



**STELLENBOSCH**

STELLENBOSCH • PNIEL • FRANSCHHOEK

MUNISIPALITEIT • UMASIPALA • MUNICIPALITY

## **STELLENBOSCH MUNICIPALITY**

A caring and sustainable budget – striking a  
balance post pandemic

**EXECUTIVE MAYOR: Adv Gesie van Deventer**

**PROPOSING THE ITEM ON TABLING THE TABLED  
(DRAFT) BUDGET – FOR PUBLIC PARTICIPATION.**

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 proposed draft budget for the 2021/2022 period, which must now be circulated to the public for public participation.

Speaker, it has been a year since South Africa has gone into hard lockdown. We could not leave our homes for months on end. COVID-19 has taken many of our residents, closed many businesses, cut many jobs and has left many with a feeling of loss, confusion, anger and sometimes even hopelessness.

Despite the anguish and devastation caused by the global pandemic, our human spirit has rallied.

Christopher Reeves was a, well-known actor who played Superman in the 1970's and 1980's, but who was left paralysed following a horse-riding accident. We are inspired by what he said, after the accident changed his future and life-expectancy dramatically, we are inspired by his words, "**Once you choose hope, everything is possible**".

Yes, we must stand up and fight back, persevering in hope, uniting as a community to weather this COVID storm.

**This budget is thus centred around a balancing act, continuing as a sustainable Municipality and simultaneously assisting our residents to survive and recover the impact of COVID.**

The impact of the virus on our budget cannot be ignored. Stats SA figures reflect the impact of the pandemic on our economy on a national level as follow:

- Income generated by the food and beverages industry decreased by 36,6% in November 2020 compared with November 2019.
- Total income for the tourist accommodation industry decreased by 65,5% in November 2020 compared with November 2019.
- Income from accommodation decreased by 66,8% year-on-year in November 2020.
- SA electricity generation decreased by 2,4% year-on-year in November 2020. Whilst, generation only increased by 0,5% in November 2020 compared with October 2020.
- Manufacturing production (including food and beverages), decreased by 3,5% in November 2020 compared with November 2019.
- The real value of recorded building plans decreased by 40,8% year-on-year during January to October 2020. The real value of buildings completed decreased by 49,9% over the same period.

Loss of revenue at every level and the shrinking economy has therefore forced us to be extremely conservative in our planning. As I said during the adjustment budget, which we approved in February, we have to tighten our belts! This has to be and is a strictly needs driven budget. There is no room for "nice to haves". We have to focus solely on the needs of our residents. Thus our focus for the next financial year will be on infrastructure investment, ensuring a solid base on which to build our economy, creating opportunities for economic recovery. An important step in this process is setting tariffs as low as possible to make it possible for residents to recover from the disastrous effects of COVID.

This budget is aligned to Stellenbosch Municipality's Integrated Development Plan (IDP) with its vision statement, mission statement, corporate values, key performance areas and its key focus areas but also from inputs by all councillors and our communities' right through the year.

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 this year at least 90% of this capital budget in our program for Stellenbosch to become truly, a *place of opportunity for all residents*.

This budget is fairly distributed to ensure a fair cut for all communities, taking into consideration the impact of COVID, load shedding and the economic climate. As per the advice of Minister David Maynier, we have been conservative in our planning, not knowing how COVID will continue to affect our local economy.

Our focus has therefore been urgent projects and basic service delivery for our entire region. We are going back to basics, focussing on service delivery and applying the budget to projects that matter most and benefit our residents. There is not space for luxuries, only necessities.

The draft 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 doing that.

Speaker, I present the 2021/2022 financial year and the two outer years' budget patterns. Our limited resources continues to force us to work much smarter and to carefully manage our spending.

Speaker, as to revenue of the tabled 2021/2024 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. Our revenue streams were severely affected by the COVID pandemic, but we do foresee some recovery in the next financial year. It will not fully recover in one year to pre-COVID levels, but there will be an improvement. The capital programme's capital project expenditure was also reduced to affordable own funding and external borrowing levels. Should we see by December a better than expected recovery, we shall address capital growth more aggressively in the adjustment budget.

Speaker, the IDP informs the budget and the Service Delivery and Budget Implementation Plan (SDBIP). The SDBIP with performance indicators with smart targets are developed to ensure that progress in achieving the objectives as set out in the IDP are achieved. Room for improvement and inputs are welcome from our councillors and residents.

The public participation process will again be done differently than in the past, as we must take COVID-19 restrictions into consideration. We will communicate the processes and procedures on all our media platforms as well as in the news media to ensure that every citizen has an equal and fair chance to give their input.

Thereafter, I and my Mayoral Committee will consider all the comments received on the reviewed IDP and Budget from the local community, stakeholders, National and / or Provincial Treasury, councillors and senior management before I will table the final budget before Council for final approval before 31 May 2021.

Speaker, the Tabled 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 2021/2022 capital budget expenditure rounded amounts to R 398 million our operating budget expenditure amounts to R 2,017 billion. Our total budgeted expenditure therefore amounts to R 2,414 billion compared to our current budget of R 2, 282 billion. This amount is estimated to increase to R 2, 468 billion and R2, 567 billion respectively for the two outer years of the MTREF.

### **Capital Budget Expenditure**

The tabled capital budget decreased from R454,4 million in 2020/2021 to R397,7 million in 2021/2022. This is in part due to the completion of several major capital infrastructure projects.

The MTREF proposes capital expenditure of R 384,5 million and R 381,5 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 2021/2022 MTREF Budget Report.

Speaker, as I set out earlier herein, with our focus on fulfilling our core mandate of service delivery and caring for the needs of our community, the largest part of our capital budget has been directed towards infrastructure over the next three years.

Maintaining, replacing and updating aging or out-of-date infrastructure, as well as our providing for our growing towns, necessitates sufficient investment in infrastructure that will support our economic growth and recovery as we move beyond the pandemic. Across South Africa we continue to see what happens to basic service delivery when sufficient investment in infrastructure has been neglected.

Premier Alan Winde also alluded to the importance of infrastructure investment during his State of the Province address. Infrastructure led growth to stimulate economic growth, which will in turn attract private sector investment in new business and initiatives, is a priority.

I cannot help but be reminded of the parable in the Bible that tells of the house built on rock versus the house built on sand. With no solid foundation, any other projects and plans cannot succeed. This is reflected in the following examples of what we have budgeted for the next three year budget cycle:

### **Water:**

|   |             |
|---|-------------|
| Bulk Water Supply Pipeline and Reservoir James Town       | 28 000 000  |
| Dwarsrivier Bulk Supply Augmentation and Network Upgrades | 7 518 000   |
| Bulkwater Supply for new developments in WC024            | 4 000 000   |
| New Reservoir and Pipeline Vlotenburg                     | 104 000 000 |
| Bulk Sewer Outfall Jamestown                              | 6 400 000   |
| Water Pipe Replacement                                    | 12 000 000  |
| Franschhoek Sewer Network Upgrade                         | 12 000 000  |
| Bulk Sewer Upgrade for Dwarsrivier Area                   | 6 000 000   |
| Upgrade of WWTW Pniel and Decommissioning of Franschhoek  | 48 000 000  |
| Upgrade of WWTW Wemmershoek                               | 90 000 000  |
| Upgrade of WWTW Klappmuts                                 | 16 000 000  |
| Sewer Pipe Replacement Dorp Street                        | 20 000 000  |
| Bulk Water Supply Klappmuts                               | 20 000 000  |

### **Sanitation:**

The upgrading of the various WWTW are especially important as these communities continue to expand and grow and the existing infrastructure is not sufficient to meet their needs. This contributes to our commitment to be a green valley and provide dignified living spaces to all residents.

Speaker, electricity is an absolute necessity for all our residents to live in safety and dignity and for economic growth. Load shedding has a devastating effect on all our communities and our economy. We have decided enough is enough and intend to rid our Municipality over time of the disastrous effect of load shedding. We have already done the preliminary research and also signed an MOU with the Stellenbosch University and CSIR. We shall be responsible, but continue steadfast with this process.

As we step up this process, we also need to ensure that our existing electrical infrastructure is sufficient and well maintained to continue to provide essential services. It is also vital as we continue to rebuild our economy after the

pandemic. We are therefore making the following provisions over the next 3 years:

|  |            |
|--|------------|
| 11 kV Network Cable Replacement          | 6 000 000  |
| Kwarentyn Sub Cables                     | 5 700 000  |
| Infrastructure improvement Franschoek    | 4 500 000  |
| Stellenbosch Switchgear                  | 14 334 268 |
| Bien Donne new substation                | 37 200 000 |
| Electricity Network Pniel                | 10 000 000 |
| General System improvements Stellenbosch | 10 663 126 |
| La Terra Substation                      | 8 798 839  |
| Upgrade of electrical network            | 36 571 200 |

#### **Human Settlements:**

Housing opportunities is a top priority for many residents. It provides, safety and security and creates an asset that allows greater economic freedom. Housing remains a challenge however, as the 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:

|   |            |
|---|------------|
| Stellenbosch Idas Valley (166) FLISP Erf 9445                             | 11 288 000 |
| Jamestown Housing (Phases 2,3 &4)   | 500 000    |
| Feasibility of the Northern Extension                                     | 2 000 000  |
| Enkanini Planning   | 1 500 000  |
| Kayamandi Town Centre   | 12 000 000 |
| Erf 7001 and other possible sites for mix-used development in Cloeteville | 3 000 000  |

The FLISP grant is for the next phase of the Ida's Valley housing project. We have been very fortunate to receive the necessary grant funding to make this possible.

## Upgrades:

Although housing opportunities remain limited, as a municipality we are committed to improve the living conditions for our residents. That is why we are making provisions in the budget to improve the living conditions for residents, making sure that they can live in dignity and addressing inequality over the next 3 years for our residents in informal settlements:

|   |            |
|---|------------|
| Upgrading of the Steps/Orlean Lounge  | 11 000 000 |
| Northern Extension Phase 2 water and sanitation infrastructure                | 11 000 000 |
| Basic Improvements in Langrug   | 2 490 248  |
| Integrated National Electrification Programme Enkanini                        | 30 000 00  |
| Kayamandi Watergang Basic Services  | 6 500 000  |
| Franschhoek Langrug (1900) Upgrading of informal settlement Grant on erf 3229 | 22 380 000 |
| Kayamandi Zone O (approximately 711 serviced sites)                           | 45 820 000 |

## Safety and Security:

This is of utmost importance to all our residents and has been highlighted by both the President and the Premier during their respective speeches earlier this year. The Provincial Government has made significant commitments to improve safety across the province. We are falling in line with this and have made the following provisions for the next three years:

|   |           |
|---|-----------|
| Ad hoc provision of street lighting and lighting of public spaces | 6 993 375 |
| Rapid Response vehicle for Fire and Rescue Services               | 2 500 000 |
| Vehicle Fleet Law Enforcement                                     | 2 000 000 |
| Neighbourhood Watch Safety Equipment                              | 1 050 000 |
| Bicycle Lock Up Facilities  | 400 000   |
| Fencing around various parks and gardens                          | 200 000   |
| Installation and upgrade of CCTV/ LPR Cameras in WC024            | 3 000 000 |



### **Roads and Traffic:**

We will also invest in infrastructure related projects over the next 3 years that will assist in improving road safety as well as improving traffic conditions in our towns of all residents:

|   |           |
|---|-----------|
| Pedestrian Crossing Implementation  | 900 000   |
| Resealing of Roads – Klapmuts, Raithby, Meerlust, Wemmershoek, La Motte, Maasdorp               | 1 000 000 |
| Reseal of roads – Kylemore and Surrounding Area   | 1000 000  |
| Reseal of roads – Stellenbosch and Surrounding  | 5 000 000 |
| Reseal of roads – Franschhoek and Surround  | 5 000 000 |
| Traffic Signal Control: Installation and upgrading of Traffic Signals and associated components | 1 500 000 |
| Main Road Intersection Improvements Strand/Adam Tas/Alexander Road                              | 4 000 000 |
| Main Road Intersection Improvements R 44/ Merriman  | 3 500 000 |

### **Cleaner Communities and Environment:**

Clean, healthy and environmentally sustainable towns are a priority as we plan for the future and well-being of our beautiful valley. We are continuing our work to expand our landfill site, and have recently opened our new Material Recovery Facility, of which we are exceptionally proud. To continue this essential service for the next three years we have budgeted as follows:

|  |            |
|--|------------|
| Expansion of the landfill site (new cells)         | 22 000 000 |
| Formalized skip areas in Franschhoek and Kayamandi | 500 000    |
| Skips (5,5kl)                                      | 600 000    |
| Street Refuse Bins                                 | 1000 000   |
| Transfer Station Stellenbosch planning and design  | 7 000 000  |

We have a responsibility towards our environment to think differently about waste management and apply more environmentally sound and safe

solutions. Reduce, reuse and recycle will be our focus over the next few years in an effort to promote our goal as a green valley and to become part of the green economy. Over the next three years we will invest in the following:

|                                |            |
|--------------------------------|------------|
| Waste minimization projects    | 1 000 000  |
| Waste to Energy Planning       | 500 000    |
| Waste to Energy Implementation | 4,500,000  |
| Landfill Gas to Energy         | 16 000 000 |

Speaker, these initiatives also tie in with our exciting plans to rid the greater Stellenbosch of the effects of load shedding. As we continue to explore alternative energy resources like waste to energy and landfill gas to energy we will have also budgeted R18 million over the next three years for alternative energy sources including the installation of solar panels. As we make progress in our mission to eradicate load shedding, we will be closely watched by other municipalities and stakeholders on the progress we make.

#### **Sport Facilities and Parks:**

Creating opportunities for especially the youth through sport and recreation is very important. Sport has the ability to unite, uplift and create opportunities in a unique and positive way. Through the course of the next three years we are investing in the upgrading of various sport facilities, equipment as well as maintaining existing facilities.

|                             |           |
|-----------------------------|-----------|
| Upgrade of Sport Facilities | 600 000   |
| Upgrading of swimming pool  | 50 000    |
| Integrated Spray Parks      | 6 000 000 |
| Upgrading of Parks          | 2 000 000 |

#### **Transport:**

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

|  |           |
|--|-----------|
| Comprehensive Integrated Transport Master Plan               | 2200 000  |
| Redesigning of Bergzicht Public Transport facility           | 4 000 000 |
| Pedestrian and Cycle paths, design and phased implementation | 500 000   |
| Jamestown Transport Network                                  | 3 000,000 |
| Non-motorized Transport Implementation                       | 3 000 000 |
| Taxi Rank: Franschoek  | 100 000   |
| Taxi Rank Klapmuts   | 500 000   |
| Stellenbosch NMT : Jamestown – side walks                    | 1 000 000 |

**Speaker, to sum up, it is clear that the greatest part of our capital budget expenditure is geared towards infrastructure. This is done, with the goal of excellent service delivery for all residents in mind and also to create greater long term sustainability equality, economic opportunities and dignified living conditions for our disadvantaged 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
- Government grants and
- Public Contributions and donations.

### **Operating Budget Expenditure**

The proposed operating budget expenditure sees an increase in annual operating expenditure from R1, 827 billion in 2020/2021 to R2, 017 billion in 2021/2022. This 10.36 % increase is primarily due to increases in several expenditure categories, our operating expenditure for the 2022/2023 to 2023/2024 outer financial years will increase respectively to R 2, 083 billion (3.28 %) in 2022/2023 and R 2, 186 billion (4.94 %) in 2023/2024.

The main contributors to the operating expenditure of the 2021/2022 financial year are –

- Employee related costs;

- Remuneration of Councillors
- Depreciation and impairment
- Finance Charges
- Bulk electricity and water purchases
- Other expenditure

The need to fill critical vacancies to continue effective and efficient service delivery has increased the employee related costs. There has also been an increase in investment in infrastructure and new assets which resulted in the increased expenditure. Every effort has however been made to curb unnecessary expenses.

### **Operating Budget Revenue**

Our additional revenue will be obtained from interest on selected investments, traffic fine income and various other revenue items. We have conservatively budgeted for our operating revenue due to our current economic challenges faced by the country that will directly impact on our residents.

The overall proposed revenue budget increase was limited to 9.28% resulting in annual operating revenue increasing from R1, 928 billion in 2020/2021 to R2 125 billion in 2021/2022. Taking cognisance of the economic conditions and the severe impact of COVID on employment levels and levels of disposable income, it was important to keep services affordable by critically looking at the costs associated with providing the service.

The exact percentage increase or decrease of each tariff type is reflected in the Tariff List that will be available for inspection at municipal offices and all libraries during the public participation process.

Speaker, the part most residents is looking forward to, is our tariff setting for the next financial year. As set out in the budget assumptions in the 2021/2022 MTREF Budget Report of the reviewed IDP, the 2021/2022 revenue streams increase approximately with the following percentages. Speaker in setting these tariffs we have been very mindful of the challenging economic conditions in the country as well as inflation. As we care about our residents, the following increases are proposed:

**Electricity Tariffs increase with 14.59% (This is an increase imposed by NERSA.)• Water Tariffs increase with 5.5% (last year the increase was 6.00%)**

- **Sanitation Tariffs increase with 6% (last year 6.50%)**
- **Refuse Removal tariff will increase with 12% (last year 16.50%)**

- **Property rates:** We have heard the many complaints of residents about the rise in valuation of their property. The process of new evaluation is a legally prescribed process, by the Local Government: Municipal Property Rates Act, No 6 of 2004, Chapters 1-9; that we MUST follow. Council may not interfere and it is very prescriptive. The only role Council have, is to set the tariff in the tariff book. The tariff is what determines eventually the amounts payable by residents. We understand the hardship of residents during COVID and have therefore taken the unusual step to decrease the tariff to enable residents to recover from the economic hardships of COVID. As we had an increase in revenue of 6,11% due to new property registrations, property improvements and increased valuations, our revenue is expected to increase by 6.11%. This makes it possible for us to decrease property rates tariff by 17.17% for residential property, 17.28% for agricultural property and 20.93% for business property.
- We have wonderful news for our residents! You no longer have to wonder about how much your rates will be in the new year. Simply find our rates calculator on our website, input the valuation of your property and see how much you will pay! What an innovative yet simple tool to assist our residents!

**We have also increased the rate rebate threshold from R200,000 to R250,000 for properties valued less than R5million. This rebate means residents with properties of less than R5 Million in value are exempt from taxes on the first R250 000.**

**Speaker, the rates for refuse removal has been reduced from last year's 16,5% to 12%. We are continuing the work on rehabilitating our landfill site and have also just opened our new Material Recovery Facility, helping us to reduce the costs of refuse removal.**

**Council is also recommending a lower tariff increase on electricity. NERSA, who determines the price of bulk electricity purchases has approved an increase of 17,8% for the new financial year. Taking cognisance of the severe economic hardship faced by our residents and the fact that we are purchasing less electricity, we however recommend a 14,59% increase.**

**Speaker, I want to take this opportunity to thank all our residents, who have continued to pay their rates and taxes every month this past year, despite the extremely difficult economic circumstances. They have made it possible for us to continue service delivery to our residents.**

### ***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 must 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 2021/2022 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 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 2021/2022 financial year the qualifying criteria for indigent status is households (main bread winner/s) earning less than R 6,500 per month as indicated by the Municipality's amended Indigent Policy.

The percentage rebate granted to senior citizens and disabled persons based on the different monthly household income levels will be determined according to the schedule below. The income bands and rebates for the effective financial period of the Rates Policy are as follows:

| <b>Gross Monthly Household Income</b> |        |    |        | <b>% Rebate</b> |
|---------------------------------------|--------|----|--------|-----------------|
| <b>Income bands</b>                   |        |    |        |                 |
| Up to                                 |        |    | 8 000  | 100%            |
| From                                  | 8 001  | To | 10 000 | 75%             |
| From                                  | 10 001 | To | 12 000 | 50%             |
| From                                  | 12 001 | To | 15 000 | 25%             |

## **Conclusion**

Speaker, this budget is a statement from a caring government and this Council hereby makes a statement-budget that we should look after all residents and do more especially during these challenging times. We are working to create greater sustainability and economic growth within our communities. We are also setting milestones to eliminate inequality as far as possible.

As the Executive Mayor, it is my strategic vision that we can achieve economic prosperity, dignity and equality, as it is set out in our constitution. This is a work in progress, but we must never give up on the dreams of our communities.

**As Madiba said: "It always seems impossible until it is done".**

We unfortunately also have to be realistic in these difficult times, with limited resources. I have no doubt, that with hard work and perseverance, we will move emerge from these challenging times, stronger and wiser.

**As Samuel Johnson said: “Great works are performed not by strength, but by perseverance.”**

As we move forward we will continue to invest in the future, opportunities and prosperity of all our residents in this beautiful valley.

**“ And once the storm is over, you won’t remember how you made it through, you won’t be the same person who walked in. That’s what this storm is all about – Haruki Murakami”**

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. Our draft budget is fully funded.

Speaker, with these remarks, I herewith present Stellenbosch's DRAFT **2021/2024** Medium Term Revenue and Expenditure Framework Budget Report with its recommendations to Council for consideration and approval as is set out in item 8.2 on page 420 with recommendations a to i.