

2013

STATE OF THE MUNICIPALITY AND BUDGET SPEECH



Presented By:
The Honourable Mayor
Cllr A.W Ntsangani



Madam Speaker
Chief Whip of Council
Members of the Executive Committee
Honourable Councillors
Traditional Leaders
Municipal Manager and Senior Managers
Sector Department heads present
Leadership Of Civil Society
Leadership Of The ANC
Distinguished Guests
Members Of The Media

Ladies and gentlemen present here today,

It humbles me to be afforded the opportunity to present the state of the Municipality for 2012/2013 financial year. The year under review has both been eventful and challenging.

When former President Nelson Mandela delivered the State of the Nation Address to our first democratic Parliament, on May 24, 1994, he said: "We must - constrained by and yet regardless of the accumulated effect of our historical burdens - seize the time to define for ourselves what we want to make of our shared destiny."

Former President further went on to say: "The government I have the honour to lead and I dare say the masses who elected us to serve in this role, are inspired by the single vision of creating a people-centred society."

Inspired by Madiba's noble articulation and the municipal vision adopted by Council during the 2011/2012 financial year, we have defined our path; and in shaping our destiny, we have committed ourselves as this Council in fulfilling the aspirations of our people - for decent housing, piped water, a "healthy" local economy, quality education,

etc. It still remains to be seen whether the municipality with a thin revenue base like Nkonkobe can rise to the occasion.

Madam Speaker, the small allocation that the municipality receives from the national fiscus and the ability to collect revenue remains a challenge. This situation is aggravated by lack of co-operation from other spheres of government, especially provincial departments. However, we have seen some improvements in recent months, as our Finance Department is working tirelessly to ensure that we collect monies owed to us.

I must say that the following departments carry out the constitutional mandate: The Department of Rural development and Agrarian Reform, The Department of Economic & Environmental Affairs, Social Development and Health. The relations between Education department and Nkonkobe have improved significantly. The Departments that are still culprits are Roads and Public Works as well Sport, Arts and Culture. The performance of the Department of Roads and Public Works is dismal in this area. The bad state of our roads bears testimony to that dismal state of affairs. It is an agony to our communities to see roads that belong to Roads Provincial Department deteriorating

Madam Speaker, Public participation remains a daunting challenge in our municipality. The functionality and effectiveness of ward committees is a prototype of democracy. This was raised sharply in the Annual and Oversight reports. What we need are Ward Committees who are dedicated and committed to serving people and their communities. It is important Madam Speaker for Ward Committees to understand their role within their communities, and that they are not employees of the municipality; but are volunteering their services, hence they are given a stipend. Wards are the basic units for participatory and a democratic local government and must be treated as such.

Madam Speaker, Section 53 of the Constitution provides that “a municipality must structure and manage its administration, budget and planning processes to give priority

to promote the social and economic development of the community and participate in national and provincial development programmes”.

In line with the above, our small allocation from the national fiscus and mapping a way toward realising our shared destiny of creating a people-centred society; during the 2011/2012 financial year Nkonkobe Municipality crafted the following vision for the institution, which is: ***To be a self-sufficient municipality that is responsive to the needs of the people.*** Self-sufficiency means that the municipality must endeavour to move away from grant dependency and gravitate to self-reliance.

This, Madam Speaker, can be achieved by ensuring that the municipality dismantles poverty by mechanising agriculture, support SMME’S & Co-ops in the area, develop infrastructure and devise revenue generating strategies. Our Mission in this regard is to **provide sustainable basic services and promote socio-economic development through partnerships.**

In our efforts to assist our communities through entrepreneurship and cooperatives, Madam Speaker, the municipality has a working Local Economic Development Strategy that seeks to foster sustainable development in the area. The municipality is renowned for its history and heritage which, I think, can be developed as a vehicle for economic development.

It is of outmost importance, Madam Speaker, to note that a lot of ground work has been done in ensuring that we exploit the opportunities that come with having such a diverse and rich heritage. It goes without saying that Heritage in this area is our gold. We must therefore ensure that we mine from it.

Madam Speaker, through the LED Strategy we've been able to identify four key sectors of our economy; and agriculture is prioritised as one of the key sectors; and as we all know, Citrus is the major contributor to our local economy through exports.

But we cannot rely on the above sector forever; and in this regard, a lot has been done by the municipality to invest in economic infrastructure so as to attract investment into the area. The construction of a Chicken Abattoir in Middledrift is one such example that will see many poultry projects within our area supplying it, and in return creating employment opportunities, maximising profits, thus alleviating poverty.

In February this year, Madam Speaker, the municipality held its first ever LED Summit where the resolutions taken revolved around the four prioritised sectors of our local economy: Agriculture, Tourism, Wholesale and Business sector and Government sector.

Key projects were identified from each sector as part of the LED implementation plan:

- Under Agriculture: Pack-shed for citrus farmers and fencing of grazing land were identified;
- Tourism: the commission looked at the development of a heritage plan and tourism master plan,
- Government sector: infrastructure projects such as roads and construction of bridges took centre stage,
- Wholesale and retail: strengthening of the Nkonkobe Business Support Centre was put forward.

These were some of the key resolutions taken at the summit, and should they be effectively implemented, the spin-offs would include job creation, poverty alleviation and a "healthy" local economy through investment into the area.

Taking the issue of poverty alleviation through "cultivating the land", Madam Speaker in the current financial year the municipality purchased two tractors with implements to assist the farmers and members of the community to plough their land. This exercise is of great benefit to all parties involved, including the municipality; in that community members get tractors to plough their land at cheaper rates whilst the municipality is making some revenue.

The Minister of Rural Development and Land Reform recently pronounced that by 2015 all farms should be productive; and that municipalities should assist farmers submit business plans to the national department in order to access funding for their farms. Should this be done effectively, we will then be able to dismantle poverty in our area and a number of jobs will be created.

Some of the projects that have been identified by the national department to receive funding for 2013/2014 include the following:

- Torties Farm - R2 804 973.00
- Greenwood farm - R5 936 978
- Jordan - R4 920 554.00
- Gonzana - R2 704 675.00
- Mpukane - R 1 400 000.00

Recently Madam Speaker we have also seen a lot of activity by the Department of Rural Development and Agrarian Reform in the area of Nkonkobe. In the last quarter the department embarked on a number of programs that seek to alleviate poverty in the area. Food security is one of the critical priorities of our government; and in view of this, the department ploughed 196 hectares of arable land, where communities were subsidised by R7000.00 per hectare. The areas that benefited include Ngobe village (66 hectares), Amagwali Project (37 hectares) and Amabhele AseTyhume (100 hectares). Imileqwa Project in Qhibirha and Ndondle Piggery and Poultry Project at Hala location also received tremendous support from the department to further sustain their work.

In a "Comprehensive Agricultural Support program/Infrastructural Development" at Lower Gqumashe, 18km of cultivated land has been fenced by the department, and 33 workers per month were employed by the department and paid a task rate of R7000 per KM. The fencing of a 19km grazing land at Ngobe has also been completed. The department has also compensated the June 2011 flood disaster victims where the farmers' infrastructure was damaged.

These, Madam Speaker, are just a few highlights that deserve to be acknowledged and applauded by all present here today; and this indeed proves that "working together we can do more" for our communities.

Each financial year, Madam Speaker, the Municipality sets aside a budget to assist cooperatives in the area of Nkonkobe. The total budget allocation for LED projects in this current financial year was **R1 050 000.00**. The same amount was put aside for the CBPs.

In addition to the financial support for co-ops, a Cooperatives Indaba is held every year since 2011. The Indaba seeks to highlight the contribution of cooperatives to socio-economic development, particularly their impact on poverty reduction, employment generation and social integration. It also seeks to encourage support and development of cooperative enterprises by individuals and their communities; raise public awareness of the invaluable contribution that financial co-operative enterprises can make towards financial inclusion; and sustain cooperatives through information sharing and networking. Many co-ops have benefited from this programme.

Madam Speaker on the issue of socio-economic rights, the Constitution of the Republic is very clear; as it guarantees our people the rights to water, sanitation, electricity, roads, medical care, quality education and economic opportunities. Madam Speaker, we are pleased with the achievements scored thus far in the provision of these basic services in our Municipality, although much more still needs to be done, especially in a rural municipality such as ours.

In his 2013 Freedom Day speech President Zuma challenged South Africans to take pride in the country's achievements since the advent of democracy in 1994, as he alluded to the following: that in 1994,

- only 62% of households had access to clean drinking water - today 93% do.
- only 50% of households had access to decent sanitation - today 77% do.
- only 36% of South Africans had access to electricity – today 84% do.

Let me mention Madam Speaker that the work we have done, as government, in terms of the delivery of basic services in our Local Municipality forms part of the above statistics. We have, however, been met with a myriad of challenges in the delivery of these services at Nkonkobe. There is, however, light at the end of the tunnel Madam Speaker as there are a number of planned electrification projects in the pipeline.

The Debe Nek Extension electrification project which is scheduled for connection by the end of the next financial year - 2013/2014 will see 305 household electrified. The Mpofu Extension will see 958 households connected.

As part of our commitment to improve the lives of our people, in this current financial year (2012/2013) the municipality allocated R10-million to Free Basic Services (FBS).

Currently the municipality is providing free basic electricity to 19 855 beneficiaries, 1195 households for alternative energy and for refuse removal the total number of households is 6 402. This Madam Speaker comes a total of 27 452 indigent beneficiaries in this current financial year, as compared to the 22 079 from the last financial year. The above figure shows an improvement compared to the previous financial year's expenditure.

The municipality continuously encourages all indigents who qualify to come to the municipal offices and register so as to benefit from this service. We also encourage those who are taking advantage of the Free Basic Service and are not supposed to be benefiting from this service to de-register. Government can be viewed as lacking in service delivery whereas there are people who continue to rob it and take advantage of services they are not entitled to.

Further on the issue of sanitation, piped water, electricity and access roads, Madam Speaker, we are continuously engaging with Amathole District Municipality, Eskom and the provincial Department of Roads and Public Works to ensure that we deal speedily with the current backlogs. We are confident that working together with the above

stakeholders and the people of Nkonkobe, we will reduce the backlogs. We shall not rest, and we dare not falter, for as long as our people are without decent shelter, clean running water, proper sanitation and electricity!

Madam Speaker it is important to note the following planned projects by the ADM:

- Victoria East, West (Roxeni) Water Supply (Phase 3) R5 500 000
- Ekuphumleni & 9 Villages Water Supply (Phase 4) R1 000 000
- Bhofolo & Newtown BEP (Phase 5) R 2 000 000
- Nkonkobe: Area Wide Sanitation Programme (Region 1) R9 000 000

I am also happy, Madam Speaker, to report that great strides are being made by the municipality to improve on the delivery of housing to our people. Since the dawn of democracy, our government has learned, amongst others, that there are certain contractors whose priority is profit at the expense of quality houses for our people. We have seen many housing projects in Nkonkobe, and around the country, halted due to poor workmanship; and the results of this are huge backlogs in the delivery of a critical basic need - housing!

We have, however, as the Council and administration of this municipality worked tirelessly to ensure that our people get decent housing; and as a result a rectification project of 500 units in Hillside (Fort Beaufort) is currently underway. This project will see 403 units being rectified and 97 new houses built. Also, in this current financial year (2012/2013), a project to build 233 units in Mt Pleasant is currently underway.

A number of temporary structures for disaster-stricken homes have also been erected in Debe Nek (12), Alice (2) and Fort Beaufort (2).

Madam Speaker, it also gives me great pleasure to tell members of the community present here that 2013/14 is going to be a busy year in terms of housing delivery in Nkonkobe:

- 232 units are to be rectified in Seymour. The project is currently at tender adjudication stage.
- 299 units are to be rectified in Fort Beaufort and 1 unit is to be built. The project is also at the adjudication stage.
- In Alice (Khayelitsha), 260 units are to be constructed.
- Another 283 houses are to be rectified in Alice.
- In the areas of Ntselamanzi / Hillcrest, 653 houses are to be rectified, and 163 units will be built.
- In Middeldrift, 299 units will be rectified and 1 will be built.

Some of these projects Madam Speaker should kick-start soon.

There are also a number of projects that are still at the planning stages, where engineers have been appointed to do verification of services availability, geotechnical reports and foundation designs. These include:

- Lower Blinkwater - 1101 units
- Readsdale - 500 units
- Katberg - 233 units
- Bhofolo Phase 1C - 400 units
- Khayelitsha - 260 units

Madam Speaker, fellow Councillors, it is also important to note that our Housing Unit has submitted a list 130 destitute and vulnerable beneficiaries to the Eastern Cape Department of Human Settlements. The department is currently preparing tender documents for the construction of permanent structures for the beneficiaries.

In the past financial year the municipality took a bold step to enhance service delivery by establishing a technical unit. This unit is entrusted with a responsibility to construct roads, build community halls and day care centres. The municipality is attempting to minimize tenders and do most projects in house. In order to achieve this objective we

bought graders, tipper trucks, low bed truck, TLB. In addition we recruited brick layers, plumbers, grader operators, artisans and carpenters.

Madam Speaker, with the establishment of the technical unit our belief was that the unit will lower the pressure on the construction and maintenance of our internal roads, thus making them accessible. Indeed this has happened as we have seen that the work of this unit is starting to bear fruits.

On the **Infrastructure Development and Service Delivery** front, the following are the 2012/2013 projects:

MIG Projects

- Construction Of Grade A Testing Station - **R 1m**
- Construction Of Drivers License Testing Center - **R1.4**
- Construction Of Chicken Abattoir - **R800 000.00**
- Construction Of Multi Purpose Center - **R6m**
- Surfacing Of Newtown Internal Street - **R2m**
- Construction Of Balfour Internal Street - **R1m**
- Construction Of Debe Neck Access Road - **R1.2m** (Not Our Function)
- Construction Of Alice Parks - **R1m**
- Construction Ngqolowa Sport Field - **R 1.1m**
- Paving And Greening In Chris Hani/Recreation Street - **R 1m**
- Paving And Greening In Gqumashe - **R1m**
- Paving And Greening in Montagu Street - **R 700 000.00**
- Surfacing In Temllet Street - **R1m**
- Paving And Greening In Ntselamanzi - **R1m**
- Re-Gravelling In Msobomvu - **R1m**
- Surfacing Of Durban Street And Somerset Street - **R 5.4m**

Municipal Budget Projects

- Construction Of Community Hall - Zibi, Kwamathole, Mbizana, Dyamala And Maarsdop - **R5.1m**
- Construction Of Council Chamber - **R10m**
- Construction Of Pre- Schools (Cwarhu, Kwamlalandle, Ejonini) - **R 854 000**
- Fencing Of Alice Town Cemeteries - **R1.8m**
- Paving Of Somerset Street - **R1m**

Projects to be unveiled

- Community Halls: Majwarheni; Dikidikana; Gaga; Debe Marhele; Ndindwa; Ngcothoyi; Mxhelo-Skolweni; Loyd
- Multi Purpose Center
- Nontetha Grave Yard
- Regravelling Of Ntselamanzi
- Surfacing Of Alice Town
- Surfacing Of Temlet
- Surfacing Of Durban Street Fort Beaufort
- Grade A Testing Station
- Regravelling Of Msobomvu Access Road
- Kwamlalandle Pre-School
- Ejonini Pre-School
- Cwarhu Pre-School
- Fencing Of Alice Town Cemeteries
- Somerset Street
- Paving Newtown Internal Street (Phase 1)

2013/14 Projects

Alice Cluster

Paving and Regravelling – **R3.8m**

Construction of halls and Day care centres – **R1.75m**

Alice Park – **R3m**

Makhuzeni Sport Field – R 762,200.00

Fort Beaufort Cluster

Paving and Regravelling – R2m

Construction of halls and Day care centres – R1,665 228

Sports Complex Phase 1 – R2.5m

High Mast Lights – R4.1m

Middledrift Cluster

Paving and Regravelling – R4.8m

Construction of halls and Day care centres – R3.76m

Chicken Abattoir – R1.8m

Fencing of dams – R132 183.00

In recent years, sound financial management by the municipality marked a turning point of gigantic importance. In the 2010/2011 financial year the municipality moved away from a disclaimer to a qualified audit opinion. Even in this current financial year we have managed to maintain that status. The municipality will continue to strive for a clean audit; and with the current dedicated workforce that we have, I can safely say that the municipality will meet that target soon!

We had shown signs of financial distress in the past financial years, but we have since improved from this dismal state of affairs; and the fact that we no longer make use of the overdraft facility bears testimony to this.

Madam Speaker the actual performance information for the 10-months ended 30 April 2013, and projection of developing trends paint the following picture regarding the municipality's financial performance and where it is geared to be at the end of the current financial year (2012/13):

The total operating budget (expenditure) is projected at **R212,327,677** of the total budget broken down as follows:

- | | |
|------------------------------------|-------------|
| • Personnel: | R64,345,104 |
| • Councillor's Allowance: | R14,057,419 |
| • Extended Public Works Programme: | R1,181,00 |
| • Repairs and Maintenance: | R7,254,300 |

- General Expenditure: R74,749,283 which included the bulk supply of electricity from Eskom at R23,147,033 and Free Basic Services at R10,000,000

Personnel Expenditure

The total provision for personnel is **R65,526,105**. The ratio is now at, 31% against the total operating budget. This ration also includes the budgeted:

- Contractual Employment R1,210,000
- Expanded Public Works Program R1,181,000

General expenses

The total provision for general expenditure is **R 74,749,283** and it includes the agency agreements rendered by the Nkonkobe Municipality. Payment of Bulk Electricity Supply to Eskom is budgeted at **R23,147,033**. Telephone usage is also provided at an estimate of **R2,500,000** split to all departments. Included in General Expenses, there is a provision for Indigent Subsidy amounting to R 10m that is broken down as:

- Refuse R4,5m
- Electricity R4,5m
- Alternative Energy **R 1m**

Total R10m

- **Ward Committee Activities R2,500,000. Repairs & Maintenance**

Provision is made at R7,254.300 for all repairs and maintenance of council assets. This provision is against the background that council is in the process of acquiring additional plant and equipment.

Contributions to Fixed Assets /Internal revenue

There are several provisions for Capital items, which are to be financed from internal revenue. They are listed as follows. The total budgeted from internal revenue is

R 23,350,000 and broken as follows:

- Tractors with implements R 1,200,000
- Fencing of cemeteries and for farmers R 2,100,000

• Pre Schools	R 800,000
• Purchase of Vehicles	R350,000
• ICT and Computer Equipment	R 1,000,000
• Council Chambers	R 10,000,000
• Community Halls	R 2,000,000
• Tools, Plant, Furniture and Equipment	R 2,900,000
• Paving in Fort Beaufort	R 2,000,000
• Computer Equipment and Furniture	R 1,000,000
• TOTAL	R 23,350,000

CAPITAL BUDGET

The capital budget is projected at **R 51,039,650** for the 2013/2014 financial year inclusive of internal revenue. It is classified as follows:

• Internal Capital Budget:	R 23,350,000
• MIG Projects:	R27,689,650

TOTAL BUDGETED REVENUE

The Operating income of the Nkonkobe Municipality is projected at **R184,937,107** in total broken down as **R85,601,757** from the Municipality through services and **R 99,335,350** from Grants including MIG. In order to cash fund the present budget the overall tariffs have to be increased by 10% across the board. A comprehensive tariff analysis is also included in explaining the 10 % increase to the relevant service categories and some items at zero rated budgeting to align Nkonkobe municipal tariff structure. The anticipated income is broken down as follows:

• Equitable Share Allocation:	R 94,338,000
• Property Rates Income:	R 24,470,000
• Income on Electricity	R 30,893,575
• Refuse Collection Income:	R 7,692,975
• Municipal Infrastructure Grant:	R 29,741,000
• Skill Development Levy Claims:	R 500,000
• Natis Licensing Income:	R 2,200,000
• Traffic Control Income:	R 300,000
• FMG & MSIG:	R 2,540,000
• Other Revenue	<u>R19,951,207</u>
• Total	<u>R212,626,757</u>

Corruption and Fraud is another demon that we must defeat. In the previous year we suspended and dismissed some municipal officials due to fraud and corruption. This year was marked by a gross larceny and embezzlement of municipal funds by corrupt elements. We will leave no stone unturned in fighting corruption and we will have no mercy on those who have no mercy on poor communities.

The commitment displayed by both councillors and officials is commendable. Together we navigated through a turbulent atmosphere; and we have managed to turn this institution around. Due to our ability to work in unison, I can safely say that we will soon realise our vision.

I THANK YOU!!