

Honourable Speaker

Chief Whip

Traditional Leaders

Leaders of Political parties in our midst

Members of the Mayoral Committee

Fellow Councillors

Municipal Manager and the entire administration

King Sabata Dalindyebo Municipality Community

Media

Ladies and gentlemen

I have the honor to present the King Sabata Dalindyebo 2016/2017 Budget, Integrated Development Plan and Performance Management System to the Council of KSD.

Ladies and gentlemen, this budget is guided by the National Development Plan (NDP) whose main object is to accelerate economic growth and development in South Africa. KSD Municipality is not immune from the broader challenges that are confronting the South African Society that is why the budget which budget, Integrated Development Plan (IDP) and Performance Management System I am presenting this budget in the mist of significant financial challenges that are confronting King Sabata Dalindyebo Municipality, coming out of the 2015/2016 financial year has not been easy, I echo the words of minister Proven Gordon, who said in the 24 February 2016 Budget speech that, “ we want our government to function effectively, our people to work in dignity, with resources for their families, decent homes and opportunities for their children” this is the commitment that we as leadership of King Sabata Dalindyebo Municipality is driving our resolve to better the lives of the people of KSD municipality

It is for this reason that in his 2016 State of the Province address (SOPA) on the 19th February 2016, the Premier of the Eastern Cape Honourable Masualle focused on creation of decent work, improvement in Health, Education, Infrastructure development and the fight against crime and corruption. As King Sabata Dalindyebo Municipality, we are grateful of the funding received from the Presidency through his

intervention, the national, provincial governments and the OR Tambo District Municipality by making funds available for the infrastructure development of the King Sabata Dalindyebo Municipality. The Capital budget of KSD is largely been funded from allocations received from other spheres of government.

KSD municipality is the sphere of government closest to the people, we are elected by citizens to represent their interests to ensure that services are delivered to the community. We will make sure that people in all areas have at least the basic services they need.

These services have a direct and immediate effect on the quality of the lives of the people.

Electricity

Electricity has currently two types of backlogs, which are historic backlogs caused by old infrastructure as well as the new backlogs caused by growth.

On historic backlogs which is mostly in Mqanduli the estimate is around twelve thousand and the pace of Eskom is not helping the situation even though it is caused by the budget trends.

On the New Backlogs which are extensions in the area of Eskom Jurisdiction and housing growth demand in the Municipal area of Supply are estimated to be around **Five Thousand** households. Over and above the household backlogs, the Municipality has a need of refurbishing the electricity infrastructure network to the tune of **Five Hundred Million Rand** as per the five Year Electricity Master Plan developed in 2013.

The municipality has managed to upgrade to the Sidwadwa Substation so as to meet the electricity demand and avoid regular power outages. The Completion of Design for 66kv Overhead line between Zimbane, Unitra and Sidwadwa Substations has been the major achievement that has brought a relief to the power outages.

Roads

Surfaced Roads has a road network of about 200km. About 92% of the above have exceeded their lifespan and requires either reconstruction or rehabilitation. As a result of the condition of the road pothole patching is no longer effective. Repairs are done today and in about three months times the road needs resurfacing again.

A study on gravel roads that was done in year 2014 indicated that the total road network is **one thousand one hundred and sixty three kilometres** which is increasing year by year due to the construction of new roads. On average the roads that are attended per year is around Three Hundred kms which would have been fair if there were no new roads built.

KSD Rural roads are funded through the Municipal Infrastructure Grant (MIG) and the allocation to the municipality is in terms of DoRA. (Division of Revenue Act). The municipality has been receiving allocation for each financial year and a number of kilometres in different wards are being constructed each year. The MIG funding has been of great assistance as it has contributed towards building community halls and high mast lights in certain wards:

- Nothintwa Community Hall in Ward 25 Two Million Seven Hundred Thousand
- Manelisi Community Hall in Wards 27 Two Million Seven Hundred Thousand
- Krakra Community Hall in Ward 20 Two Million Seven Hundred Thousand
- Manyisane Community Hall in Ward 23 Two Million Seven Hundred Thousand
- Menga Community Hall in Ward 24 Two Million Seven Hundred Thousand
- 10 High Mast Lights in wards 7,9,11 & 29 Two Million Five Hundred Thousand
- 15 High Mast covering Ward 1,2,3,4,5,6&7 Four Million Five Hundred Thousand

The following streets are under construction Eskom to Bhongweni, Momelezi Road, Gerald Hawks, R61 from Sprigg to Ngqeleni Turnoff which would include widening of three bridges. R61 was identified through a long term vision of the Municipality (Vision 2030) and project is implemented by SANRAL through the Presidential Intervention initiative.

Construction of R61 Ring Road from Fort Gale turn off to Northcrest. It is still a long way though to eliminate a backlog of more than a One Billion Five Hundred Million Rand to bring surfaced roads to a maintainable state.

KSD pride itself though about some of the work it has done in the reconstruction of some strategic roads which include rehabilitation of portions of Errol Spring Road, Zanemali, Craister Street, Cement Road, Matolweni Street and Gobodo Street.

Airport Upgrade

This project is implemented under KSD Presidential Intervention.

The airport has been upgraded to accommodate the largest size of aircraft and also to increase the frequency of airlines. The following activities have been undertaken to make sure that it meets the required airline standard:

Runway has been extended by 3km to accommodate big aircrafts,

Terminal building has been completed,

A fence has been erected.

Hangers have been constructed for Conference facilities.

SPATIAL PLANNING, BUILDING MANAGEMENT AND LAND ADMINISTRATION

The municipality is well underway on the road to conclude the Local Spatial Development Frameworks (LSDFs) for the areas of Mqanduli, Vidgesville and Mthatha. These are areas that have been pronounced as development nodes in the Spatial Development Framework of the municipality. The development nodes were mentioned as catalysts which will unlock development through a process of developing reform strategies which amongst others will alter inner city urban reform. Infrastructure investment is taken more seriously to ensure that nodal development areas create new economic nodes and provides economic activities in previously disadvantaged areas.

The Human Settlements Department has finalised the Local Spatial Development Framework for Coffee Bay which its executive summary has been translated into ulwimi lwesiXhosa. This is one way of ensuring that our communities who do not

understand english are not kept in the dark about their future. The LSDF will assist in the process of promulgating Coffee Bay as a town.

The transfer of Ngangelizwe, Old Hillcrest, New Brighton and Khwezi properties to their rightful owners is underway. A total of One Thousand Nine Hundred and Thirty Two (1 932) title deeds have been completed, received and handed over to the beneficiaries. The balance of Five Hundred (500) are still in the process of being transferred.

Building management has developed a draft public advertising policy and by law to be approved by Council to ensure that the regulation of the bill boards and business advertisement is complete. This initiative seeks to ensure that our environment is properly managed and that the much needed income for the municipality is secured.

Housing

The municipality has embarked on an ambitious process of formalisation programme, formalisation will bring dignity to our people. The Proclamation process will address the problem of people moving into their houses but are unable to get title deeds due to the fact that the areas remain un-proclaimed. As you are aware that the Informal Settlement Upgrading Programme is being implemented in Mthatha west and Ngangelizwe, which is greatly misunderstood as to what it is supposed to deliver. Over and above the formalisation of the areas, this programme also provides interim services in the form of roads and storm-water construction, water standpipes and sewer system. This is being done in Mandela, Joe Slovo and Chris Hani Parks; Phola Park and Ngangelizwe to benefit Eight Thousand Four Hundred (8400) households. Phase Two (2) will cover Four Thousand Six Hundred (4600) additional households. This process is challenged by delays in concluding Land Availability Agreements by provincial government and is still the case.

The frequency of land invasion in Mthatha have reached new heights and has adverse impact on the planned housing developments and this needs to be discouraged through policy. The municipality will continue to seek relief against land invasion from the courts of the land.

The BNG Housing Programme has finally reached housing construction stage as construction started in January 2016 in Maydene Farm Extension. Only Two Hundred

(200) units will be completed this financial year due to budget constraints. It is envisaged that the challenges posed by the land claims will be resolved in the near future as promised by the National Land Claims Commissioner to unlock the development. BNG Housing Programme will ensure delivery of integrated and sustainable human settlements characterised by mixed use and different typology of houses. The three planned developments will deliver 6500 houses comprising of low cost, gap housing and affordable housing, high density housing, two storey apartments. Commercial developments and other social facilities will be part of these developments.

Human Settlements will upgrade and pave a number of roads in the old Ngangelizwe township to the amount of Eighteen Million Rand (R18 million)

Waste Management

A 56 Hectare piece of land has been acquired in Qweqwe, Ward 33 for the development of the new landfill site to be funded with a tune of Thirty Three Million Rand (R33m) received from Department of Environmental Affairs. The municipality has strived to increase number of households with access to refuse collection services. Skips have been erected in strategic points of Mthatha West Areas. These areas form part of indigent household, therefore the municipality is not generating revenue but providing service to the community as required by legislation.

Environmental Management

A number of parks have been rehabilitated like Savoy Park .A new Park has been developed in Mqanduli. Street Cleaning & Greening programmes are implemented continuously to ensure that the town is clean and attractive. Most of these projects are implemented under Expanded Public Works Program (EPWP) with on objective of creating massive job opportunities. To date more than Two Thousand Two Hundred (2200) jobs have been created through the EPWP.

Crime prevention and Community Safety

We successfully hosted a Crime Summit in February 2015 in partnership with the Province. Among the stakeholders who attended where various government departments, SAPS, Community based organizations, National Prosecuting Authority,

Businesses, to mention some. The summit was held over two days at Walter Sisulu University and was a resounding success. We have since interrogated the detailed report of the summit and tabled it in the Community Safety Forum. We continue to reflect on its recommendations and it is our bible for now to enhance safety of our communities.

We have also completed a substantive research on the establishment of the municipal court and engaged partners including the NPA and SAPS. We are now in the process of engaging the lead department in this regard, the department of Justice. The report has served before the Standing Committee.

Transport Forum

As the Municipality, we view ourselves as being at the centre of good governance and public participation as our services largely impact on the customers we serve and also dealing with multi-faceted stakeholders. We have resuscitated a fully functional transport forum. The purpose of this forum is to ensure that stakeholders in the transportation industry, passengers, community based organizations, busses and taxi associations, and various levels of governance participate in the regulation, strategic direction and enforcement of road traffic ordinances. We have had at least six such meetings over the year.

Through these engagements, we have managed to sanitize challenges that have plagued the transport industry. We have succeeded in creating a meaningful platform of engagement between differing associations as well as differing industries.

Community Safety Forum

We have succeeded in resuscitating the Community Safety Forum which is functional. This past year, we had at least six meetings. The purpose of this meeting is for stakeholders in law enforcement to engage around challenges of law enforcement, share with communities and ensure that there are workable programmes of enhancing safety of our communities. Our slogan is that community safety is every body's responsibility. Various police stations, police forums representatives, organs of civil society, National Prosecuting Authority, Business, various government departments are represented in this forum, including traditional leaders. In this forum, we do trend analysis in crime occurrence, identify hot spots and advise law enforcement agencies.

Licensing:

Licensing section is doing relatively well and we are generating revenue there, meeting our targets. We are also introducing now a capability of testing motor bikes licenses.

Wondering livestock in the Central Business District and around the city:

We have succeeded in substantially reducing the number of livestock that wanders in our streets, risking the lives of motorists as well as damage to motor vehicles. KSD has also managed to impound at least five hundred (500) head of cattle. We have done this despite lack of personnel. To achieve this objective, we had to get volunteers and reward them with minimal stipend. We must mention that this also proceeded in the midst of mixed signals and indecision from various sections of society.

Local Economic Development

Local economic development (LED) is seen as one of the most important ways of decreasing poverty. Local economic development aims at creating jobs by making the local economy grow. Our Municipality have put in place key strategies to meet local economic goals:

Continuous development and rehabilitation of the existing infrastructure of the municipality to make it easier for businesses to operate and also attract investors. Whilst this contributes to providing better living conditions it also creates an environment that promotes economic growth. (eg R61 project, Refurbishment of Vulindlela Industrial Park, Airport upgrade)

Promoting tourism, which currently is one of the biggest growth industries in South Africa. This includes developing local tourist sites and facilities, improving security and ensuring that all residents are welcoming of tourists. The municipality has managed to establish a Visitor's Information Centre in Shell Ultra City which is responsible for tourism activities around Mthatha and we also have the Manqondo Tourism Centre in Mqanduli which is also a centre that tourists can access for information and other relevant activities. These service centres also provide assistance and information to businesses that wants to start operations in the municipality.

The municipalities tender and procurement policies must favour small contractors and emerging businesses. KSD Supply Chain Management Policy was amended to cater for contractor development where work opportunities can be fenced to capacitate the local emerging contractors so that their CIDB grading is improved. Ongoing work is done to make sure that the policy also covers SMME's and Co-operatives.

Planned Developments for the upcoming years

Revitalisation of Vulindlela Industrial Park

The municipality has entered into a Tripartite agreement with Department of Trade and Industry (the dti) and Development Bank of Southern Africa (DBSA) to revitalise the Vulindlela industrial park so that the industrial park can serve as catalysts for broader economic and industrial development and thus contribute to economic growth, diversification of economic activity, attracting investments, job creation and addressing inequality of the past.

The approved budget for phase 1 is Twenty Two Million Five Hundred Thousand Rand (R22, 5million).Phase 2 budget will be determined by the detailed assessment that is still to be done.

Special Economic Zone (SEZ)

This is a government initiative with a cash where municipalities receive incentives in a form of cash injection. The project is earmarked to be implemented in a piece of land around Mthatha Airport and Ncise. The process of acquiring land is underway. The municipality has done application to operate the SEZ to the Department of Trade and Industry.

Electrification of Phola Park

Polar Park was left out during the time of Electrification of Mthatha West settlements and as it is informal. This was as a result of the question of land ownership, however the municipality is in the process of acquiring land and obtain land availability agreements from the Department of Rural Development and Land Reform. Another

problem is that there are people who have settled in the 100 year flood line, an area that cannot be developed.

Through an intervention an amount of Seven Million Two Hundred Thousand Rand (R7.2m) has been committed to electrify approximately Six Hundred (600) households. It is therefore estimated that within a period of six months from May the project will be implemented, houses will be electrified.

Challenges

In spite of the myriad of development project in the King Sabata Dalindyebo Municipal area, we remain challenged in the following areas:

- Backlog in road rehabilitation both in rural and urban area
- Ageing Infrastructure
- Electricity upgrade and electrification of rural communities
- Housing development backlog
- Land availability for development
- Traffic congestion
- Backlog in Fire & Disaster Services
- High levels of crime

In collaboration with this, the Municipal Structures Act 117 of 1998 in Section 19 has the following to say:

In arriving at the 2016/2017 budget in his Budget I am guided by the NDP, SONA, State of the province address and the budget speech by the Minister of Finance.

In his Budget Speech to Parliament on 24 February 2016 the Minister of Finance indicated that the country is faced with economic challenges and as such Government Institutions need to reduce spending on non-core functions and as such prioritise spending on service delivery matters. A circular 82 was issued giving guidance on areas that government has to reduce or avoid spending on. The circular amongst other things emphasises reduction on travelling and catering and recommends measures implemented including standardisation of commodities and negotiation of reduced prices negotiated with amongst others hotels, bed and breakfasts and flight tariffs with certain airlines.

King Sabata Dalindyebo Municipality has been experiencing serious challenges post Land Mark litigations. In that particular year the municipality rolled over liabilities in excess of hundred million rand and less than ten million in the bank. The liquidity of the municipality had decreased significantly that there is a need for a concentrated effort in collection of revenue / turning debtors to liquid cash. This is mammoth task as the bulk of outstanding debts are in relation to the poor or indigent.

RESOURCES IN THE FORM OF FUNDS

The mobilisation of resources will become a primary focus in order to ensure that we are able to push the programs aimed at uplifting the standard of living for our communities.

We will have to pay focus on revenue enhancement and focus on revenue collection as we have long outstanding debts owing to us by various debtors. We must reengage our offensive to collect this dept. Currently our debt is seated over Three Hundred Million Rand (R300 Million). We have set aside resources to strategize on how we can tap on new revenue items. This will be complimented with the cutting of non-core expenditure and prioritisation of projects and expenditure items as indicated above.

As guided by National Treasury Circular 79 that guides setting of tariffs and expenditure increments as the municipality's budgets is on incremental basis

Setting of tariffs for the 201617 Financial Year

Property rates

Property rates tariffs will increase by 6.6 % in line with the guidelines above. The first Sixty Thousand Rand (R60 000) on the value of domestic properties is not ratable. The act prescribes a minimum of Fifteen Million Rand (R15 000) and allows municipalities to increase this amount depending on the affordability. KSD has based the Sixty Thousand Rand (R60 000) on the value of the RDP houses that have not been improved to ensure that these are not billed for rates.

Refuse Removal

An increase of 7% has been recommended. This tariffs is above the 6.6 % recommended by national treasury. The municipality by increasing this above the

recommended is trying to recover costs associated with the collection of revenue as the trading section is not breaking even.

Electricity Tariff

This have been increased by 7.6 %. Individual tariffs are determined by NERSA and are set within the prescribed limits. The cost of purchases to ESKOM are set at 8.5%.

Other Tariffs

Increases in all other revenue items has been set at 6.6 %.

Total Budgeted Revenue

The overall revenue budget is set at One Billion One Hundred and Sixty Eight Million (R 1168 million (One Billion One Hundred and Fifty Two Million -R1152 million 2015/16) resulting in an increase of 7%.

Own Revenue

Of the One Billion One Hundred and Sixty Million Rand (R1168 million) own revenue amounts to Six Hundred and Thirty Seven Million (R637 million) (Five Hundred and Sixty Seven Million (R567 million) in 201516) representing 55% of total budgeted revenue. Own income can be further broken down as follows:

- Rates at 32% being Two Hundred and Two Million (R202 million),
- Service charges (Electricity and Refuse) at 56% being Three Hundred and Fifty Six Million (R356 million) and
- Other income at 12% at Seventy Five Million (R75 million)

Grants and subsidies

Grants and subsidies represent 45% of the overall revenue budget and is made up of capital grants income (non-cash) and operating grants (inclusive of equitable share) of R279 Million and R251 respectively.

Total Budgeted Operating Expenditure

The overall budgeted expenditure is One Billion One Hundred and Forty Three Million (One Billion One Hundred and Thirty Million in 201516) an increase of 7% from the original budget.

Employee costs

The line item is budgeted for at Three Hundred and Eighty Million (R380 million) (Three Hundred and Forty Three Million 201516) an increase of 12% representing 33% of the overall operating budget.

Remuneration of councillors

Budgeted for at Twenty Five Million (Twenty Two Million in 201516) an increase of 11% and 2% of the overall operating expenditure

Depreciation and impairment of assets

Budgeted for at Two Hundred Forty One Million (Two Hundred and Five Million in 201516) representing an increase of 18% representing 21 % of the overall budget. The municipality usually overspends on the line item due to lack of funding and aging of assets.

Electricity bulk purchases

These are budgeted for at Two Hundred and Forty Six Million Rand (Two Hundred and Twenty Four Million in 201516) an increase of 9% representing 22% of total operating budget.

Indigent subsidy

Budgeted for at Twenty Four Million (Twenty Four Million 201516)

General Expenditure

The line item is budgeted for at Two Hundred and Seven Million (Two Hundred and Forty Four Million in 201516) a decrease of 15% representing 18% of the overall budget. Included in the general budget are the following significant line items:-

- Repairs and maintenance budgeted for at Thirty Three Million (201516 – Thirty Three Million)

- Grant and subsidies Twenty Three Million (Seventeen Million in 2015/16)
- Provision for fleet acquisition /hire Twenty Five Million (Thirty Three Million in 2015/16)
- Ward Based budget Three Million Six Hundred Thousand Rand (Three Million Five Hundred Thousand in 2015/16)

Capital Expenditure

Contribution to capital outlay

Budgeted for at Twenty Four Million (Twenty Two Million in 2015/16)

Basic Service Delivery & Infrastructure

Roads

MIG budgeted for at Seventy Eight Million Rand

The followings community halls have been constructed through MIG funding:

- Nothintwa Community Hall in Ward 25 Two Million Seven Hundred Thousand
- Manelisi Community Hall in Wards 27 Two Million Seven Hundred Thousand
- Krakra Community Hall in Ward 20 Two Million Seven Hundred Thousand Rand
- Manyisane Community Hall in Ward 23 Two Million Seven Hundred Thousand
- Menga Community Hall in Ward 24 Two Million Seven Hundred Thousand
- 10 High Mast Lights in wards 7,9,11 & 29 Two Million Five Hundred Thousand
- 15 High Mast covering Ward 1,2,3,4,5,6&7 Four Million Five Hundred Thousand Rand

Electricity

INEP budget for Twenty Five Million (Twenty Million) details from infrastructure

Rotary Stadium

Funded by Department of Sports and Recreation Nation to a tune of Ten Million

In Conclusion, I am confident that though this budget will not cater for all the needs of the community of KSD. But is a step in the progressive direction to address challenges facing the municipality. I hereby present the budget, IDP and PMS for the 2016/17 financial year for adoption.

I thank you.