



STELLENBOSCH

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MID-YEAR ADJUSTMENTS BUDGET 2023/24

Tabled by Executive Mayor Gesie van Deventer -
24 January 2024



“The road to success is always under construction –
keep building”

- Speaker;
- Deputy Mayor;
- Chief Whip;
- Members of the Mayoral Committee;
- Members of Council;
- Municipal Manager and senior management;
- Members of the public and special guests;
- Members of the media present;
- All protocol observed

Good morning ladies and gentlemen, hartlike goeiemore, molweni, As-salamu alaykum

1. Introduction

Speaker, as the Executive Mayor of Stellenbosch Municipality, it is my responsibility to submit the Adjustments Budget for the ongoing fiscal year of 2023/24, as mandated by section 28(4) of the Municipal Finance Management Act. As outlined in section 28(2) of the same Act, an adjustments budget:

1. must adjust the revenue and expenditure estimates downwards if there is material under collection of revenue during the current year;
2. may appropriate additional revenue that has become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
3. may authorize the utilization of projected savings in one vote towards spending in another vote; and
4. may correct any errors in the annual budget.

In terms of section 23(1) of the Municipal Budget and Reporting Regulations, the above-mentioned adjustments can only be done after the mid-year budget and performance assessment has been tabled to Council, but not later than 28 February. We are therefore very early this year and will be one of the first councils that I know of that will be tabling the Adjustments Budget long before the legislated deadline.

Speaker, in tabling the 2023/24 Adjustments Budget, I would like to highlight some of the main reasons for proposing this Adjustments Budget. As is clear from the Council Item in front of councillors, the Western Cape Adjustments Appropriation Act 2023 was enacted on 28 November 2023 which means that grant allocation for Stellenbosch Municipality was amended for the 2023/24 financial year.

Furthermore, the municipality was also allocated an amount of R30 132 000 from the Municipal Disaster Response Grant (MDRG) by National Government for the devastating flooding disaster that happened in September 2023.

It is important to highlight that this is a three-year budget cycle and that the budget does not decrease over the three years, but rather increases to make provision for the municipality's Alternative Energy Generation project, as well as the Municipal Disaster Response Grant received from National Government.

Over the three-year MTREF period, the municipality has budgeted a considerable R1 508 755 979 (one point five billion rand) for Infrastructure Services capital projects. This massive infrastructure investment will make economic growth possible for the municipality.

Stellenbosch Municipality is fortunate to have the flexibility to implement these adjustments and withstand the financial challenges which are looming over many towns and cities in our country. This resilience is a result of years of effective governance, strategic financial planning, and fiscal prudence. Our primary emphasis for the remainder of this fiscal year and the upcoming one will be the completion of ongoing projects, particularly those deemed critical. I want to make it clear that no money is being taken away. As a result of a full day of planning between Mayco and Directors, the projects in the budget were reprioritised to better deliver for the remaining part of the financial year and were shifted to critical projects or moved to the outer financial years in line with more realistic expectations and responsible financial planning.

The main purpose of this adjustments budget is therefore to adjust the material under and over budgeted figures as well as to accommodate additional revenues received or cuts made in terms of government grants. Speaker, the Municipal Manager and the Chief Financial Officer, in accordance with their mandate, streamlined the compilation of the Adjustments Budget in consultation with the Executive Mayor and the Budget Steering Committee.

2. Capital Adjustment Budget

Taking all proposed adjustments into consideration, it will result in the current approved Capital Budget of R561,998,373 decreasing with R70,272,357. The proposed adjusted Capital Budget for 2023/2024 will be R491,726,016. Speaker, it should be noted that with careful planning we managed to not remove any projects permanently, but simply put them on hold, hence the roll overs of multi-year projects in the Adjustment Budget.

This Capital Budget continues to represent our investment and dedication to our communities throughout the Municipality to improve service delivery and the creation of job opportunities through economic growth.

We continue to work relentlessly by making every effort to balance the needs of our residents with the funds available. Once again, funds are being shifted to outer years in line with planning and construction timelines and funds are not being taken away from any critical project.

A massive 84% of the proposed adjusted capital budget is going towards Infrastructure Services – this includes the provision of basic and essential services such as water, sanitation, electricity, roads, stormwater, refuse removal as well as infrastructure development and maintenance.

Some highlights include:

- **Landfill site.** An additional **R19 million** has been allocated to the expansion of the landfill site. It is important that this project be finalised as soon as possible as the finalisation of this project will positively impact future refuse removal tariffs. The project is progressing well and is now in the construction phase. Funding will be rolled forward from the outer years to cover the shortfall experienced in the current year. R19 000 000 was rolled forward from the outer MTREF year to complete Part 1 of the project. Part 1 is envisaged to be completed at the end of March 2024.
- **Alternative Energy.** In our efforts to get off the grid, we sadly discovered that various upgrades had to be affected to the ageing system of ESKOM in Stellenbosch. However, this does not discourage us, but it unfortunately slows down the progress. To facilitate the necessary upgrades, an additional R35 916 311 was added to year 2 of the MTREF. This is the total estimated cost to complete Phase 2 of the Supervisory Control and Data Acquisition system (SCADA) which is the implementation of remote switching of 7 main substations and remote monitoring of the 11 secondary substations.
- Having received various requests from various wards, an additional R200 000 will go towards the procurement of waste **Skips** in informal areas while an additional R250 000 will go towards **Street Refuse Bins**.
- In order to step up the cleaning of our towns, an additional R2.5 million will go towards expanding our **Solid Waste Fleet**, ensuring improved pickup times of household refuse.
- Franschhoek experienced widespread devastation during last year's floods. Damages to the **Franschhoek Huguenot substation** Switchgears was severe and the **La Terra Mini substation** was washed away, and as such, funding is required for general electrical system improvements to the value of R2.37 million.
- To work towards creating a safer municipality, an additional R500 000 will go towards the installation of **Street lighting** in various areas to ensure that residents can move around more safely at night.

- Having assessed the damage of the recent floods, an additional R1 million from the Municipal Disaster Response Grant will go towards the **Sewer Network Upgrade** in Langrug and Mooiwater.
- The allocation of the Municipal Disaster Response Grant will also make it possible for us to allocate R6.59 million towards **Sewer Pipe Replacements** in the Franschoek area.
- The **Upgrade of the Pniel Waste-Water Treatment Works** is very important but has proven to be more costly than expected. Therefore, an additional R2 million is required during this financial year to finalise the project within the correct timeframe.
- The **Vlottenburg Outfall Sewer** and the Digteby Sewerpipe Construction Project is of vital importance to deliver services to Vlottenburg, Kayamandi, Cloetesville and the amazing Adam Tas project. An additional R1.5 million is allocated this year to ensure that the project is completed within the expected timeframe.
- Having assessed our roads, we recognised the needs for additional re-sealing to create safer roads. The **Resealing of Roads** will also be adjusted upwards with R2 million.
- Parking is a serious challenge throughout the municipality. Therefore, the planning and development for the provision of **Bulk Parking** will be allocated an additional R2.76 million this financial year.
- Recognising the importance of additional burial space and the importance thereof to our communities, the extension of **Cemetery Infrastructure** will be allocated an additional R2.5 million.

3. Operational Adjustment Budget

The Adjustment Budgets in Stellenbosch is not just a formality but a serious process to re-prioritise and re-align the most important operational projects of the municipality.

The Operational Income Budget for 2023/2024 increases from R2 397 743 562 (R2.397 billion) to the proposed budget of R2 456 088 829 (R2.457 billion).

The Operational Expenditure Budget for 2023/2024 increases **from R2 259 622 633 (R2.259 billion) to the proposed budget amount R2 360 377 441 (R2.360 billion).**

Operational Income Budget

Material changes to the operating budget:

- **Water Service Charges:** The municipality has billed R6 856 218 less revenue than initially anticipated. The largest underperformance was noted for the sale of conventional water. This decline in billings is as a result of the decline in consumption. Considering the monthly average over the past 6 months, it is recommended that the budget be adjusted downwards with R13 755 346.
- **Waste Water Service Charges:**The municipality has billed R3 995 745 more revenue than initially anticipated. The largest overperformance was noted for the sale of sanitation charges and industrial wastewater. This incline in billing is a result of an exponential increase in usage. Considering the monthly average over the past 6 months, it is recommended that the budget be adjusted upwards with R5 030 768.
- **Fines, penalties and forfeits:** The fines revenue budget will increase due to the increase in fines issued. Considering the issued fines, it is recommended that the budget increase with R23 966 884.
- **Interest earned - external investments:** An over performance was noted for interest earned – external investments to the amount of R8 147 891. This is attributed to fluctuations in the interest rates over the past few years and an increase in investments. It is recommended that the budget be increased with R2 974 857
- **Rental of facilities and equipment:** An under performance is noted for the Rental of facilities and equipment to the amount of R236 660 and the annual billings are levied in March 2024. It is recommended that the budget be increased by R2 409 848 during the mid-year adjustment process.

Operational Expenditure Budget

Various line items were adjusted due to requests received from user departments and operational pressure to improve efficiencies.

There are line items where we noted an overspending when compared to the year-to date budget and we anticipate that additional funds will be required, over and above those already included and approved in the annual budget.

Material changes to the Operational Expenditure Budget include:

- **Security Services:** budget increased with R19 847 000. This is for the safeguarding of key municipal infrastructure that is used to provide services to our community.

- Additional funding was also allocated to our EPWP Safety Monitor Project to assist municipal law enforcement in creating a safer environment for our community.
- **Finance cost:** The budget for finance costs will be increased based on the repayment of the external loans with R9 246 246.
- **Management of Informal Settlements.** The budget increases with R3 037 613. The additional funding is for reallocation (wendy houses) in the informal settlement areas and to provide alternative accommodation for the evictees. The department must also rectify or replace dilapidated and old structures in Mountainview as highlighted by a visit from the Parliamentary Committee on Human Settlements.
- **Repairs and maintenance WWTW Stellenbosch.** The budget had to be increased with R5 804 655. The additional funding is required for Maintenance of Wastewater Treatment works equipment.
- **Repairs and Maintenance: Sanitation Infrastructure.** The budget had to be increased with R3 500 000. The additional funding is required for Kainos' Operation & Maintenance Service.
- **Repairs and Maintenance WWTW Wemmershoek.** The budget had to be increased with R3 307 206. The additional funding is required for Maintenance of Wastewater Treatment works.
- **The Budget for non-cash (accounting) items such as Depreciation and Debt Impairment** are upward adjusted in line with the municipality's accounting policy so as to ensure that sufficient provision is made in the budget to account for these items.

4. Conclusion

The cost of living is rising day by day, load shedding is having a very negative impact on our economy, interest rates are high and the average South African is struggling to make ends meet.

It is crucial to adopt a conservative approach now and to plan and adjust while we can, to ensure our ongoing sustainability. As one of the most sustainable municipalities in South Africa, we are in a favourable financial position, and I want to reassure everyone that, as Executive Mayor, I am committed to maintaining this standing. Unfortunately, many municipalities in the country are not as fortunate.

Speaker, fortunately, it is important to stress this is **not our new budget** for the upcoming financial year. It is just an adjustment to ensure that we streamline and best spend the funds for the last couple of months of the current financial year. The formal presentation will take place in May of this year, with implementation scheduled for July 1st.

Speaker, I am proud to say we have demonstrated ourselves as one of the top municipalities in South Africa, owing to our diligence, hard work, and commitment to our residents. I am steadfast in my determination to uphold this standard at any cost. Our relentless mission to deliver services and opportunities to our beautiful valley will persist.

I extend my gratitude to the CFO, the Municipal Manager, and the entire administration for their dedicated efforts in steering us through these challenging times we are seeing nationally.

In the words of Gary Paulsen, a famous American author – **“Do what you can as you can. Trouble, problems, will come no matter what you do, and you must respond as they come”**.

I table this Adjustments Budget, with great responsibility. We shall continue to work hard to provide the best leadership and guidance during this difficult time and to create a business-ready environment, which attracts investment and creates jobs and opportunities for all who call this beautiful valley home.

Speaker, in the item serving before Council, the recommendations are set out as recommended in the Mid- Year Adjustments Budget 2023/2024 Item. I herewith formally submit recommendations on page 641 and 642, (a) to (d), in the Council Agenda, for consideration and approval of the 2023/2024 Adjustments Budget.

I thank you,

Baie dankie,

Enkosi kakhulu,

EXECUTIVE MAYOR

GESIE VAN DEVENTER