

CITY OF BULAWAYO

BUDGET SPEECH FOR THE YEAR ENDING 31 DECEMBER 2018

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

1. INTRODUCTION

A very good afternoon

It is a great pleasure, honour and privilege to present the 2018 budget which will guide Council's operations in the coming year.

I wish to thank all of you, on behalf of Councilors, management, and staff for gracing this gathering and for allocating time in your tight schedules to be a part of this budget announcement session which is at the heart of service delivery.

2. ECONOMIC BACKGROUND

Industrial and economic activity remains largely subdued, adversely affecting the buying power of citizens which in turn negatively affects Council's budget performance, continuously constraining service delivery. The country is still experiencing liquidity challenges due to non-availability of cash. However, the use of mobile banking, internet banking and electronic transfers has been embraced by rate payers making payment much easier although some rate payers however, still find it difficult to settle their bills as a result of the liquidity crunch. It is the dream of Council that all rate payers and other various consumers of Council services will so embrace the new methods of paying such that some Revenue offices will of necessity be closed. This will greatly reduce the cost of collecting money for Council, and in turn save our stakeholder money and time.

3. INFLATION AND INTEREST RATES

Annual Inflation which had been in deflation since September 2014 began the year 2017 at -0.65% and moved into positive territory at 0.31% in June 2017. According to the Reserve Bank of Zimbabwe the year -on-year food inflation accelerated sharply from -0.30% in January 2017, to 1.92% in May 2017. The surge in food inflation was attributable to intermittent food shortages before the harvesting period, which began in April 2017, as well as to production constraints in the food manufacturing industry. Annual average inflation is projected at between 2% and 3%, according to Reserve Bank's 2017 mid-term monetary statement

The high interest rates prevented the local authority from meaningful borrowing to finance its major capital projects which were intended to improve service delivery. While banking institutions have reduced their lending interest rates and bank charges to promote provision

of affordable banking services and access to credit. The average interest rates of 11.94% remains prohibitive.

4. MANUFACTURING, AGRICULTURE, MINING AND FINANCE SECTORS

The economy is expected to grow by 3.7% in 2017 largely driven by agriculture, mining and tourism, raising hopes of a better operating environment when compared to the 1.2% growth rate of 2016 which was revised downwards from 2.7%. These are expected to be driven by a combination of favourable rainfall season and the positive financial impact of the Presidential and Command agricultural input programmes. The mining and tourism sectors are on the rebound due to stability in the international commodity prices and price competitiveness, respectively.

The manufacturing sector which is among the major performers in the economy continues to experience challenges in the economy resulting in increased unemployment levels. An influx of cheaper commodities still puts pressure on the embattled manufacturing sector, in turn putting pressure on disposable incomes which then negatively affects the operations of the Council.

2018 BUDGET GUIDELINES

Your Worship, this budget has been crafted according to the ministerial guidelines contained in Local Government Circular No.3 of 2017, the highlights of which are:

1. 2018 budgets must address indebtedness, unmanageable employment costs and continuous deteriorating collection efficiency that is hindering aspirations, goals and objectives of the ZIMASSET.
2. Budgeted activities must be results oriented and linked with the Council's strategic plan from which Performance Improvements Plans (PIP's) should be developed.
3. Local authorities to invest on capital projects that address non-revenue water and intensify revenue on revenue mobilisation efforts to improve revenue collection efficiency.
4. The level of ICT usage must improve revenue generation and collection and should be relevant and abreast with prevailing economic conditions.
5. The budget must provide for housing delivery thrust
6. The budget must limit borrowings and introduce strategies innovative strategies to improve revenue collection efficiency

7. The budget must provide for measures that improve ease of doing business environment and provide for incentives to investors.
8. Gender assessment of all projects being budgeted for is expected, incorporating gender perspective at all levels of the budget process and restructuring revenues and expenditures to promote gender equality.

Council is committed to reducing labour costs and some of the measures we have taken so far include withdrawing security guards from some guarded installations, clinics and schools, replacing them with alarm systems. Council has also bought a grave digger as an effort to reduce the wage bill. Where mechanisation is possible, Council will move in that direction, that is, mechanising some services.

5. FACTORS CONSIDERED IN COMING UP WITH THE BUDGET

In crafting the 2018 budget, Council considered the following factors amongst others:

- a) Economic Indicators
 - Year on year inflation on average 2% & 3%
 - Interest Rates – Average 12 %
- b) Liquidity crunch
- c) ZIM ASSET (clusters 7.1 to 7.3)
- d) Continued decline in formal employment
- e) Ministerial guidelines (as indicated above)
- f) The need to improve service delivery
- g) Continued need to cater for vulnerable groups

6. CONSULTATIONS

Council held 2017 budget review meetings at ward level between 22 July and 4 August 2017. In addition to the 29 ward meetings, the review meetings were held with the business community, politicians, civic organisations, and youths mainly in the vocational training centres, women, university and college students as well as the junior Council. In the current consultation, Council made efforts to reach those with special needs and managed to consult those with hearing impairment. Total attendance was 3932, 1976 males and 1956 females attended the meetings. The objective of the meetings were to review 2017 budget performance with stakeholders as well as seek budget priority services for the coming year.

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

The second consultation meetings were held between the 22nd of September 2017 and 26th of September 2017 in order to present the proposed 2018 budget. A total of thirty four meetings were held and 2490 stakeholders comprising 1147 men and 1343 women turned up for the budget consultative meetings. The main objective of these consultation meetings was to confirm the priorities set during the first consultations and seek approval for the 2018 proposed budget.

The proposed 2018 revenue budget of \$104,469,476 is again a standstill budget with no tariff increases. The economic environment which is characterized by high unemployment levels, low inflation figures, high interest rates and the liquidity crunch which slows down the payment for services, have contributed to a standstill budget. The 2018 budget is expected to invest in water and sewerage infrastructure, servicing of new areas, maintenance of cemeteries, purchase of utility vehicles, and refurbishing of Council properties among others. Much of Council infrastructure needs repair as most of it is dilapidated. These include buildings, roads, water and sanitation infrastructure and youth centres, to name but a few.

The proposed 2018 budget was accepted by 28 wards with some wards urging Council to improve services. One Ward did not accept the budget citing low service delivery in the ward. All other stakeholders however accepted the budget.

7. 2018 BUDGET

Your Worship, in view of the foregoing, I propose that the Total Budget for 2018 be pegged at \$152,612,022 broken down as follows;

Budget type	Amount US\$
Revenue budget	104,469,476
Capital budget	48,142,546
Total	152,612,022

8. 2018 REVENUE BUDGET BY ACCOUNT

The revenue budget presented by account is as follows;

ACCOUNT	Expenditure \$	%	Income \$	%
Rate & General Services Account	42,615,052	40.78	48,802,871	46.71
Housing Account	2,945,808	2.82	1,195,107	1.14
Health & Community Services Account	26,920,097	25.77	4,096,193	3.92
Estates Account	330,032	0.32	4,864,414	4.66
Sewerage Account	7,538,866	7.22	9,263,650	8.87
Water Account	20,074,901	19.22	26,513,034	25.38
Solid Waste Services	4,044,720	3.87	9,734,207	9.32
Total	104,469,476	100	104,469,476	100

8.1 RATES AND GENERAL SERVICES ACCOUNT

Total revenue expenditure for the rates and general services account for the year 2018 amounts to \$42.62 million and the income budget for the account is \$ 48.80 million. A surplus of \$6.18 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 \$19.35 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 \$2.47 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 \$8.39 million. This will be funded from income budgeted under this service and any deficit will be funded from property tax income.

- HEALTH GENERAL

This service comprises health service administration, environmental management and pest control. An amount of \$3.03 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 \$9.37 million is budgeted. The service comprises of roads maintenance, bridges and subways, 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.

8.2 HOUSING ACCOUNT

A total amount of \$2.95 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.

8.3 HEALTH AND COMMUNITY SERVICES

A total revenue expenditure budget of \$ 26.92 million is provided for under this account. The budgeted income amounts to \$ 4.10 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 the nineteen (19) clinics, one (1) hospital and a pharmacy is \$13.57 million. The deficit under this service will be met from other surplus making services.

- **CEMETERIES**

A budget for \$ 0.85 million is provided for cemeteries maintenance and the development of new cemeteries.

- **EDUCATION SERVICES**

An operational expenditure budget of \$4.46 million in this service is for the provision of primary education at the 29 council primary schools and one secondary school. Expenditure includes the 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 \$7.90 million is provided for repairs and maintenance as most of Council Halls and Youth Clubs are in a dilapidated state.

8.4 ESTATES ACCOUNT

Operational and maintenance costs for the Bus Termini and other Council properties are budgeted at \$0.33 million under this account.

8.5 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 \$7.54 million is provided for this service while income is expected to amount to \$9.26 million. The surplus will be applied to the maintenance of the sewerage system.

8.6 WATER ACCOUNT

The water account encompasses conservation, administration, delivery, purification and reticulation of water. A revenue expenditure budget of \$ 20.70 million is provided for the water account. The income budget is \$ 26.51 million. The surplus income in this account will be applied to rehabilitate water infrastructure and finance other important services such as personal health.

8.7 SOLID WASTE ACCOUNT

The solid waste account is composed of solid waste management, refuse disposal and public conveniences. The total revenue expenditure budget for this service is \$4.04 million. This will be funded from income budgeted under this service and any surplus arising will fund other services.

9. RECOMMENDED TARIFFS

In view of the foregoing there are no tariff increases in year 2018 again, in a bid to ease pressure from ratepayers.

10. CAPITAL BUDGET

The proposed 2018 capital budget is \$48,142,546. This is also indicated by account as follows;

ACCOUNT GROUP	AMOUNT	%
Rate & General Services Account	13,220,854	27.46
Housing Account	977,650	2.03
Health & Community Services Account	7,636,870	15.86
Estates Account	1,606,722	3.34
Sewerage Account	12,031,500	24.99
Water Account	12,668,950	26.32
Total	48,142,546	100

The capital budget will be funded from borrowings, internal sources and grant funding from African development Bank which funded Council to the tune of \$33,69 million, of which \$13,865,000 is expected to be spent in 2018.

10.1 RATES AND GENERAL SERVICES

The total capital budget under this service is \$13.22 million. The budget seeks to improve the roads network. Tower and street lights need constant repair and constant maintenance. In addition, we anticipate the provision of solar energy street lighting which will be a pilot

project. The capital budget under this service seeks to address these challenges and improve services to the ratepayers.

10.2 HOUSING SERVICES ACCOUNT

Council still needs to provide major repairs on buildings, such as housing offices and some leased properties. A budget of \$0, 98 million is allocated to this service.

10.3 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 \$ 7.64 million.

10.4 ESTATES ACCOUNT

Council intends to acquire more land for expansion, cemeteries and other activities, as well as service new areas. A budget of \$ 1.61 million has been allocated to this service.

10.5 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 \$12.03 million has been set aside for this purpose.

10.6 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. The budget allocation

11. CONCLUSION

To support our public services we need the support of our partners, rate payers and all our stakeholders in financing the budget. Your worship, I wish to encourage and thank the loyal rate payers who are the lifeblood of our City. We have done remarkable things together and I am confident that our greatest achievements lie ahead of us. Confident in our strengths and clear in our determination we shall build a stronger and better Bulawayo.

Your Worship, I wish to also acknowledge and thank our heads of departments and staff from different departments, as well as our partners in the private sector for honoring the invitation to come and be with us as we announce the proposed 2018 budget for our beautiful Municipality.

I lay this Budget to the House for consideration.

I thank you!

Councillor C MOYO

ACTING CHAIRMAN OF THE FINANCE AND
DEVELOPMENT COMMITTEE