



# STELLENBOSCH

STELLENBOSCH • PNIEL • FRANSCHHOEK

MUNICIPALITY • UMASIPALA • MUNISIPALITEIT

Ref no.3/4/2/5

2018-05-24

## NOTICE OF A SPECIAL MEETING OF THE COUNCIL OF STELLENBOSCH MUNICIPALITY WEDNESDAY, 2018-05-28 AT 10:00

**TO** The Speaker, Cllr DD Joubert [Chairperson]  
The Executive Mayor, Ald G Van Deventer (Ms)  
The Deputy Executive Mayor, Cllr N Jindela

<b>COUNCILLORS</b>	F Adams	MC Johnson
	DS Arends	NS Louw
	FJ Badenhorst	N Mananga-Gugushe (Ms)
	GN Bakubaku-Vos (Ms)	C Manuel
	FT Bangani-Menziwa (Ms)	LM Mqeqeba
	PW Biscombe	NE McOmbring (Ms)
	PR Crawley (Ms)	XL Mdemka (Ms)
	A Crombie (Ms)	RS Nalumango (Ms)
	JN De Villiers	N Olayi
	MB De Wet	MD Oliphant
	R Du Toit (Ms)	SA Peters
	A Florence	WC Petersen (Ms)
	AR Frazenburg	MM Pietersen
	E Fredericks (Ms)	WF Pietersen
	E Groenewald (Ms)	SR Schäfer
	JG Hamilton	Ald JP Serdyn (Ms)
	AJ Hanekom	N Sinkinya (Ms)
	DA Hendrickse	P Sitshoti (Ms)
	JK Hendriks	Q Smit
	LK Horsband (Ms)	E Vermeulen (Ms)

Notice is hereby given in terms of Section 29, read with Section 18(2) of the *Local Government: Municipal Structures Act, 117 of 1998*, as amended, that an **URGENT MEETING** of the **COUNCIL** of **STELLENBOSCH MUNICIPALITY** will be held in the **COUNCIL CHAMBER, TOWN HOUSE, PLEIN STREET, STELLENBOSCH** on **MONDAY, 2018-05-28** at **10:00** to consider the item on the Agenda.

**SPEAKER**  
**DD JOUBERT**

**A G E N D A**  
**SPECIAL MEETING OF THE COUNCIL**  
**OF STELLENBOSCH MUNICIPALITY**  
**2018-05-28**  
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<b>3.</b>	<b>TABLING OF DRAFT REVIEW OF THE SPATIAL DEVELOPMENT FRAMEWORK 2018/2019</b>
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Collaborator No:

File No:

9/1/2/4/2017-2018 – 2021-2022

IDP KPA Ref No:

Valley of Possibility

Meeting Date:

2018-05-28

**1. SUBJECT: TABLING OF DRAFT REVIEW OF THE SPATIAL DEVELOPMENT FRAMEWORK 2018/2019**

**2. PURPOSE**

To request Council to consider minor amendment to the approved Stellenbosch Municipality's Spatial Development Framework (MSDF) as it pertains to the approved urban edges.

**3. DELEGATED AUTHORITY**

**MUNICIPAL COUNCIL**

**4. EXECUTIVE SUMMARY**

Section 20(2) of SPLUMA and Section 26 of the Municipal Systems Act require that the MSDF must be prepared as part of the IDP.

The 12(1) sets out the general provision that are applicable to the preparation of the SDF including (amongst other considerations):

- Contribute to a coherent, planned approach to spatial development in the national, provincial and municipal spheres.
- Provide clear and accessible information to the public and private sector and provide direction for investment purposes.
- Include previously disadvantaged areas, areas under traditional leadership, rural areas, informal settlements, slums and land holdings of state-owned enterprises and government agencies and address their inclusion and integration into the spatial, economic, social and environmental objectives of the relevant sphere.
- Address historical spatial imbalances in development.
- Identify the long-term risks of spatial patterns of growth and development and the policies and strategies necessary to mitigate those risks.
- Provide direction for strategic developments, infrastructure investment, promote efficient, sustainable and planned investments by all sectors and indicate priority areas for investment in land development.
- Promote a rational and predictable land development environment to create trust and stimulate investment.
- Take cognizance of any environmental management instrument adopted by the relevant environmental management authority.

Chapter 2 of SPLUMA further sets out the development principles that must guide the preparation, adoption and implementation of any SDF, policy or by-law concerning spatial planning and the development or use of land, to which municipality are also required to adhere. These principles include spatial justice, spatial sustainability, efficiency, spatial resilience and good administration.

Council resolved at their meeting of March 2018:

- (a) that Council considers and accepts this document as the first review of the Spatial Development Framework, as prescribed by SPLUMA;
- (b) that Council notes this as the strategic component of the SDF and as the focus of work to be completed during the 2018/19 business year to complete a full five-year review of the SDF; and
- (c) that Council note that legal prescripts in Chapter 4 of the Systems Act, including public participation, will be adhered to

This agenda item has regard to the interim minor amendments to the approved MSDF that will be included in the 2018/19 IDP only.

## 5. RECOMMENDATIONS

- (a) that the interim, minor amendments to the urban edges as depicted in **ANNEXURE 1** be approved;
- (b) that a portion of the Farm Braemar, Farm 742/2 and Farm 748/2 be included into the urban edge of Klapmuts due to the dire need for additional space for the development of schools; and
- (c) that all other proposed amendments to the MSDF that have been received be considered in the MSDF process culminating in the Final Draft MSDF to be submitted in the first quarter of 2019.

## 6. DISCUSSION / CONTENTS

### 6.1 Background

Since approval of the SDF in 2013 and 2017, SDF related work has focused on:

- (a) Development of scenarios of land demand to inform the development of a preferred 20-year growth strategy, development path, and nodal development concepts. This work culminated in status quo and draft Urban Development Strategy (UDS) documents during 2017.
- (b) An analysis and synthesis of the rural areas of Stellenbosch Municipality with a view to prepare a Rural Area Plan (RAP).
- (c) A Draft Heritage Inventory of large-scale landscape areas in the rural domain of the municipality informing proposed heritage areas (complementing previous inventory work completed for urban areas).
- (d) Area-based planning investigations for parts of the municipality, notably Stellenbosch town, Klapmuts, the area north of Kayamandi, and Paradyskloof.
- (e) Provincial Sustainable Transport Programme (PSTP)

**6.2 Discussion**

There are three key issues with existing SDF work.

- (a) The first is that the approved SDF required more detailed work on the spatial planning of rural areas of the municipality, including agricultural areas and areas of landscape, cultural, scenic, and heritage value. Without this input, the SDF arguably had an “urban” bias. This work is nearing completion and can inform a more comprehensive, integrated SDF.
- (b) The second issue is that there has been inadequate alignment between the SDF and other sector plans. In this regard, transport planning is critical. Considerable progress has been made over the last year developing a strategy for sustainable transport planning, infrastructure provision, and management in Stellenbosch. This work should be fully integrated with the SDF.
- (c) The third is that the significance of the implementation framework for the SDF has possibly been underestimated. Instead of doggedly working to align services and the private sector around the chosen spatial strategy and direction – working out what needs to be done, by whom, and by when – there have been instances where the direction established over years is questioned, and associated work to start analysis afresh.

In addressing these challenges, the SDF has two tasks. The first relates to how activities should be organized and accommodated in space to best address challenges. The second is to guide how other sectors, services, or functional areas, should adjust their focus and work to support the recommended organization and accommodation of activities in space.

**6.2.1 Comments received from public:**

	<b><u>Received from:</u></b>	<b><u>Comment:</u></b>
1.	TV3 Architects and Town Planners ( <i>On behalf of Braemar developments</i> )	Inclusion of Farm 742/2 and Farm 748/2 Klapmuts to rezone and subdivide two school sites. Considered to be a matter of urgency as further delay in commencement of formal rezoning and subdivision process arising from current SDF could bring provision of sale agreement into question. Environmental Authorisation granted will also lapse.
2.	Sustnet	Technopark Strategy & Proposal
3.	TV3 Architects and Town Planners	Inclusion of the further area of the northern extension in Kayamandi
4.	CK Rumboll & Partners	<p><i>Inclusion of portions of land in La Motte and Kylemore for housing backlog and housing pipeline.</i></p> <ul style="list-style-type: none"> <li>• <i>Kylemore: provision for 1112 houses over the short term of which 150 is transitional housing, 432 is subsidized housing, 150 are social housing, 380 formalised home ownership</i></li> <li>• <i>La Motte: provision of 476 houses is required of which 426 are subsidized houses and 50 is transitional housing. The provision of these houses are earmarked as medium term projects to be provided for over the next 4 years</i></li> </ul>

5.	TV3 Architects and Town Planners	MSDF to be amended to include a ±14ha portion of the Farm No. 1166 (Mountain Breeze) Stellenbosch within the amended urban edge for Stellenbosch, and to earmark this portion for future urban development purposes.
6.	Councillor Joubert	During community engagement on 17 April 2018 officials informed community that meeting will not deal with SDF process hence no consultation took place. The municipality ignored the SDF, which is a core component of IDP and neglect public participation. A proper public participation session should be held in ward 5 to address SDF with community and proposed amendments.
7.	Hans Eggers (Friends of Stellenbosch Mountain)	Concern and questions with regards to the Western Bypass and proper public participation.
8.	Dupré Lombaard (Development Management Consultant)	The objective of this submission is to address the following matters: <ul style="list-style-type: none"> <li>• Economic development program implementation;</li> <li>• Creating opportunities for collaboration, interaction and dialogue between community-based organisations, non-government organisations and government;</li> <li>• To support the spatial development policy direction for densification in development;</li> <li>• To present alternatives to be considered, planned and used for integrated human settlement purposes; and</li> <li>• Promotion of the need to focus on business tourism as an additional economic activity.</li> </ul>
9.	Ingrid de Jager	Mostly IDP issues of Wards 18 & 19 with regards to transport, road safety and housing
10.	TV3 Architects and Town Planners	Request for Stellenbosch town's urban edge to be amended to include the Remainder of Farm Brandwacht No. 1049, Stellenbosch in the urban edge and to earmark the subject property for future urban development.
11.	Conrad Burke (late submission – 1 May 2018) Subsequently withdrawn.	Request for the inclusion of Libertas and Fleurbaix in the urban edge of Stellenbosch for the protection of the historical asset and to make provision for the link road to Technopark to assist with the traffic congestion.

### 6.2.2 Minor Amendments

Section 5(1)(b) of Spluma makes provision for the review of the MSDF to address urgent needs and/or requirements and to rectify known anomalies. During the 2016/17 review of the MSDF two amendments to the urban edge were effected in order to allow for the expansion of the urban area of Stellenbosch to the north (Kayamandi) and to the South (Jamestown) respectively. These amendments were included in the approved 2017 MSDF.

Minor amendments proposed to the MSDF during the 2018/19 cycle are restricted to the following:

- a) The inclusion of Botmaskop (existing land use rights)
- b) The inclusion of land between Vlotenburg and Longlands (in order to allow for an integrated urban settlement)
- c) The inclusion of the existing Ida's Valley Primary School and Luckhoff High School, Ida's Valley ( rectifying an anomaly)
- d) The extension of the urban edge at Klapmuts up to the N1; and
- e) The inclusion of a portion of the farms Farm 742/2 and Farm 748/2 Klapmuts to be rezoned and subdivided to make provision for two school sites (priority requirement)

The proposed minor amendments are illustrated in **ANNEXURE 1**.

### **6.2.3 Public Participation**

The proposed amendments, with the exception of a portion of Farm 742/2 and 748/2, Klapmuts, were included in the 2018/19 IDP which was provisionally approved by Council. The amendments to the MSDF was also included in the IDP public participation process and presented to the public during all IDP public meetings that took place during April 2018. The proposed amendments also formed part of the IDP document that was advertised to the public for comment and input as per the schedule below:

IDP Wards Meetings:	9-25 April 2018
IDP Focus Discussions:	16-18 April 2018
Public Participation end date:	25 April 2018
Advert in Boland Gazette:	3 April 2018
Advert in Eikestad Nuus:	5 April 2018
IDP op Web site:	3 April 2018
Notice for public input on Website:	31 March 2018

Please note that extensive public participation will take place in reviewing the MSDF during 2018/19 as a separate project.

### **6.3 Financial Implications**

Financial provision has been made as part he operating budget of the Directorate Planning and Development.

### **6.4 Legal Implications**

To achieve full compliance with SPLUMA, LUPA and the Municipal Stellenbosch Planning By-Law. The recommendations are in line with the legislation.

**6.5 Staff Implications**

This report has no additional staff implications to the Municipality.

**6.6 Previous / Relevant Council Resolutions:**

As part of the Council resolutions of March 2018 it was noted that the public participation process around the finalisation of the new generation municipal SDF is on-going and that the SDF will be finalised in May 2019.

**6.7 Risk Implications**

The municipality may not allow development that is not in line with the SDF. It is therefore necessary to amend the correct SDF to allow for changes required.

**7. Comments from Senior Management:****7.1 Director: Corporate Services:**

No further comments

**7.2 Municipal Manager:**

Supports the recommendations

**8. RECOMMENDATIONS FROM THE EXECUTIVE MAYOR, IN CONSULTATION WITH THE EXECUTIVE MAYORAL COMMITTEE, TO COUNCIL: 2018-05-23: ITEM 5.3.1**

- (a) that the interim, minor amendments to the urban edges as depicted in **ANNEXURE 1** be approved;
- (c) that a portion of the Farm Braemar, Farm 742/2 and Farm 748/2 be included into the urban edge of Klapmuts due to the dire need for additional space for the development of schools; and
- (c) that all other proposed amendments to the MSDF that have been received be considered in the MSDF process culminating in the Final Draft MSDF to be submitted in the first quarter of 2019.

**ANNEXURES**

Annexure A: Proposed amendments to urban edges

# KLAPMUTS: PROPOSED URBAN EDGE CHANGES



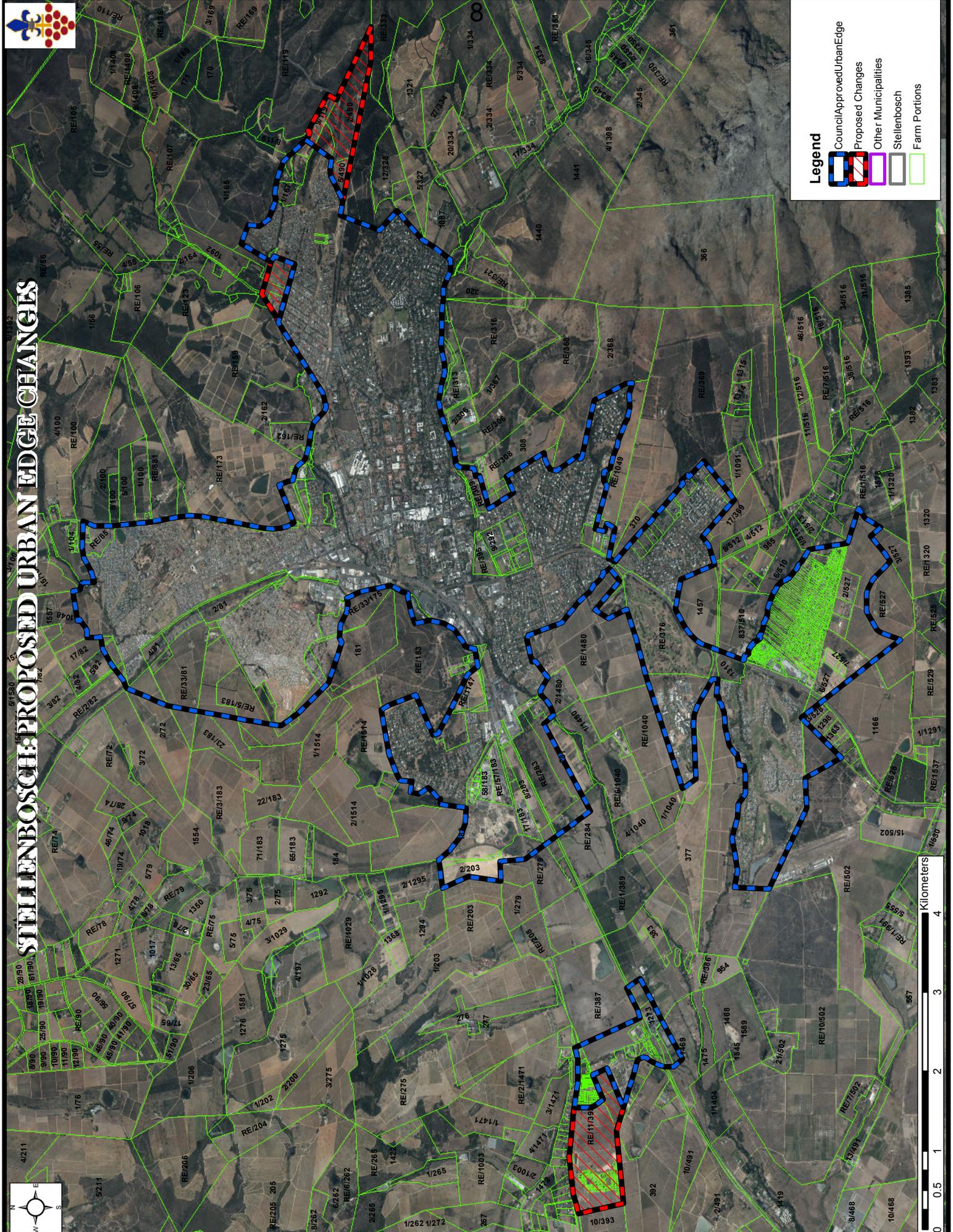
**Legend**

- Council Approved Urban Edge (Blue dashed line)
- Proposed Changes (Red dashed line)
- Other Municipalities (Black dashed line)
- Stellenbosch (Purple outline)
- Farm Portions (Green outline)





# STELLENBOSCH: PROPOSED URBAN EDGE CHANGES



**Legend**

- Council Approved Urban Edge
- Proposed Changes
- Other Municipalities
- Stellenbosch
- Farm Portions



4.	<b>APPROVAL OF FIRST REVIEW OF THE FOURTH GENERATION IDP (2017/18 – 2021/2022)</b>
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Collaborator No: 590875  
 IDP KPA Ref No: *Good Governance and Compliance*  
 Meeting Date: 23/05/2018 and 28/05/2018

**1. SUBJECT: APPROVAL OF FIRST REVIEW OF THE FOURTH GENERATION IDP (2017/18 – 2021/2022)**

**2. PURPOSE**

To submit the following for consideration:

- (a) The public participation inputs, written submissions and Provincial Government LGMTEC 3 findings on the Draft First Review of the 2017/18 – 2021/22 Fourth Generation IDP, attached as **APPENDIX 1**; and
- (b) The First Review of the 2017/18 – 2021/22 Fourth Generation Integrated Development Plan (IDP), attached as **APPENDIX 2**.

**3. DELEGATED AUTHORITY**

**MUNICIPAL COUNCIL.**

In terms of Section 34 of the Local Government: Municipal Systems Act 32 of 2000 prescribes that the Municipal Council:–

*“(a) must review its Integrated Development Plan-*

*(i) annually in accordance with an assessment of its performance measurements in terms of section 41; and*

*(ii) to the extent that changing circumstances so demand”.*

**4. RECOMMENDATIONS**

- (a) that the public participation inputs and written submissions on the First Review of the 2017/18 – 2021/22 Fourth Generation Integrated Development Plan (IDP) attached as **APPENDIX 1**, be noted;
- (b) that the Stellenbosch Municipality’s First Review of the 2017/18 – 2021/22 Fourth Generation Integrated Development Plan (IDP), attached as **APPENDIX 2**, be adopted;
- (c) that the recommended minor changes to the SDF, as tabled, be noted; and
- (d) that an advertisement be placed on the official website of the Municipality, municipal notice boards and in the local newspapers notifying the public that the Stellenbosch Municipal Council has adopted its First Review of the 2017/18 – 2021/22 Fourth Generation Integrated Development Plan (IDP).

**5. DISCUSSION / CONTENTS****5.1 Background**

In terms of the provisions of Local Government: Municipal Systems Act of 2000, each Council must, within the prescribed period after the start of its elected term, adopt a single, inclusive, strategic plan. The Fourth Generation IDP serves as this instrument, which was adopted by the new council on 31 May 2017 for the period 2017/18 – 2021/2022.

An Integrated Process Plan and Time Schedule was approved by Council in August 2017 to guide the planning, review and adoption of the 1<sup>st</sup> Revision of the 4th Generation IDP (2017/18 – 2021/2022).

The following processes were followed in accordance with the process plan:

DATE	ACTION(S)
August 2017	<ul style="list-style-type: none"> <li>• Approval of IDP/Budget/SDF Process Plan and Time Schedule.</li> </ul>
September - November 2017	<ul style="list-style-type: none"> <li>• Mayco and Top Management Engagements were held on the broad focus of the IDP. Engagements focused on establishing a shared understanding, and agreement on the purpose, focus and public participation process to be followed in compiling the IDP.</li> <li>• Community meetings were held in all 22 wards, focusing on the feedback and prioritisation of needs.</li> </ul>
December 2017	<ul style="list-style-type: none"> <li>• Extensive administrative engagements were held to obtain inputs and refine goals, focus areas, and objectives in preparation of IDP/Budget compilation and SDBIP inputs.</li> <li>• Performance Analysis; Financial Analysis; and Organizational (Gap) Analysis were conducted.</li> </ul>
January - February 2018	<ul style="list-style-type: none"> <li>• Mayco and top management confirmed goals and focus areas and provided direction on predetermined objectives.</li> <li>• Ward meetings were held to confirm the priorities per ward and update ward plans.</li> <li>• Small capital budget priorities were developed and submitted for financial approval and project identification.</li> </ul>
March 2018	<ul style="list-style-type: none"> <li>• Mayco and Council considered the Draft IDP and Budget.</li> </ul>
April 2018	<ul style="list-style-type: none"> <li>• Extensive public consultation on the draft SDF, IDP and Budget in the form of community meetings through WC024.</li> <li>• SDF, IDP and Budget Alignment.</li> </ul>
May 2018	<ul style="list-style-type: none"> <li>• Submission of consulted projects/initiatives to IDP/Budget Steering Committee Meeting for Budget prioritisation.</li> <li>• Submission of final IDP to Mayco and Council for adoption.</li> <li>• Projects submitted to the Cape Winelands District Municipality for local and district alignment.</li> </ul>
June 2018	<ul style="list-style-type: none"> <li>• Submit final IDP to Provincial Government</li> <li>• Approval of SDBIP by the Executive Mayor within 28 days after adoption of the IDP and Budget.</li> </ul>

The following table outlines the changes that were effected in the 1<sup>st</sup> Review of the Fourth Generation IDP (2017/18 – 2021/2022):

CHAPTER	REVIEW
Foreword of the Mayor	<ul style="list-style-type: none"> <li>The Forward of the Mayor changed to take into account changes in the social, political and economic conditions.</li> </ul>
Overview of the Municipal Manager	<ul style="list-style-type: none"> <li>Overview of the Municipal Manager changed to take into account changes in the social, political and economic conditions.</li> </ul>
Chapter 1 Introduction	<ul style="list-style-type: none"> <li>Second year process was updated with the latest dates.</li> </ul>
Chapter 2	<ul style="list-style-type: none"> <li>The State of the Greater Stellenbosch Area has been updated with the latest statistics.</li> <li>The Socio Economic Conditions has been updated taking into consideration changes in the social, political and economic conditions.</li> <li>Statistics re Farm Workers Survey included.</li> </ul>
Chapter 3	<ul style="list-style-type: none"> <li>Inclusion of chapter for SDF.</li> </ul>
Chapter 4	<ul style="list-style-type: none"> <li>The Macro structure changed due to the Organisational Redesign that was approved in Council in September 2017.</li> <li>The Audit Committee table changed to take into account the filling of vacant posts in the committee.</li> <li>Revised Risk Register aligned to the IDP strategic focus areas.</li> </ul>
Chapter 5	<ul style="list-style-type: none"> <li>The District policy direction was updated.</li> </ul>
Chapter 6	<ul style="list-style-type: none"> <li>Public Participation Engagements were updated to highlight the greater emphasis placed on community engagements</li> <li>The priorities table has been revised to reflect the changes in priorities as identified by the community.</li> </ul>
Chapter 7	<ul style="list-style-type: none"> <li>The following sector plans has been updated: <ul style="list-style-type: none"> <li>Integrated Zoning Scheme</li> <li>Tangible Heritage Inventory and Management</li> <li>Integrated Human Settlement Plan</li> <li>Integrated Waste Management Plan</li> <li>Disaster Management Plan</li> <li>Community Development Strategy</li> <li>Central Integrated Transport Plan</li> <li>Spatial Development Framework</li> </ul> </li> </ul>
Chapter 8	<ul style="list-style-type: none"> <li>Remained unchanged</li> </ul>
Chapter 9	<ul style="list-style-type: none"> <li>Remained unchanged</li> </ul>
Chapter 10	<ul style="list-style-type: none"> <li>The Financial Plan</li> </ul>
Chapter 11	<ul style="list-style-type: none"> <li>The Top Layer Service Delivery and Budget Implementation Plan (SDBIP) – updated to address concerns raised by Auditor- General in the 2016/17 audit.</li> </ul>

## 5.2 Financial Implications

The IDP and the Budget have been aligned, taking into account ward priorities and public needs identified through the public participation engagements outlined above.

**5.3 Legal Implications**

The recommendations in this report comply with Council's policies and all applicable legislation.

**5.4 Staff Implications**

This report has no staff implications to the Municipality.

**5.5 Previous / Relevant Council Resolutions:**

The adoption of the Fourth Generation Integrated Development Plan that was approved in the Council meeting on 31 May 2017.

The Tabling of Draft Review of the Fourth Generation IDP (2017/18 – 2021/2022), 16<sup>th</sup> Council meeting: 2018-03-28.

**5.6 Risk Implications**

This report has no risk implications for the Municipality.

**5.7 Comments from Senior Management:****5.7.1 Director: Infrastructure Services**

Agree with the recommendations

**5.7.2 Director: Planning and Economic Development**

Agree with the recommendations

**5.7.3 Director: Community and Protection Services:**

Agree with the recommendations

**5.7.4 Director: Corporate Services:**

Agree with the recommendations

**5.7.5 Director: Financial Services:**

Agree with the recommendations

**5.7.6 Municipal Manager:**

Agree with the recommendations

**6. RECOMMENDATIONS FROM THE EXECUTIVE MAYOR, IN CONSULTATION WITH THE EXECUTIVE MAYORAL COMMITTEE, TO COUNCIL: 2018-05-23: ITEM 6.1**

- (a) that the public participation inputs and written submissions on the First Review of the 2017/18 – 2021/22 Fourth Generation Integrated Development Plan (IDP) attached as **APPENDIX 1**, be noted;

- (b) the Stellenbosch Municipality's First Review of the 2017/18 – 2021/22 Fourth Generation Integrated Development Plan (IDP), attached as **APPENDIX 2**, be adopted;
- (c) that the recommended minor changes to the SDF, as tabled, be noted; and
- (d) that an advertisement be placed on the official website of the Municipality, municipal notice boards and in the local newspapers notifying the public that the Stellenbosch Municipal Council has adopted its First Review of the 2017/18 – 2021/22 Fourth Generation Integrated Development Plan (IDP).

**ANNEXURES**

**Appendix 1:** The public participation inputs, written submissions and Provincial Government LGMTEC 3 findings on the Draft First Review of the 2017/18 Fourth Generation IDP. **(under separate cover)**

**Appendix 2:** The First Review of the 2017/18 – 2021/22 Fourth Generation Integrated Development Plan (IDP). **(under separate cover)**

5.	<b>MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK 2018/2019-2020/2021</b>
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Collaborator No:

File No:

8/1

BUDGET KPA Ref No:

Good Governance and Compliance

Meeting Date:

21 May 2018

**1. SUBJECT: MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK  
2018/2019-2020/2021**

**2. PURPOSE**

The purpose of this report is three fold:-

- a) To consider the views/submissions of the local community in terms of Section 23(1)(a) of the Municipal Finance Management Act (Act 56 of 2003), herein after called the MFMA and to allow the Executive Mayor to respond to the views of the public as envisaged in terms of Section 23 (2) (a) and (b).
- b) To approve the Medium Term Revenue and Expenditure Framework for 2018-2021, the prescribed appendices, property tax increases, tariffs and tariff structures and revisions to the Budget and related Policies (where appropriate) in terms of Section 17 (1) – (3) of the MFMA (Act 56 of 2003); and
- c) That Council specifically note and consider the need to take up external loans to fund critically needed refurbishment of infrastructure to the tune of R 340 million of which over the MTREF R160 million will be required in year 1, R100 million in year 2 and R80 million in year 3 (refer to Section G: High Level Budget Overview and Table A1 Budget Summary) and confirms draft approval of same in order for the Chief Financial Officer to attend to the necessary legislative requirements.

**3. DELEGATED AUTHORITY**

**FOR APPROVAL BY MUNICIPAL COUNCIL**

**EXECUTIVE SUMMARY**

Attached as **APPENDIX 1** is an executive summary by the Accounting Officer.

**4. RECOMMENDATIONS**

It is recommended to Council,

- (a) that the High Level Budget Summary, as set out in **APPENDIX 1 – PART 1 – SECTION C**; be approved;
- (b) that the Annual Budget Tables as prescribed by the Budgeting and Reporting Regulations, as set out in **APPENDIX 1 – PART 1 – SECTION D**, be approved;
- (c) that the proposed Grants-In-Aid allocations as set out in **APPENDIX 1 – PART 2 – SECTION J**, be approved;

- 
- (d) that the three year Capital Budget for 2018/2019, 2019/2020 and 2020/2021, as set out in **APPENDIX 1 – PART 2 – SECTION N**, be approved;
  - (e) that the proposed rates on properties in WC024, tariffs, tariff structures and service charges for water, electricity, refuse, sewerage and other municipal services, as set out in **APPENDIX 3**, be approved;
  - (f) that the proposed amendments to existing budget related policies and other policies as set out in **APPENDICES 4 - 29**, be approved.
  - (g) that Council specifically note and consider the need to take up an external loan, needed for investment in income generating infrastructure to the tune of R340 million of which R160 million will be required in year 1 and R 100 million in year 2 and R80 million in year 3 (refer to Section G: High Level Budget Overview and Table A1 Budget Summary) and confirm approval of same;
  - (h) that Council specifically take note of the fact that the proposed electricity charges and tariff structure is subject to NERSA approval that could change materially;
  - (i) that Council takes note of MFMA circulars 89 and 91 that was published to guide the MTREF for 2018/2019 to 2020/2021 as well as the Draft Cost Containment Regulations as set out in **APPENDICES 30 – 32**; and
  - (j) that Council takes note that the public comments and submissions were taken into account in the compilation of the final budget.

## 5. DISCUSSION / CONTENTS

### 5.1. Background/ Legislative Framework

Section 23 of the MFMA (Act No 56 of 2003) prescribes to municipalities the process to be followed when the Annual Budget is tabled for approval, which is as follow:

(1)“The municipal council must consider any views of the local community, the National Treasury, the relevant Provincial Treasury and any provincial or national organs of state or municipalities which made submissions on the budget.

(2)After considering all budget submissions, the council must give the mayor an opportunity—

- (a) to respond to the submissions; and
- (b) if necessary, to revise the budget and table amendments for consideration by the council.

**ANNEXURE 1** to the Council Item for the Integrated Development Plan includes the input and comments received during the IDP and Budget Public Participation Process.

### 5.2 Discussion

The 2017 Medium Term Budget Policy Statement (MTBPS) by the Minister of Finance highlighted the fact that improving the country’s economic growth in the

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period ahead remains the biggest challenge. This undoubtedly reiterates the sentiments expressed in 2016's annual budget circular, which stated clearly that the South African economic outlook is bleak. The macro projections of National Treasury clearly indicate that unless appropriate financial decisions are taken, the per capita income will continue to deteriorate. South African Gross Domestic Product growth for 2017 was forecasted at 1.3 per cent at the time of the 2017/2018 budget and was revised down to 0.7 per cent. Growth were expected to improve to 1.9 per cent by the 2020 according to the MTBPS. Slow economic growth, recession, ratings downgrades and heightened concerns with regards to governance and sustainability of key state-owned companies were in the forefront during 2017. South Africa has experienced a period of prolonged economic weakness which in return diminishes private investment.

The 2018 Budget review published by National Treasury notes that since the publication of the Medium Term Budget Policy Statement (MTBPS) regardless of the aforementioned challenges the country's economic growth outlook has improved as a result of strong growth in the primary sector of the economy, especially in agriculture, as well as recovery in the investor sentiment and business confidence. The growth outlook is thus higher than predicted in 2017's Medium Term Budget policy Statement (MTBPS) with an anticipated growth of 0.7 per cent, it has been revised upward to 1 per cent. Growth remained stagnant at less than 2 per cent and the unemployment rate remains high at 26.7 per cent. The GDP growth rate is forecasted at 1.5 per cent during 2018, 1.8 per cent during 2019 and 2.1 per cent during 2020.

In his budget speech on 21 February 2018, the Minister of Finance emphasised the importance of using the budget as a mechanism to accelerate economic transformation and the importance of ensuring that the budget is utilised as a platform for renewal, inclusive growth and job creation. The Minister further highlighted that spending should be directed to the most pressing national priorities, i.e. educating the youth (internships, etc.), protecting the vulnerable (various safety initiatives) and investing in enablers of inclusive economic growth. The broad principles that flow from the National Development Plan (NDP) were also touched on and the Minister emphasised that the National Budget is guided by the NDP as it is a budget that promotes inclusive growth, it emphasises partnerships among the various stakeholders in our economy, it makes investments in education and infrastructure a priority, it supports and encourages employment creation and it contributes to building a developmental and capable state.

The Budget of 2018 maps a path out of economic stagnation, anticipating a steady increase in economic growth, which in turn will create a path to prosperity for the South African people, and improve the nation's finances over time. In essence the budget presents a roadmap to maintaining the integrity of the public finances, while also protecting social services. It is based on the idea of an inclusive social contract, encompassing equitable burden of tax and progressive programme of expenditure. It also relies on institutions that operate on good governance and a public ethic that values honesty, transparency and fairness.

As part of Government's transformation action agenda, the following programmes are a priority:

- Dignified living;
- Improved access to services and economic participation across all racial lines;
- Creating an environment for small businesses to thrive, which in turn will stimulate economic growth and increase job opportunities;
- Energised and inclusive growth and job creation;
- Increased investment and development.

The National key priorities below, directly aligned to the National Development Plan, the Constitution and the Freedom Charter, which are the cornerstones for South Africa's economic development, remain priorities for the municipality. These priorities are ultimately aimed at addressing the challenges of poverty, inequality and unemployment. Implementation of radical socio-economic transformation is therefore key in achieving these priorities.

- **Infrastructure development and investment** plays a pivotal role in improving the economy, creating jobs, empowering small businesses and providing services to the people. Municipalities are encouraged to invest in upgrading of municipal roads, building waste water treatment works, installation of electricity networks, power stations, upgrading of sewer systems, building water reservoirs and other infrastructure. With the population growth that Stellenbosch municipality has, especially in informal settlements, infrastructure needs to be upgraded to meet the demands of the communities. This also has a linkage in reduction of unemployment. Similar to 2016/17 and 17/18 financial years, the municipality's capital budget is huge.
- **Implementation of National Minimum Wage:** One of the demands of the freedom charter. The introduction of the minimum wage was made possible by the determination of all social partners to reduce wage inequality, while still maintaining economic growth and employment creation. This will improve the living conditions of households across the country.
- **Building safer communities for all:** Efforts to tackle crime must be intensified.
- Adhering to the principles of Batho Pele- "Putting people first".
- **Sustainable Job Creation:** One of the biggest challenges South Africa is confronted with is lack of job creation, which remains a national and provincial priority, as highlighted in the State of the Nation Address delivered by the President. One of the most pressing challenges is youth employment, which are currently at the centre of the economic agenda. With the low scaling economy, it is a challenge for jobs to be created as the two have a direct relationship. Thus, it is paramount for municipalities to continue to undertake joint planning with their communities and respective business sectors that drive the local economy to create opportunities, especially for young people to be exposed to the work world through various initiatives such as internships, apprenticeships, mentorships, entrepreneurships, etc. Municipalities should explore opportunities to mainstream labour intensive approaches to delivering services. As a means to combat unemployment, the municipality would employ the following measures:
  - Full participation in the Expanded Public Works Programme;
  - Providing support to small businesses, which will create employment in the medium to long term;
  - Establishment of Informal Traders;
  - Promoting Internships and in-service training opportunities;
  - Filling of vacancies within the municipality; and
  - Developing partnerships with academic institutions for training opportunities.
- **A revised capacity building initiative, aligned to Back to Basics strategy,** where the main focus will be on improving service delivery, accountability and financial management. It is always important that local government be effective and efficient, and this will be measured by its ability to perform the basic mandate of service delivery. The "Back to Basics" programme was launched to promote good governance and effective administration through cutting wastage, spending public funds prudently, hiring competent staff, and ensuring transparency and accountability in local government.

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The President of South Africa, in his State of the Nation Address (SONA), on 16 February 2018 conceded that unemployment remains a national challenge and that job creation remains at the centre of the national agenda of 2018. The following focus areas were highlighted during SONA, which will be used as instruments to reignite growth so that the economy can create much-needed jobs:

- Industrialisation underpinned by transformation
- National Minimum Wage (one of the demands of the Freedom Charter) to ensure greater coherence and consistency in the implementation of economic policy
- Mining and beneficiation
- Youth Development and Employment through the implementation of various initiatives
- Agriculture and related initiatives
- Water Conservation Initiatives
- Encourage significant new investments and promoting greater investment in key manufacturing sectors
- Infrastructure Investment
- SMMEs
- Tourism
- Developing capabilities in science, technology and innovation towards digital industrial revolution

Various programmes and initiatives will be established and the existing one's improved upon to ensure effective implementation of the strategic priorities.

Curtailing non-core expenditure has always been emphasized by National Treasury. In order to maintain a funded budget, municipalities need to not only focus on tariff increases, but also focus on how to eliminate expenditure that is unnecessary. The initial cost containment measures were introduced through a MFMA Circular. Building on the MFMA Circular, National Treasury and other stakeholders drafted regulations that will promote the cost containment measures introduced in a number of spending areas. The Draft Municipal Cost Containment Regulations were published on 16 February 2018. The implementation of cost containment measures is important as it will assist municipalities to reprioritise expenditure and to free up resources targeted towards service delivery. It will also be used to eliminate wastage of public resources on non-service delivery items. The main object of the draft Regulations is to ensure that the resources of municipalities are used in an effective, efficient and economical manner (regulation 2).

The regulations are as follow:

- Regulation 1: contains the definition of terms used in the regulations;
- Regulation 4: deals with establishment of cost containment policies and also consequence management aspects for non-adherence to the regulations;
- Regulations 4 to 13 contain the actual cost containment measures to be implemented by the municipalities and municipal entities. These measures includes, principles around the appointment of consultants, procurement of vehicles for political office-bearer, travel and subsistence allowance, domestic accommodation, credit cards, sponsorship, events and catering, conferences, meetings and study tours and other related expenditure items.
- Regulation 5: Provides framework for disclosure of actual cost savings;
- Regulation 6: Contains the short title and the commencement date of regulations.

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In essence these draft Regulations propose to provide a framework that is consistent with the provisions of the MFMA. The effective implementation of the regulations aims to ensure that municipalities and municipal entities achieve value for money in utilising public resources to deliver effective municipal services. The Regulation is intended to become effective from 01 July 2018.

The National Budget places emphasis on municipalities to ensure that expenditure is allocated in an efficient manner, that management is enhanced and that cutting of waste occur. The 2018 Budget allocates resources to core social and economic priorities while containing aggregate expenditure growth. Spending plans give effect to priorities of the National Development Plan and the Medium Term Strategic Framework.

Municipalities are encouraged by National Treasury to keep increases in property rates, tariffs for trading services and charges for other municipal own revenue sources within the parameters of the country's inflation rate. Furthermore, it is recommended that municipalities adopt a tariff setting methodology that achieves an appropriate balance between the interests of poor households and other customers while ensuring financial sustainability of the municipality. In light of the current drought being experienced across large parts of the country, and to mitigate the need for water tariff increases, it is important that municipalities put in place appropriate strategies to limit water losses to acceptable levels.

The severe drought conditions were also a discussion point in the Minister's speech. Currently these conditions are affecting a large part of the country and emphases were placed on water conservation and the implementation of water savings initiatives/ techniques. The prevailing drought makes it difficult for municipalities to improve revenue generation, especially when providing water. Municipalities must therefore ensure that water used by its own operations is charged to the relevant service, and not simply attributed to water losses. Demand management, infrastructure maintenance, loss management, meter reading and tariff setting in respect of water services is becoming increasingly necessary as the country faces water shortages. The approach to tariff setting should consider all these factors and strive to achieve an equitable balance.

Municipalities should consider the following facts during tariff setting process, namely, the costs of bulk purchases and the fluctuation in the seasonal cost thereof; the consumption patterns to enable better demand planning and management; and in the event that municipalities have been under recovering costs, embark on a process to correct their tariff structures over a reasonable time period so that cost reflective tariffs are achieved, which in turn will result in financial sustainability. It is important that municipalities ensure that the tariffs charged are able to cover for the cost of bulk purchases, on-going operations and provision for future infrastructure.

The implementation of mSCOA requires systems integration of several sub-systems. In order for the municipality to maximise its revenue generation of the revenue base the municipality must ensure that certain internal controls are in place. One where the systems have the capability to compare the valuation roll data to that of the billing system. This will allow the municipality to determine where the municipality may be compromising its revenue generation in respect of property rates. Municipalities are required to reconcile their valuation roll data, billing system and the deeds office information.

It is anticipated that as a result of economic landscape and weak tariff setting, municipalities are under pressure to generate revenue. Therefore municipalities are required to focus on the following during the compilation of the 2018/2019 MTREF budgets:

- Ensuring value for money through the procurement process;
- Improving the effectiveness of revenue management processes and procedures;
- Paying special attention to cost containment measures by controlling, amongst other things, unnecessary spending on nice-to-have items and non-essential activities;
- The affordability of providing free basic services to all households; and
- Curbing consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

The following economic challenges will continue to exert pressure on municipal revenue generation and collection levels:

- Continued policy uncertainty and deterioration in finances of state-owned entities;
- The drought, which poses a risk to agriculture and tourism, which in return may threaten jobs as well as economic growth.

The effects of slow growth and economic challenges experienced these past years still have an impact and continue to place pressure on the finances of the average consumer (levels of disposable income and savings). This typically results in greater difficulty for the municipality with regards to the revenue collection, which have a direct effect on the municipality's ability to provide effective and efficient services, but also to budget accurately for service delivery over the short to medium term. It is as a result of above economic challenges that a more conservative approach is advised for revenue projections. Municipalities affected by the drought should thus consider its impact on revenue generation. The municipalities will also have to improve their efforts to limit non-priority spending and implement stringent cost-containment measures.

It is anticipated that the cost of providing municipal services will increase faster than the transfers from national government. Resource scarcity will most likely increase the cost of bulk purchases in respect of water and electricity beyond the country's inflationary targets. Provision of free basic services in the case of poorer households must be carefully considered and, where some municipalities have opted to provide this benefit to all households, this may not be financially sustainable in the long-term. It is of utmost importance that a municipality should re-evaluate, where appropriate, the costs and benefits of universal or targeted provision of free basic services subsidies, in order to protect their delivery to poor households in particular.

The provision of these subsidies should at no point remove resources from programmes that will expand access to infrastructure services for presently unserved households.

In instances where municipalities do not have an adequate revenue base and where they face a combination of challenges such as resource scarcity, high unemployment and slower than average economic growth, an aggressive approach to curbing non-core spending and improving operational efficiencies is strongly advised. The national budget focuses on fiscal consolidation. This means that we as municipalities must ensure that we do not borrow beyond our ability to repay and we do not spend money we do not have, until we ignite growth and generate revenue, we have to be tough of ourselves.

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The application of sound financial management principles for the compilation of the Stellenbosch's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. As a result of excellent financial discipline, the Stellenbosch Municipality has taken the theme of "Driving efficiencies- doing more with less", to heart. The municipality not only maintained its healthy financial position, but improved its already outstanding liquidity position.

The municipality's business and service delivery priorities were reviewed as part of this year's planning, through the Integrated Development Plan (IDP), and the annual budget process. Funds were shifted from low to high priority programmes so as to maintain sound financial stewardship. A critical review were also undertaken on non-core and 'nice to have' items with regards to expenditure. The municipality has embarked on developing a revenue enhancement strategy to optimize revenue, including the collection of debt owed by consumers. Furthermore, the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

The main challenges experienced during the compilation of the 2018/19 MTREF can be summarized as follows:

- The on-going difficulties in the national and local economy;
- Aging infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity, which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Reductions in allocations of National and Provincial grants due to a worsening fiscal outlook; and
- Limited resources to deal with all key priorities.

The following budget principles and guidelines directly informed the compilation of the 2018/19 MTREF:

- Integrated Development Plan was used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be as affordable as possible and should ideally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality. However, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- National, provincial and local priorities;
- Headline inflation forecasts; and
- Funding choices and modelling.

The Integrated Development Plan (IDP) was used as a guiding strategic document to inform the budget compilation. The challenge however is still to deliver services more efficiently and effectively with the tight financial envelope.

Stellenbosch municipality's revenue strategy was based on the following fundamentals:

- Tariff policies of the municipality
- Economic outlook and development for Stellenbosch and surrounding areas
- National Treasury's guidelines and macroeconomic policy
- National, Provincial and Regional fiscal growth rates
- Electricity tariffs as approved by National Electricity Regulator of South Africa (NERSA)

The financial resources to fund the Operational Budget will and must consist of realistically anticipated revenue generated from property taxes, service charges and other income. The municipality were mindful of the estimated headline inflation for 2018/2019 of around 5.3 per cent, forming the basis of the extensive income modelling exercise, but also taking into account the principles of economical services that are cost reflective, trading services generating surpluses, the effect of escalating salary costs and bulk purchases.

The total budget quantum for the 2018/2019 year is R2 244 370 898 of which R1 716 330 147 (76%), is allocated to the operating budget and R528 040 751 (24%) to capital investment.

Budget documentation in line with the budget and reporting regulations is attached as **APPENDIX 1 – PART 1**. The report serves as an overview of the budget as a whole, budget assumptions used to compile the budget, funding sources used to fund the capital budget, different income categories to fund priorities of the municipalities, as well as the different expenditure items, including non-cash items.

#### **DRAFT CAPITAL BUDGET 2018/2019 – 2020/2021**

The draft capital budget is infrastructure orientated and addresses the huge backlog and urgent need to upgrade/refurbish Council's infrastructure as addressed by the different master plans. It is directed by the IDP (Integrated Development Plan) and the needs of the community. It's also aligned to the strategic priority in the State of the Nation Address of Infrastructure investment and the "back to basics" approach. Council's attention is however drawn to the fact that not all needs identified by the community can realistically be funded by the municipality.

The main capital projects that the municipality will be investing in, which constitute more than 62% of the capital budget, include:

- New Plankenburg Main Outfall Sewer;
- Extension of waste water treatment works in Stellenbosch and Klapmuts;
- Bulk Sewer Outfall: Jamestown;
- Ida's Valley Merriman Outfall Sewer;
- Upgrade of WWTW: Pniel & Decommissioning of Franschoek;
- Bulk Water Supply Pipe Reservoir: Johannesburg / Kylemore / Pniel;
- Bulk water supply: Klapmuts;
- Water Treatment Works: Paradyskloof;
- Relocation/ Upgrading main water supply line;
- Ida's Valley (9445) IRDP/ FLISP (Housing Project);
- Klapmuts: Erf 2181 (298 serviced sites) (Housing Project);
- Basic Improvements: Langrug;
- Longlands Vlotenburg: Housing Internal Services;
- Electricity Network: Pniel;

- Upgrade Transformers- Stellenbosch;
- New 66kV substation- Dwars Rivier;
- Power line move from landfill site;
- Purchasing of Land; and
- Hydraulic Ladder Fire Truck.

The table below shows the projects that will be funded by the Human Settlements Grant in the capital and operational budgets respectively:

<b>HUMAN SETTLEMENTS GRANT: HOUSING PROJECTS 2018-2021</b>				
<b>CAPITAL PROJECTS</b>				
Project Name	Funding source	2018/19	2019/20	2020/21
Klapmuts: Erf 2181 (298 sites and TRA's)	HSDG	9 696 850	-	-
Kayamandi: Watergang and Zone O & TRA's	HSDG	5 860 000	3 650 000	5 000 000
Idas Valley (166/265) IRDP / FLISP	HSDG	17 300 000	-	2 000 000
Kayamandi Town Centre - Civil Infrastructure	HSDG	1 047 150	-	3 000 000
La Motte Old Forest Station (322 BNG & 106 GAP Units) IRDP	HSDG	-	-	1 000 000
Northern Extension: Feasibility	HSDG	2 000 000	-	3 000 000
Longlands Vlotenburg: Housing Internal Services	HSDG	7 200 000	-	-
Kylemore Housing Project(Planning)	HSDG	-	-	2 170 000
Jamestown: Housing (Phase 2) IRDP Planning	HSDG	600 000	6 650 000	2 000 000
Meerlust (200) Planning	HSDG	600 000	-	-
Cloetesville IRDP (Erf 7001 - Planning)	HSDG	250 000	-	-
Stellenbosch De Novo (DOHS project)	HSDG	-	-	-
Housing Projects	HSDG	-	-	500 000
ISSP Kayamandi Enkanini (1300 sites) UISP	HSDG	2 400 000	1 000 000	-
ISSP Kayamandi Enkanini (Interim Services)	HSDG	1 000 000	1 920 500	-
ISSP Klapmuts La Rochelle (80 sites)	HSDG	140 000	3 400 000	2 670 500
<b>OPERATIONAL PROJECTS</b>				
Project Name	Funding source	2018/19	2019/20	2020/21
Title Deeds restoration program	HSDG	-	2 699 500	2 699 500
Longlands, Vlotenburg	HSDG	-	9 280 000	8 000 000
Idas Valley	HSDG	-	10 680 000	-
Jamestown: Housing (Phase 2)	HSDG	-	-	8 960 000
<b>HSDG TOTAL</b>		<b>R 48 094 000</b>	<b>R 39 280 000</b>	<b>R 41 000 000</b>

The detailed draft capital budgets for 2018/2019, 2019/2020 and 2020/2021 are attached as **APPENDIX 1**.

#### **DRAFT OPERATING BUDGET 2018/2019 – 2020/2021**

The basis of the operating budget is aligned to the principle of total potential income (less income forgone as an expense where applicable) from all our services as well as a projection of total direct income.

The extent, to which tariffs and levies are proposed to increase, is in the main influenced by:

- The increase in bulk purchases (water and electricity)
- Employee related costs, as per SALGBC wage agreement
- Councillor remuneration, as per SALGA upper limits
- Service delivery challenges
- Repairs and maintenance
- Operational projects impacting job creation and economic development
- Contractual commitments
- Day to day operational costs (fuel & oil, telephones, bank costs, etc.)
- Finance costs, influenced by level of borrowing

Taking all of these issues into consideration and to ensure the sustainability of our operations from realistically anticipated income flows, the following tariff and property tax increases are proposed for 2018/2019:

<b>Electricity</b>	<b>7.32%</b>
<b>Sanitation</b>	<b>9.00%</b>
<b>Refuse removal</b>	<b>9.00%</b>
<b>Water</b>	<b>15.00%</b>
<b>Rates</b>	<b>5.70%</b>

The impact of the proposed tariff increases on the monthly services account for the various consumer categories is summarized in **APPENDIX 2**.

#### **HIGH LEVEL CAPITAL AND OPERATING BUDGET FOR 2018/2019 – 2020/2021**

The draft high level budget depicting the total budget is attached as **APPENDIX 1 – PART 1 – SECTION C**.

#### **TARIFFS**

Council's attention is further drawn to the fact that the Tariff List attached as **APPENDIX 3** includes Sundry Tariffs as a basket of services and charges, i.e. Land Use Management Fees, Development contributions, Technical Charges, etc. In this regard, the proposed tariff list must be consulted for the detail.

#### **BUDGET RELATED POLICIES & BY-LAWS**

**The following budget-related policies were revised:**

Rates Policy (**Appendix 4**)

Tariff Policy (**Appendix 5**)

Special Ratings Area Policy (**Appendix 6**)

Supply Chain Management Policy (**Appendix 7**)

Indigent Policy (**Appendix 8**)

Credit Control and Debt Collection Policy (**Appendix 9**)

Irrecoverable Debt Policy (**Appendix 10**)

Grants-In-Aid Policy (**Appendix 11**)

Development Charges Policy (**Appendix 12**)

Virementation Policy (**Appendix 13**)

Cash Management and Investment Policy (**Appendix 14**)

Petty Cash Policy (**Appendix 15**)

Inventory Management Policy (**Appendix 16**)

Performance Management Policy (**Appendix 17**)

Liquidity Policy (**Appendix 18**)

Preferential Procurement Policy (**Appendix 19**)

**Changes include the following:**

Policy/ By-law	Summarized Nature of change
Property Rates Policy	<p>Principle changes were made to the following sections within the policy.</p> <ol style="list-style-type: none"> <li>3. GUIDING PRINCIPLES</li> <li>4. DEFINITIONS               <ul style="list-style-type: none"> <li>"Exclusion"</li> <li>"Exemption"</li> <li>"Reduction"</li> <li>"Rebate"</li> <li>"agricultural Activities"</li> <li>"bona fide farmer"</li> <li>"business and commercial property"</li> <li>"Conservation Area"</li> <li>"industrial property"</li> <li>"Open Space"</li> <li>"SARS"</li> <li>"residential purposes"</li> </ul> </li> <li>5. IMPOSITION OF RATES</li> <li>6. CATEGORIES</li> <li>7. APPLICATION OF RATING</li> <li>8. RELIEF MEASURES</li> <li>9. LIABILITY FOR AND PAYMENT OF RATES</li> <li>10. QUANTIFICATION OF COSTS TO MUNICIPALITY AND BENEFITS TO COMMUNITY</li> <li>11. OBJECTION AND APPEALS</li> <li>12. CLEARANCE CERTIFICATES</li> <li>13. ADJUSTMENTS OF RATES PRIOR TO SUPPLEMENTARY VALUATION</li> <li>14. GENERAL</li> </ol>
Tariff Policy	<p>Schools and churches or any other user as determined by the relevant Director will as a miscellaneous case.</p> <p>Additional sundry tariff inserted</p> <p>(c) Building Clause references:</p> <p>(i) Obligations pertaining to Building Clauses as per the development agreements or contracts will be dealt with according to the contract obligations.</p>
Special Ratings Area Policy	<p>No principle changes, only cosmetic changes effected.</p>
Supply Chain Management Policy	<p>Principle changes have been effected to the policy</p> <p>Procurement by way of petty cash purchases was changed from verbal and written quotations to verbal request and or verbal /written quotation.</p>
Indigent Policy	<p>Qualifying income amended with Government grants as received by dependent minors will be ignored and not be added as a financial contribution towards the household income.</p> <p>Free basic services for water for all formal households have reduced from to 6kl from 10kl</p> <p>Additional Allocation of subsidies included</p> <p>Indigence subsidies will not be considered or granted if the municipal valuation of the property of said indigent consumer or indigent applicant exceeds R1 000 000 (one million Rand).</p> <p>Amended the wording from rates rebate to rates relief</p>

Policy/ By-law	Summarized Nature of change
Credit control & Debt collection Policy	<p>A bank guarantee in a form acceptable to the Municipality's Chief Financial Officer will be considered as an alternative to the payment of consumer deposits.</p> <p>Bank guarantees will be utilised to proactively mitigate the potential of unnecessary credit risk exposure to Council.</p> <p>administration fee and/or collection fee will be charged on overdue accounts will not apply to the accounts of <u>unemployed</u> registered indigent consumers.</p> <p>Arrangements have been amended with the following:</p> <ul style="list-style-type: none"> <li>(b) The Municipality may enter into an arrangement with a tenant or occupier of a property which is linked to an account in arrears, on proviso that: <ul style="list-style-type: none"> <li>(i) a written affidavit is received which certifies that the registered owner of said property, at which such tenant or occupier resides; is: <ul style="list-style-type: none"> <li>untraceable;</li> <li>not contactable;</li> <li>of unknown whereabouts; or</li> <li>not co-operating with said tenant or occupier.</li> </ul> </li> <li>(ii) such tenant or occupier has substantiated the ability to pay and the right to occupation stating the rental due and the time period of such occupation and providing the last known address of the registered owner;</li> <li>(iii) such tenant or occupier undertakes to advise the registered owner, at the first reasonable opportunity, of the current situation and further agrees to obtain the consent of the registered owner to condone the process as described in this paragraph 3 (b); and</li> <li>(iv) where applicable, such tenant or occupier provides comprehensive details of the non-co-operation of the registered owner.</li> </ul> </li> </ul> <p>Further actions have been amended with the following:</p> <p>The Municipality may attach the rental income in whole or in part from a tenant or occupier of a property which is left unpaid by the owner thereof, provided that Section 115 of the Local Government: Municipal Systems Act, (Act 32 of 2000) is adhered to.</p> <p>Accounts in Dispute in respect of water or electricity consumption be disputed, the concerned consumer must at minimum pay the average amount of the previous 12 (twelve) month's accounts.</p> <p>All other Municipal services or rates disputed will be dealt with at the discretion of the Municipality.</p> <p>Once the Municipality has exhausted all reasonable and practicable debt recovery measures and, in an effort to recover outstanding debt, the Municipal Manager will have sole discretion to approve the litigation process for the disposal of the movable and/or immovable assets of defaulting owners/debtors/consumers by means of a Sale in Execution order.</p> <p>Payments of Accounts – general have been amended with the following: Payment prioritisation of payments received will be allocated in the following order:</p> <ul style="list-style-type: none"> <li>(i) Penalties.</li> <li>(ii) Municipal Rates.</li> <li>(iii) Special Rating Area Levies.</li> <li>(iv) Sewerage.</li> <li>(v) Refuse.</li> <li>(vi) Rentals.</li> <li>(vii) Sundries.</li> <li>(viii) Water.</li> <li>(ix) Electricity.</li> </ul>
Irrecoverable Debt Policy	No principle changes, only cosmetic changes effected.

Policy/ By-law	Summarized Nature of change
Grants in Aid Policy	Should an applicant wish to submit a Category B application, but would want to be considered for a Category A application in the event that the Category B application is declined, this must be clearly stated in the covering letter and supporting documents MUST be submitted for both types of applications.  Applications for Category B must include a schedule of annual costs for a three year period, business plan and audited financial statements.
Development Charges Policy	<b>OTHER PRINCIPLES TO BE APPLIED</b>  In the case of 2nd dwellings, cottages, flats, rooms being added to existing dwellings, or rooms in existing dwellings being converted for guest accommodation, DC's should be applied where the number of bedrooms on the erf exceeds five, and for the usage in excess of that.  DC's will be applied based on the impact on services by the increase in land use right and/or intensification of land use leading to increased demand, irrespective of the geographical location of the development. For example, the traffic generated by a development located along a provincial road, will ultimately end up on the Municipality's road network that link to the provincial roads. The same applies to the additional stormwater run-off that ends up in downstream municipal networks and river courses, increase in demand and the bulk supply of water, and sewer and solid waste disposal.
Virement Policy	Line items adjusted according to classification
Cash Management and Investment Policy	No principle changes, only cosmetic changes effected.
Petty Cash Policy	A petty cash float cannot be used for - Deliberately avoiding normal procurement procedures as per Supply Chain Management Policies
Inventory Management Policy	No principle changes, only cosmetic changes effected.
Preferential Procurement Policy	No principle changes, only changed to the effective dates within the policy.
Liquidity Policy	Cash reserved for operating expenses changed from two months to one month

### Unchanged Policies and By-Laws

Travel and Subsistency Policy (**Appendix 20**)

Asset Management Policy (**Appendix 21**)

Budget Implementation and Monitoring Policy (**Appendix 22**)

Accounting Policy (**Appendix 23**)

Borrowing, Funds and Reserves Policy (**Appendix 24**)

Financing of External Bodies performing municipal functions Policy (**Appendix 25**)

Special Ratings By-law (**Appendix 26**)

Rates By-law (**Appendix 27**)

Tariff By-law (**Appendix 28**)

SCM Policy for Standard for Infrastructure Procurement and Delivery Management (**Appendix 29**)

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**OTHER SUPPORTING DOCUMENTATION**

The additional information as prescribed by the budget and reporting regulations are attached as **APPENDIX 1 – PART 2 – SECTION P**.

**5.3 Financial Implications**

Financial impact already discussed above.

**External Loan for 2018/2019**

That Council specifically note and consider the need to take up external loans to fund critically needed refurbishment of infrastructure to the tune of R 340 million of which over the MTREF R160 million will be required in year 1, R100 million in year 2 and R80 million in year 3 (refer to Section G: High Level Budget Overview and Table A1 Budget Summary).

**5.4 Legal Implications****Legal Services**

The item at my disposal is compliant with the relevant legislative framework.

**6. RECOMMENDATIONS FROM EXECUTIVE MAYOR, IN CONSULTATION WITH THE EXECUTIVE MAYORAL COMMITTEE, TO COUNCIL: 2018-05-23: ITEM 5.4.1**

- (a) that the High Level Budget Summary, as set out in **APPENDIX 1 – PART 1 – SECTION C**; be approved;
- (b) that the Annual Budget Tables as prescribed by the Budgeting and Reporting Regulations, as set out in **APPENDIX 1 – PART 1 – SECTION D**, be approved;
- (c) that the proposed Grants-In-Aid allocations as set out in **APPENDIX 1 – PART 2 – SECTION J**, be approved;
- (d) that the three year Capital Budget for 2018/2019, 2019/2020 and 2020/2021, as set out in **APPENDIX 1 – PART 2 – SECTION N**, be approved;
- (e) that the proposed rates on properties in WC024, tariffs, tariff structures and service charges for water, electricity, refuse, sewerage and other municipal services, as set out in **APPENDIX 3**, be approved;
- (f) that the proposed amendments to existing budget related policies and other policies as set out in **APPENDICES 4 - 29**, be approved.
- (g) that Council specifically note and consider the need to take up an external loan, needed for investment in income generating infrastructure to the tune of R340 million of which R160 million will be required in year 1 and R 100 million in year 2 and R80 million in year 3 (refer to Section G: High Level Budget Overview and Table A1 Budget Summary) and confirm approval of same;

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- (h) that Council specifically take note of the fact that the proposed electricity charges and tariff structure is subject to NERSA approval that could change materially;
- (i) that Council takes note of MFMA circulars 89 and 91 that was published to guide the MTREF for 2018/2019 to 2020/2021 as well as the Draft Cost Containment Regulations as set out in **APPENDICES 30 – 32**; and
- (j) that Council takes note that the public comments and submissions were taken into account in the compilation of the final budget.

**ANNEXURES**

**Annexures are under separate cover**

**FOR FURTHER DETAILS CONTACT:**

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<b><i>POSITION</i></b>	<b><i>MANAGER: BUDGET OFFICE</i></b>
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