

CITY OF BULAWAYO

BUDGET SPEECH FOR THE YEAR ENDING 31 DECEMBER 2017

HIS WORSHIP THE MAYOR, DEPUTY MAYOR, COUNCILLORS, LADIES AND GENTLEMEN

1. INTRODUCTION

It is truly an honour and a privilege to address this sitting of Council on this important occasion - the presentation of the proposed budget statement for the financial year 2017.

2. ECONOMIC BACKGROUND

The economic conditions under which Council is operating are fundamentally weaker than in the past year, as evidenced by the midterm policy statement presented to parliament on 8 September 2016. In this statement the Minister of Finance and Economic Development revised the projected growth rate down wards from 2.7% to 1.2%, indicating that targets initially set could not be met in the year 2016. Industrial and economic activity is largely subdued adversely affecting the buying power. These factors unfortunately, have a negative impact on Council's budget performance as residents and companies are finding it difficult to settle their bills on time, constraining improvements in service delivery. This was exacerbated by the liquidity crunch which gripped the economy in the first half of year 2016, further dampening Council cash collections.

3. INFLATION AND INTEREST RATES

The year on year inflation stands at -0.4% and is expected at -1.6% by the end of December 2016. The prices of goods and services have remained generally unchanged as deflationary conditions persist which are also sustained by the weakening rand against the US dollar.

The cost of borrowing remained high at an average of 15% making it difficult for Council to borrow meaningfully for capital development.

4. MANUFACTURING, AGRICULTURE, MINING AND FINANCE SECTORS

The manufacturing and Agriculture sectors which are the major performers in the economy continue experiencing the negative forces in the economy resulting in performance decline in these sectors. The drought situation further affected the agricultural sector with lower yields projected in the current year, save for tobacco production. The decline in mineral commodity prices also undermines mineral realisation impacting further negatively on the economy. According to the mid-term policy review, the manufacturing sector is expected to grow by 0.2% where there are resilient activities like foodstuffs, tobacco and clothing, among others. The weakening rand resulted in the influx of cheaper commodities putting pressure on the embattled

manufacturing sector. As a result the majority of our citizens have been left out of formal employment, reducing the disposable incomes which in turn affected the budget performance for year 2016.

2017BUDGET GUIDELINES

Your Worship, this budget has been crafted according to the ministerial guidelines contained in Local Government Circular No.2 of 2016, the highlights of which are:

1. Cost control measures must cut on unnecessary wasteful spending
Council has adopted a raft of measures to control and minimise expenditure
2. The capital budget is expected to be 15% and not more than 25% of the total budget
The proposed 2017 capital budget stands at \$48,109,346. The budget to be funded from grants is \$ 26,939,252, leaving Council to fund \$ 21170094, which translates to 17.5% from own resources.
3. Local authorities are expected to have a budget line for gender activities
A budget has been provided for gender activities
4. The budget submission deadline is 28 October 2017
The Council is working towards meeting the deadline
5. The budget must capture the aspirations of the ZIM-ASSET
The Council budget feeds into three clusters of the ZIMASSET, namely;
 - Food Security and Nutrition Cluster
 - Social Services and Poverty Eradication Cluster
 - Infrastructure and Utilities Cluster
6. Local authorities should adhere to rationalised salaries and show commitment to the 30% to 70% employment costs to recurrent expenditure ratio.

I can assure you, your worship, that the rationalisation of salaries has been implemented and the budget for labour costs is as follows;

EMPLOYMENT COSTS	% to budget	Amount
		US \$
DIRECT LABOUR COSTS		
Maintenance of parks, nature reserves & swimming pools		1,613,411
Fire & ambulance services, security guards, traffic control and public lighting services		11,513,108
Refuse removal & disposal, pest control & street cleaning services		1,737,094
Maintenance of all 19 council clinics and the provision of primary health care, a hospital & a pharmacy services		10,854,648
Provision and maintenance of burial space		450,845
Maintenance of Council flats and hostels, & housing offices services		33,612
Maintenance of Council's 29 primary education schools and 1 secondary school, 9 libraries and 25 pre-schools services		1,602,788
Council workshops, roads provision, street lighting, works plant leak detection & sewerage jobbing services		8,102,987
Maintenance of various sewerage reticulation & treatment plant & pump stations and sewerage ponds		1,461,837
Water conservation , purification, and delivery activities		750,888
TOTAL	36	38,121,218
INDIRECT LABOUR COSTS - Administration	18	19,117,564
TOTAL LABOUR COSTS	54	57,238,782
TOTAL BUDGET		105,457,120

Council is committed to reducing labour costs by mechanising processes and outsourcing services where possible.

5. **FACTORS CONSIDERED IN COMING UP WITH THE BUDGET**

In crafting the 2017budget, Council considered the following factors:

- a) ZIM ASSET (clusters 7.1 to 7.3)
- b) Decline in economic growth
- c) Liquidity crunch
- d) Decline in formal employment
- e) Ministerial guidelines (as indicated above)
- f) the need to improve service delivery

g) the need to cater for vulnerable groups

6. CONSULTATIONS

Council could not hold 2016 budget review meetings at ward level due to time constraints as the 2016 budget was only approved in August 2016 and the Ministry has set 28 October 2016 as the deadline for submitting the 2017 budget. A meeting was therefore held with only ward representatives and Councillors on Thursday, 25 August 2016 to review the 2016 budget and set priorities for the year 2017. It was unanimously agreed to maintain the 2016 priorities in the year 2017 budget. A total of 147 representatives comprising 101 men and 46 females attended this meeting. The composition of the meeting was as follows; 116 ward representatives, 17 Bulawayo Residents Association (BURA) and 14 Bulawayo Progressive Residents Association (BUPRA).

After considering the views from the ward representatives the following priorities were set:

Priority	Service
1	Water
2	Health
3	Sewerage
4	Housing
5	Roads
6	Education
7	Public Lighting
8	Social Services
9	Fire & Ambulance

However, ward meetings were held from the 16th to the 20th of September 2016 to present both 2016 budget review and the 2017 proposed budget. A total of thirty four meetings were held and 2441 stakeholders comprising 1149 men and 1292 women turned up for the budget consultative meetings. The main objective of these consultation meetings was to confirm the priorities set by ward representatives and seek approval for the 2017 proposed budget.

The 2017 revenue budget proposal of **\$105,457,120**, is a stand still budget just like the 2016 budget with no tariff increases. The 2017 budget is expected to provide infrastructural development and to improve the welfare of our residents. Much of our infrastructure needs repair and maintenance; these include buildings, roads, water and sanitation infrastructure, youth centers, among others.

The capital budget is pegged at \$48.11 million. The projects will be funded from borrowings, internal sources and grant funding.

In the midst of the economic challenges, Council appeals to all citizens of Bulawayo to pay their bills. Currently the City is not in a position to invest as there are no surplus funds. Together we can improve service delivery and the well-being of our citizens, making our City a better place to live in.

7. **2017 BUDGET**

Your Worship, in view of the foregoing, I propose that the Total Budget for 2017 be pegged at \$153,566,466 broken down as follows;

Budget type	Amount US\$
Revenue budget	105,457,120
Capital budget	48,109,346
Total	153,566,466

8. **2017 REVENUE BUDGET BY ACCOUNT**

The revenue budget presented by account is as follows;

ACCOUNT	Expenditure	%	Income	%
	\$		\$	
Rate & General Services Account	41,624,235	40	43,670,144	41
Housing Account	1,466,845	1	3,262,819	3
Health & Community Services Account	29,868,259	28	3,941,343	4
Estates Account	531,148	1	3,228,850	3
Sewerage Account	6,535,228	6	10,845,717	10
Water Account	18,310,474	17	31,208,954	30
Solid Waste Services	7,120,931	7	9,299,293	9

Total	105,457, 120	100	105,457, 120	100
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9.1 RATES AND GENERAL SERVICES ACCOUNT

Total revenue expenditure for the rates and general services account for the year 2017 amounts to \$41.62 million and the income budget for the account is \$ 43.67 million. A surplus of \$2.05 million will be used to fund other services. Revenue budget for services under this account is allocated as follows.

- ADMINISTRATION

Revenue expenditure for administration amounts to \$19.12 million and will be financed mainly from property taxes. This expenditure includes general expenses, staff and maintenance costs of the administrative offices throughout the City.

- RECREATION

Total expenditure under this service amounts to \$1.61 million and includes maintenance of Council parks and swimming pools. This will be financed from income budgeted under this service and any deficit will be funded from property tax income.

- PROTECTION

Ambulance services, Fire brigade, Public lighting, security services and Traffic Control constitute protection services with a total revenue expenditure budget of \$11.51 million. This will be funded from income budgeted under this service and any deficit will be funded from property tax income.

- HEALTH SANITATION

Health sanitation is composed of solid waste management, refuse disposal and public conveniences. The total revenue expenditure budget for this service is \$ 1.74 million. This will be funded from income budgeted under this service and any surplus arising will fund other services.

- HEALTH GENERAL

This service comprises health service administration, environmental management and pest control. An amount of \$2.36 million is budgeted for under this service. This will be funded from income budgeted under this service and any deficit will be funded from property tax.

- WORKS

An amount of \$8.10 million is budgeted under this service that comprises roads maintenance, bridges and subways and storm water drainage and council workshop services. These will be funded from income budgeted under this service and any deficit will be funded from property tax.

9.2 HOUSING ACCOUNT

A total amount of \$1.47 million is budgeted under this service as revenue expenditure. Funding will come from budgeted rentals. The budget on this account is for the administration of housing offices, housing registry, maintenance of Council flats, hostels and other housing structures. Please note, servicing of stands is provided for in the capital budget.

9.3 HEALTH AND COMMUNITY SERVICES

A total revenue expenditure budget of \$ 29.87 million is provided for under this account. The budgeted income amounts to \$ 3.94 million. Part of the deficit will be financed from the Rates and General Services account. Revenue budget for services under this account is indicated below.

- **PERSONAL HEALTH**

Primary health care is budgeted for under personal health service. Revenue expenditure for nineteen (19) clinics, one (1) hospital and a pharmacy is \$10.85 million. The deficit under this service will be met from other surplus making services.

- **CEMETERIES**

A budget for \$ 0.45 million is provided for cemeteries maintenance. The cemeteries need to be maintained.

- **EDUCATION SERVICES**

An operational expenditure budget of \$1.60 million in this service is for provision of primary education at the 29 council primary schools and one secondary school. Expenditure includes acquisition of text books and other supporting materials, and the general up keep of the school.

- **COMMUNITY SERVICES**

Libraries, halls, stadia, and youth clubs among other services fall under community services. An expenditure of \$3.16 million is provided for repairs and maintenance as most of Council Halls and Youth Clubs are in a dilapidated state.

9.4 ESTATES ACCOUNT

Operational and maintenance costs for the Bus Termini and other Council properties are budgeted at \$0.53 million under this account.

9.5 SEWERAGE ACCOUNT

Provision of sewerage services entails operation of sewerage treatment works, pump stations and sewerage disposal. Equipment acquired to assist in managing our sewer system has to be maintained as well. Revenue expenditure of \$6.54 million is provided for this service while income is expected to amount to \$10.85 million. The surplus will be applied to the maintenance of the sewerage system.

9.6 WATER ACCOUNT

The water account encompasses conservation, administration, delivery, purification and reticulation of water. A revenue expenditure budget of \$ 18.31million is provided for the water account. The income budget is \$ 31.21million. The surplus income in this account will be applied to rehabilitate water infrastructure and finance other important services such as personal health.

10. RECOMMENDED TARIFFS

In view of the foregoing there are no tariff increases in year 2017 in a bid to ease pressure from ratepayers.

11. CAPITAL BUDGET

The proposed 2017 capital budget is **\$48,109,346**. This is also indicated by account as follows;

ACCOUNT GROUP	AMOUNT	%
Rate & General Services Account	13,350,110	27.75
Housing Account	675,668	1.41
Health & Community Services Account	7,763,933	16.14
Estates Account	1,699,678	3.53
Sewerage Account	5,937,000	12.34

Water Account	18,682,957	38.83
Total	48,109,346	100

1.1 RATES AND GENERAL SERVICES

The total capital budget under this service is \$13, 4million. The budget seeks to improve the roads network. Tower and street lights need constant repair and constant maintenance. The capital budget under this service seeks to address these challenges and improve services to the ratepayers.

1.2 HOUSING SERVICES ACCOUNT

Council still needs to provide major renewals on buildings, such as housing offices and some leased properties. A budget of \$0, 68 million is allocated to this service.

1.3 HEALTH & COMMUNITY SERVICES ACCOUNT

Under this service, Council has budgeted for the construction of ECD classroom blocks, libraries and clinics for the new suburbs, among other activities. New Schools have also been earmarked for construction in identified areas. The budgeted figure is \$ 7.76 million.

1.4 ESTATES ACCOUNT

Council intends to acquire more land for expansion, cemeteries and other activities. A budget of \$ 1.67 million has been allocated to this service.

1.5 SEWERAGE ACCOUNT

The capital budget under this service entails renewal and expansion of the sewerage infrastructure including major treatment works. This will be partly funded by a grant from Council's development partners. A budget of \$5, 94 million has been set aside for this purpose.

1.6 WATER ACCOUNT

Water infrastructure is dilapidated. The budget proposes rehabilitation and expansion of works as well as replacement of non-functional meters. Again, the projects will be partly funded by the development partners.

12. CONCLUSION

Your Worship, in conclusion, I would like to mention that the 2017 proposed budget is a standstill budget with no tariff increases. However, the effectiveness of this budget hinges on the availability of funds. I therefore want to encourage Council consumers to take the payment for services as a priority in order for Council to continue providing services. *More pay, more services, no pay, no services.*

I therefore, want to particularly express my gratitude to ratepayers who have continued paying their bills despite the hardships experienced in our economy.

I would like to express my appreciation to fellow Councillors, Council Management and Staff for crafting this budget. I want to impress upon the Councillors, stakeholders, residents and Council staff that will implement and monitor the 2017 budget to do so diligently in the interest of the City. The support of all stakeholders is required to ensure that Bulawayo survives.

I therefore lay the 2017 budget for your consideration.

I thank you!

Councillor M Ncube

**CHAIRMAN OF THE FINANCE AND
DEVELOPMENT COMMITTEE**