to the bone. Unforeseen expenditures in most cases cause the Municipality to deviate from its plans. Weather patterns and emergencies, high salary bill and commitments result in negative cash flows.

Having said all this let me now zoom into the Budget for 2018/19

Madam Speaker, let me announce that tariff increases for the 2018/19, which is in line with the guideline of the Consumer Price Index (CPI) of 6 per cent, with the exception of the electricity tariff which will be 6.84 per cent as determined by National Electricity regulator of South Africa (NERSA).

Increases in Rates, Refuse and other Municipal charges will be limited to 6 per cent. Apart from the normal rebate that residential owners of properties receive, pensioners of 60 years and above as well as disabled pensioners receive a 20% rebate.

The Industrial and Farm- Agricultural Purpose tariff have increase because previously these categories were split into two and three respectively, with the new MPRA as amended the split was not allowed and we had to then consolidate and come up with a new single tariff. However the increase was also supported by a 40% rebate for Industrial Properties and 50% Rebate for Farm Properties.

Total operating revenue has increased by 10.5 per cent or R24.7 million for the 2018/19 financial year when compared to the 2017/18 Adjustments Budget. Total operating expenditure for the 2018/19 financial year has been appropriated at R247, 9 million and translates into a balanced budget.

The capital budget of R56.5 million for 2018/19 has increased by 9.4 per cent more when compared to the 2017/18 Adjustment Budget.

Employees related costs continue to claim the biggest share of the expenditure of the Municipality. This is sitting at 39.4 per cent, just below the norm of 40 percent.

During the compilation of the 2018/19 & MTREF, repairs and maintenance were identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance; we have then allocated 8 per cent so as to ensure sustainability of the Municipality infrastructure.

The equitable share has been gazetted to be R146.8 Million, which is 9.5 percent increase this year.

Municipal Infrastructure Grant (MIG) funding allocated to the Municipality for the 2018/19 is R34.7 million. Projects are already registered to ensure the 100% spending of this grant. We continue to receive support from Neighborhood Development Programme Grant of R10.7 million this year and INEP grant which has been reduced to R6.8 million. These are capital grants for projects on the ground. The internal contribution to assets amounts to R11.1 million.

We were humbled by the comments received from the community through the public participation engagements, we have then reprioritised requests submitted by the community based on the available resources. We also acknowledged comments by Provincial Treasury that through their participation we can safely say that the Municipal Budget is credible and funded.

Cost curtailment measures continue as per our resolution to eliminate wasteful expenditure, reprioritize spending and ensure savings on various focus areas hence the budget is largely informed by Circular 82.

Over and above this, the cost curtailment measures through this circular, forces us to cut all the frills we have been exposed to. Therefore our budget is directly linked to the core functions.

In conclusion I wish to state that this Budget Speech represents an Executive Summary of the Municipality's budget and captures only key factors. Details are distributed with the Budget Report and it is presumed that all members of this Council have acquainted themselves with details therein.

It is with great pleasure that I present a total R304 447 000 Budget for 2018/19 Financial Year. Madam Speaker, it is now my privilege and an honour to propose to Council the Operating and Capital multi-year Budget for 2018/19, 2019/20 and 2020/21 financial years which is reflected as C 108 in you Agendas, together with the reviewed Municipal Organisational Structure reflected as C106 and reviewed Integrated Development Plan for 2018/19 reflected as C107, I therefore move for the adoption by Council.

I THANK YOU

HIS WORSHIP: THE MAYOR
CLLR S.B. ZULU