



**STELLENBOSCH**

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## **STELLENBOSCH MUNICIPALITY**

# **TABLING THE FINAL BUDGET TO COUNCIL FOR FINAL APPROVAL -28 MAY 2018:**

**Budget of Opportunities:  
For better living and economic  
opportunities and job creation.**

**EXECUTIVE MAYOR: Adv Gesie van Deventer**



Speaker;  
Deputy Mayor;  
Chief Whip of the Ruling Party;  
Members of the Mayoral Committee;  
Ordinary members of Council;  
Municipal Manager and Senior Management;  
Ward Committee Members;  
Members of the Public;  
Members of the media present; and  
All protocol observed

Good afternoon ladies and gentlemen.

### **Introduction**

Speaker,

It is with great pleasure that I motivate to and enlighten Council on the final budget for 2018/19 financial year based on the inputs and comments we

received from the greater Stellenbosch community, having followed public and other stakeholder engagements during the public participation process in April 2018.

The global economic climate and the worst drought in the recorded history were just some of the factors we have been dealing with over the past year. As we have huge tracts of agricultural land and a significant number of residents rely on agriculture and/or agricultural related activities for jobs and income, this drought had a very negative impact on our economy and our communities.

**Albert Einstein however said: “ In the middle of difficulty lies opportunity”, and this is the focus of our budget.**

As we see much unrest and protest fires burning across our country, one could easily become despondent. However, this presents an opportunity for this Council to make a difference in the lives of our people through creating opportunities for all who live in Stellenbosch. A key component of this is to create a program to redress the inequalities of the past and to start creating opportunities for all. It is therefore imperative that this budget should be truly well balanced, creating opportunities and focusing on delivering services to all our residents, fairly distributed amongst our entire municipal area, ensuring a fair slice of this cake for all communities. The focus however must be in our communities where change is needed.

It is important to remember that our resources are not unlimited, thus our priorities and the enormous expectations from our residents must be weighed against what is available in the budget and how we can best apply it.

Speaker, this budget was informed by the needs expressed by our entire community, not only through the IDP process, but through the constant communication and interaction we have had with our residents throughout the year. On a daily basis we have met, formally and informally, with our residents and other stakeholders, listening and taking to heart what they said.

Throughout all our interaction with all communities, the need for better and dignified living, safer communities, more economic opportunities, excellent and sustainable service delivery and the redressing of past inequalities were highlighted. These needs also form the cornerstone of our IDP, inspiring a budget that creates opportunities: Opportunities for better living and economic opportunities, throughout our Municipality, as far as is achievable with the resources available.

Speaker, we should strive to build sustainable communities and dignified living opportunities consisting of not only a safe shelter or home, but also

clean communities with access to basic services, housing opportunities and electricity.

In an effort to create this, we have commenced several new housing projects, some already in construction phase, some still in the planning phase. Some of these are the mixed development at Jamestown, Longlands in Vlottenburg, Kayamandi – Watergang and Zone O, Soekmekaar in Cloetesville, the mixed development housing at Idas Valley and Klapmuts, and La Motte Old Forest station.

Speaker it is important to note that most of these projects have been outstanding for many years, some since 2004, and it is a priority for this Council to finally implement these.

Over the next three years our capital spending on upgrades will include Cloetesville rental stock (R6 Million), upgrading Smartie Town (R4,9 million) and the Steps (R7.5 Million). Once Smartie Town and the Steps have been upgraded, the title deeds will be handed over to the occupiers who have been waiting for that, patiently for many years. It is a focus area for us to empower residents by handing over property rights to residents of rental stock, wherever it is possible. I am committed that we shall deal decisively with the historic backlog in giving property rights.

Speaker, in order to provide even more housing opportunities, provision has been made to obtain more land to enable us to build more houses or to provide serviced sites to our people. The Municipality has already started negotiations in this regard in several areas. On-going negotiations with National and Provincial Departments for the transfer of land to the municipality will hopefully add to the housing land resources of the Municipality.

Upgrading of informal settlements is non-negotiable and has commenced with a program to provide electricity to areas like Enkanini, improving the quality of life for the residents. The budget also provides for the installation of basic services: In Langrug - Franschoek (R11,3million), Kayamandi/Enkanini (R3million for 1300 sites and interim services R2,9 million), Jamestown (R600 000). Mandela City in Klapmuts is in the process of being upgraded (R16 Mill) with services more than the national norm and new structures. The new structures are an add-on and not as required by the National norm. The money needed for the new structures is provided from our own funds and cross-subsidised from the sale of land in Technopark.

Speaker, the plight of our backyard dwellers cannot be underestimated. It is currently unknown exactly how many backyard dwellers reside within the borders of the Municipality, due to many home owners taking in backyarders on a continuous basis. It is also unknown how many of these residents are on the Housing waiting list. For this reason I have tasked the MM to commission an audit process to profile the exact number of backyard dwellers presently within the municipal borders, their income profile and their housing needs. The first phases of the audit will be conducted in Cloetesville, Kayamandi and Klapmuts.

Speaker, we have also arranged a Housing Summit to interact with all role players and Employers to discuss potential partnerships in building houses for especially the farming communities.

Speaker, it is a fact that the South African society as a whole remains deeply unequal. It is therefore critically important that we address this inequality by creating opportunities for the previously disadvantaged residents. There are two critically important factors to redressing inequality –Firstly, the creation of economic opportunities through creating an enabling environment; and secondly and empowering those who are accessing the market for the first time. This principle is supported throughout our capital budget.

In order to broaden the economic horizon, the municipality has undertaken a number of key initiatives to support the creation of economic opportunities to assist those residents who are accessing the market for the first time. I list hereunder some of our initiatives:

✦ Local Economic Development Hubs:

- Four hubs have been advertised for Calls for Proposals. The proposals have already been evaluated and will serve at the next Council meeting for final approval. These hubs are situated in Groendal, Franschhoek and Stellenbosch (Old Clinic and Landbou).

✦ Establishing of informal trading markets, community markets and farmers' markets at appropriate venues, with a focus on high-intensity pedestrian and tourism routes:

- R4, 3 million sourced from the National Department of Small Business Development for a 50% contribution to the cost of the construction of the Idas Valley, Franschhoek, Cloetesville, Kayamandi informal trading sites.
- Idas Valley informal Market has been completed already and will be opened soon. Site handover for construction to the contractors for Franschhoek, Cloetesville and Kayamandi took place in April 2018 already, to be completed in the new financial year.

- Construction on the Groendal and Klapmuts informal markets also will take place in the 2018/19 financial year
- We have allocated R11.5 million of its 2018/19 capital budget to local economic development as well as R7.950 million in 2019/20 and R4.250 million in 2020/21. This allocation will be dedicated to the establishment of Informal Trading Sites in Kayamandi (R4.9 million), Klapmuts (R4.0 million) and Groendal (R2.7 million), a Local Economic Hub for Jamestown (R4.3 million), establishment of informal trading markets in Bird Street (R3.3 million) and a Heritage Tourism Centre in Jamestown (R1.5 million).

✦ Expanded Public Works Programme:

- EPWP funding for the 2018/19 financial year totals R5.722 million, an increase from the R4.820 million in 2017/18 (and R1.758 million in 2016/17). The Municipality created 1 439 part-time jobs in 2016/17 from the EPWP grant allocation.

Speaker, better living and economic opportunities is only possible when we focus on ensuring that we do the basics right, and in that way create a solid foundation from which to move forward. Delivering basic services to all our residents is the backbone of creating opportunities for all. Therefore the biggest part of our capital budget is committed to the upgrading and maintenance of our infrastructure, including projects like the New Plankenburg Main outfall sewer and the Upgrade of the Waste Water Treatment Works in Pniel, Wemmershoek and Stellenbosch and Klapmuts.

A major achievement is the taking over of the electricity network in Pniel from Drakenstein Municipality, a project begged for by our residents for a long time in order to enable the providing of cheaper electricity to our residents from the Dwarsrivier area.

Speaker, safer towns have been a priority in the IDP for many years. Working towards that goal, provision is made for R2 million for the lighting of public open areas, and R3, 8 million for the installation and upgrading of CCTV Cameras across the Municipality over the next 3 years. The fire station is also being upgraded and a fire station hub is set to open in Klapmuts, reducing the response time and potentially saving lives.

## **The Budget**

This budget was drawn up in line with guidelines set by political leadership and reflects our determination to reduce poverty, create jobs, expand our

economy and build and maintain our infrastructure and better service delivery. We are indeed delivering to our people and it is our target to spend at least 90% of this capital budget in our program for Stellenbosch to become truly, a place of opportunity for all residents.

The budget has been prepared in accordance with National Treasury's circular guidelines and the Municipal Budget and Reporting Regulations, taking cognisance of scarce available resources. Section 152(2) of The Constitution of the Republic of South Africa, 1996 clearly determines that "*a municipality must strive, within its financial and administrative capacity, to achieve the objects of local government.*" And we are following that.

Speaker, I also present the 2018/19 financial year and the two outer years' budget patterns. Our resources remain limited and it will continuously necessitate us to work smarter with the resources available.

Speaker, as to revenue of the tabled 2018/2021 forecast it is important to note: Affordable revenue streams through affordable property rates and service charges tariffs formed the basis of the operating budgeted revenue. The capital programme's capital project expenditure was also reduced to affordable own funding and external borrowing levels.

In the 2018/2019 financial year, starting 1 July 2018, we will immediately start with the implementation of our capital projects to ensure that we spend our capital budget effectively, efficiently and economically so as to achieve the ultimate goal of acceleration of service delivery and infrastructure development.

Planning has already started, and as soon as the budget is finally approved by Council, the bid processes through our Capital Projects Implementation Plan will kick into operation. Progress with these plans will be monitored on a monthly basis to limit future capital projects carry-overs to the minimum. We do our local community no favour by not implementing our capital projects approved in the capital budget – it is our job to implement.

Speaker, the Tabled 2018/2021 Medium Term Revenue and Expenditure Framework (MTREF). Budget Report clearly spells out the legislative requirements this budget is governed by. The capital and operating budget was compiled compliant with these legislative requirements, taking also the budget circulars guidelines received National Treasury into consideration.



## **Total Expenditure Budget Overview**

Speaker, our tabled 2018/2019 capital budget expenditure rounded amounts to R 528 million and our operating budget expenditure amounts to R1, 716 billion. Our total budgeted expenditure therefore amounts to R2, 244 billion compared to our current budget of R2, 075 Billion. This amount is estimated to increase to R2, 234 billion and R2, 245 billion, respectively for the two outer years of the MTREF.

The 2018/2019 Budget was prepared in line with the new organisational structure. This resulted in material variances for the year on year comparisons.

## **Capital Budget Expenditure**

The tabled capital budget increased from R 499 million in 2017/2018 to R528 million in 2018/2019.

The MTREF proposes capital expenditure of R467 million and R352 million for the two outer financial years. A comprehensive list of all our capital programme needs is attached as **Appendix 1, Section N to the Tabled 2018/2021 MTREF Budget Report**.

Speaker, as I alluded to earlier, our Capital Budget for 2018/19 will be spent on creating opportunities for all communities, absolutely focusing on providing dignified living conditions for previously disadvantaged communities and creating economic opportunities for all of our residents over the next three years. Some of the projects I wish to highlight, reflect as follows in the budget over the next three years:

Establishment of Informal Trading Sites: Kayamandi	4,900,000
Upgrading of CBD Informal traders areas (Blomhuisie)	400,000
Establishments of informal trading markets Cloetesville	2,000,000
Establishment of Informal Trading Sites: Klapmuts	4,000,000
Establishment of Informal Trading Sites: Groendal	2,700,000
Local Economic Hub - Jamestown	R4,300,000
Heritage Tourism Centre - Jamestown	1,500,000
Establishment of informal trading markets: Bird Street	3,300,000



Upgrading of the Kayamandi Economic Tourism Corridor	600,000
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The above reflects our determination to create opportunities across our entire valley.

We have also budgeted for the upgrade of basic services over the next three years in informal settlements, creating better living opportunities;

Basic Services Improvements: Langrug	11,300,000
Informal Settlement Support for 1300 sites in Kayamandi/Enkanini	3,400,000
Further Interim Services for Kayamandi Enkanini	2,920,000
Jamestown: Mountainview: Installation of water and sewer services	600,000

Housing has unfortunately not been optimally created in the past. As I said in my inaugural address, I shall ensure that sufficient focus is placed on subsidised, GAP and rental housing opportunities. Following input from our community, we listened to their needs and added R7 million over the next 3 years for the Steps Structural Upgrade.

Housing remains a challenge as resources and allocations from National and Provincial Government remains limited and the backlog tremendous. However the following has been budgeted for housing projects over the next 3 years to create more housing opportunities:

Project	Capital - (Basic Services)	Operational (Top Structures)
Kayamandi: Watergang and Zone O	14,510,000	
Northern Extension Kayamandi – Feasibility study	5,000,000	
298 Serviced sites in Klapmuts	13,880 000	
Smartie Town Cloetesville	4,920,000	
Idas Valley (erf 9445) IRDP/FLISP	25,865,000	10,680,000
Longlands Vlothenburg: Housing internal services	7,200,000	17,280,000

Jamestown Housing	9,250,000	8,960,000
La Motte Old Forest station 322 BNG& 106 GAP units	1,000,000	
Steps Structural upgrade	7,500 000	

Bulk services in support of new housing opportunities, new developments and the improvement of general services and to enable more economic development over the next **3 years** are budgeted as follows:

New Plankenburg Main Outfall Sewer	52,385,097
Extension of the WWTW: Stellenbosch	46,000,000
Upgrade of WWTW: Pniel and decommissioning of Franschoek	70,000,000
Upgrade of WTWW Wemmershoek	8,000,000
New Development Bulk Sewer Supply WC024	6,000,000
Upgrade of WTWW: Klapmuts	15,500,000
Sewer Pipe Replacement: Dorp Street	16,000,000
Bulk Water Supply Pipe Reservoir: Dwars Rivier	12,500,000
New Bulk Water Supply WC024	6,000,000
Bulk Water Supply Pipeline & Reservoir Jamestown	19,500,000
Bulk Water Supply Pipe: Idas Valley/Papegaaiberg	11,000,000

Safe living is an important issue for our residents. To create safer communities we increased the budget for the lighting of public areas with R 1 million. For safer communities we have made the following provision for the next 3 years in the budget:

Upgrading of Stellenbosch Fire Station	1,200,000
Installation and Upgrade of CCTV Cameras in WC024	3,800,000
Khayamandi Pedestrian Crossing	11,000,000

Franschhoek Main Rd. Intersection Improvements	3,900,000
Main Road Intersection Improvements: Strand/Adam Tas/Alexander Street	4,500,000
Lighting of Public Areas	2,000,000
Patrol Vehicles for Law enforcement and traffic services	R4,820,000
Traffic Calming Projects	R3,000,000

Roads' upgrades, reseal projects and intersection improvements of R114,125,000 have been budgeted for over the next 3 years across the municipal area, improving transport opportunities. This will create an environment more conducive to economic development.

Due to congestion on our roads we want to encourage Non-motorised transport to improve the transport situation. Over the next 3 years we have budgeted the following for non-motorised transport:

Non-Motorized Transport Implementation	11,500,000
Bicycle Lock Up facilities	400,000

A large number of residents rely on public transport. It is also important to reduce congestion on our roads. To work towards better transport opportunities for our people over the next 3 years, we have budgeted for public transport as follows:

Comprehensive Integrated Transport Master Plan	2,500,000
Taxi Rank Franschhoek	3,000,000
Taxi Rank Kayamandi	3,000,000
Bus and Taxi Shelters	500,000

The removal of solid waste and clean towns is a priority to create opportunities for better living. Following inputs from the community an additional R100 000 were allocated for skips. The following has been budgeted over the next 3 years for a clean valley:

Stellenbosch WC024 Material Recovery Facility	12,000,000
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Waste minimization projects	2,500,000
Transfers Station: Stellenbosch	10,500,000
Skips	650,000
Upgrade Refuse disposal site	4,000,000

Speaker, great news for our Dwarsrivier community in this budget is that we are finally taking over the Pniel Electrical network from Drakenstein Municipality. R17 000 000 has been budgeted for this. Other electricity projects that have been budgeted for over the next 3 years include:

New Groendal 2 Substation in Franschoek	1,000,000
New 66kV substation - Dwarsrivier	60,000,000
Integrated National Electrification Programme of Enkanini	15,880,000
Power line move from Landfill	52, 000,000

As you can see, the greatest part of our capital budget is being dedicated to infrastructure related matters. It is critical for us to address this huge backlog of maintenance and service to ensure we are ready for future economic opportunities and developments. By improving and upgrading our infrastructure, we not only ensure better living standards and opportunities for our residents, but we also ensure that we can facilitate and accommodate new and exciting economic opportunities, which results in job opportunities for our residents.

### **Capital Budget Funding**

Our capital budget is funded from the following funding sources –

- Own reserves (Capital Replacement Reserve)
- External loans to be taken up and
- Government grants.

### **Operating Budget Expenditure**

The proposed operating budget expenditure for 2018/2019 increases by R105 million to R1.716 billion compared with the 2017/2018 adjustments operating budget expenditure of R1.575 billion. Our operating expenditure for the 2019/2020 to 2020/2021 outer financial years will increase by 6% respectively to R 1.819 billion in 2019/2020 and R1.925 billion in 2020/2021.

The main contributors to the operating expenditure of the 2018/2019 financial year are –

- Bulk electricity and water purchases
- Employee related costs;
- Interest on external loans and depreciation costs;
- General expenditure;
- Repair & maintenance costs;
- Conditional grant expenditure; and
- Provision for bad debt, leave and landfill sites rehabilitation; contracted services; collection costs; councillor remuneration; special projects; grants and donations represents the remaining operating expenditure.

The substantial increase in employee related costs are due to the revised organogram. Many vacant positions will be filled and many temporary positions will become permanent. As we acquire the new skills, we will become less and less dependent on external consultants, which will see a significant drop in the amounts we spend on consultants and create job opportunities. This is critically important that we appoint and retain skills of our own.

### **Operating Budget Revenue**

Speaker, on 21 February 2018 the Minister of Finance sadly announced an increase in the VAT rate from 14% to 15%, effective 1 April 2018. Following this announcement, the Stellenbosch municipality tariffs were adjusted from 01 April 2018 to reflect the new VAT rate of 15%. This will also be implemented for the 2018/2019 financial year.

Our additional revenue was obtained from interest on selected investments, traffic fine income and various other revenue items.

The proposed operating budget revenue for 2018/2019 increases by 7% to R 1.629 billion compared with the 2017/2018 adjustments operating budget revenue of R 1.517 billion. Our operating revenue for the 2018/2019 to 2020/2021 outer financial years will increase by 8% and 7% respectively to R1.767 billion in 2019/2020 and R 1.893 billion in 2020/2021.

As set out in the budget assumptions in the 2018/2019 MTREF Budget Report of the reviewed IDP, the 2018/2019 revenue streams increase approximately with the following percentages. Speaker in setting these tariffs we have been very mindful of the global and South African contexts and inflation.

- Income from Property rates are expected to increase with 5.2%. The tariff for property rates will increase with 5.7%.

- Revenue for electricity is expected to increase with 10.61% due to amongst other things; an increased number of users. The good news is that for electricity tariffs will only increase with 7.3%
- The municipality has increased its water restrictions to level 6B. This has an impact on the water tariffs. Revenue for water is expected to increase with 7.38% due to an increase in collection as a result from the applicable water restriction tariffs. The water restriction tariffs will remain in place for the foreseeable future as the drought continues. The normal water tariff will increase on average with 15%.
- The water tariff increase for consumption up to 6 kilolitres per month is limited to 9,6%.
- Sewerage tariffs will increase with 9%, as this service presently does not produce a breakeven income.
- Refuse removal tariffs will increase with 9% as this service presently does not produce a breakeven income.

Sewerage and refuse form a very small part of the municipal bill.

The 15% water tariff increase is based on the assumption that the City of Cape Town will increase its bulk water tariff and can be revised when the City's bulk tariffs has been approved.

### ***Financial Support to Indigent Households***

Speaker, Stellenbosch Municipality does provide free basic services to poor households as a means of poverty alleviation. We mainly provide support to households who are unable to pay or struggle to pay for their basic services. This includes households with an income base below a determined threshold (two times the government social grant paid to a pensioner plus 25%), to the unemployed, child-headed households, retired persons and disabled persons. These consumers should apply to be registered as an indigent household on our indigent register in order to obtain this benefit or to qualify for rebates from their municipal basic services or property rates levied.

Indigent households in 2018/2019 will receive 100 units of free electricity per month; 6 kilolitres of free water per month, free refuse removal services, free sanitation services. This indigent subsidy will be credited to the customer's account during the monthly billing run. The reduction in free water to indigent households is due to the severe drought and the fact that all households are limited to 6 kilolitres per month.

The indigent subsidy is funded through our equitable share allocation. It is important to note that it is expected from indigent households only to pay for electricity consumption above 100 units of electricity per month and only for water consumption above 6 kilolitres of water per month.

For the 2018/2019 financial year the qualifying criteria for indigent status is households (main bread winner/s) earning less than R 6,000 per month. Furthermore, pensioners and disabled persons also qualify for a 100% rebate on property rates if their earnings are also less than R 8 000 per month. Rebates of 75% can be given to pensioners and disabled households who earn less than R 10 000 per month; 50% to those who earn less than R 12 000 per month; and, 25% for those who earn less than R 15 000 per month.

We continue to give special attention to our poor residents. 37 Grant in Aid applications were received of which 25 were successful, thus ensuring more funding is made available to non-governmental organisations (NGOs), community-based organisations (CBOs), non-profit organisations (NPOs) and non-profit companies (NPC) and bodies that are used by government as an agency to serve the poor, marginalised or otherwise vulnerable.

Speaker more good news is the following: We also acknowledge that all citizens struggle in the present economic climate. Households will now receive a property rates rebate on the first R200 000 value of their property.

## **Conclusion**

Speaker, this proposed budget creates new opportunities for our residents and is responsive to their economic growth, strategic objectives and the socio-economic needs. The Municipality's strategic objectives are aligned to the national and the provincial priorities as articulated by the national outcomes and provincial strategic objectives.

The budget assumptions are realistically based on available information and the projected cash flow budget is credible and sustainable over the MTREF.

In conclusion, Speaker, I place on record my sincere appreciation to members of the Mayoral Committee and all other councillors who sacrificed long hours and meetings, sometimes at short notice, to put this budget together. I thank the Municipal Manager, Senior Management and all the Officials, including my Support Staff, who worked long hours and assisted in facilitating and putting this budget together.

Especially I want to thank the Portfolio Holder of Finance, Cllr Salie Peters, the Chief Financial Officer and his Budget and Treasury Office for their highly appreciated effort to compile this budget in the required format.

I want to thank all councillors and residents who inspire me, all councillors who encourage me and all councillors who challenge me, for their contribution. I also want to thank the family members of councillors and officials who were involved in the budget process. Officials had to work late and over weekends and could not always be home fulfilling their roles as fathers and mothers of families.



Through hard work and focus we have already achieved success and we will continue to do so in our quest to become a place of opportunity for all residents.

Our residents are our motivation, the people who we serve and work for. As **Shakespeare wrote: “What is a city but its people”**

Speaker, with these remarks, I herewith present Stellenbosch's **2018/2021** Medium Term Revenue and Expenditure Framework Budget Report with its recommendations to Council for consideration and approval.