

(A) WRITTEN SUBMISSIONS

10 April 2019

Public Comment: Stellenbosch Municipality Electricity Tariffs 2019-2020

To whom it may concern.

Re: Enkanini Off-grid solar electricity subsidy provision for 2019-2020

I represent the Sustainability Institute Innovation Lab (SIIL), which provides the municipal-subsidised off-grid solar electricity service to approximately 1600 households living in the Enkanini informal settlement (the 'iShack Project').

It has been brought to my attention that the proposed electricity tariffs for 2019/2020 may inadvertently not make provision for the off-grid Free Basic Electricity (FBE) subsidy upon which SIIL relies to run the off-grid service in terms of the current Service Level Agreement with Stellenbosch Municipality (and in accordance with the municipality's Indigent Policy). I am told that the off-grid FBE subsidy is calculated as the equivalent price of the first 100 units on 'DOM1' tariff (which grid-connected indigent households get for free). I have been informed that because the DOM1 tariff for 2019/2020 does not include a unit price for the first 100 units, there is no way of working out the equivalent provision for the off-grid subsidy.

While I am sure this is simply an oversight, I felt it necessary to raise a concern. I also request that when this is rectified, the 2019/2020 escalation (compared to the 2018/2019 tariff) is in line with the other electricity tariff escalations for the following reasons:

1. The Enkanini off-grid service relies almost entirely on the subsidy funding to maintain the service (with nominal charges to recipient households). Part of the maintenance model is to employ and train local technicians in order provide job-creation and other economic benefits directly within the community. This job-creation and skills development programme is expensive. We are also continually developing and improving our Quality-Management and IT systems to ensure continuous improvement in our service. This is also an expensive ongoing investment.
2. From this year onwards, we are required to pay additional data-fees and licence-fees for the new model of Solar Home System that we have been deploying in Enkanini since 2016. These running costs were incorporated into the upfront hardware charges, but beyond the first 2 years of use we are required to pay ongoing monthly fees. This enables the project to monitor each unit remotely via the cellular network, and to use the supplier's monitoring platform.
3. Given that the project started in 2013, many of the earlier units that were deployed in Enkanini will be reaching end of life and there will be additional costs associated with refurbishing or replacing these units, going forward. While we do attempt to recoup some of these costs from the end-users, we will not be able to charge clients the full cost of replacement.
4. The electrification programme that is underway in the E- and F-Sections of Enkanini has resulted in significant additional costs (and lost revenue) for the project. We are 100% supportive of this next phase of 'progressive' service delivery for our clients and are thus determined to support the transition as best we can, notwithstanding the additional costs. But we will require a larger than inflationary subsidy increase to manage this operationally intensive aspect of our work.

Please feel free to contact me should any aspects of this submission require further information or clarification. Details below.

Sincerely



Damian Conway

Director, SIIL

082 8987784

STELLENBOSSE LANDBOUGENOOTSKAP STELLENBOSCH AGRICULTURAL SOCIETY



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The Municipal Manager
Stellenbosch Municipality
PO Box 17
STELLENBOSCH
7599

Dear Madam

COMMENTS: 2017/2022 – DRAFT BUDGET: TARIFF AND RATES POLICY

The Stellenbosch Agricultural Society as a result of the IDP sector engagements held since December 2017, April 2018 and April 2019 hereby comments on the Tariffs in the draft budget.

The Agricultural and associated tourism industry contributes significantly to the areas gross geographic product (GGP) of the Stellenbosch Municipal (WC0024) area.

However as a result of various environmental and economic conditions in the Western Cape the agricultural sector is becoming under severe pressure and the majority of the producers are experiencing difficulty in sustaining their farming operations. These detrimental economic factors leads to severe pressure to conform to the recommendations indicated in the Integrated Development Plan (IDP) read together with the National Development Plan. It therefore is imperative that the IDP creates an enabling environment that is conducive to increased agricultural activities, so as to ensure food security as well as sustaining the employment opportunities related to the sector.

New vineyard establishment has decreased approximately with 10% over the last few years with declining profit margins in relation to other production areas. These detrimental economic circumstances currently associated with the production and wine industry can lead



to an ever changing rural environment to the detriment of the town, the historical and cultural landscape as well as sustaining the employment opportunities that benefit from the agricultural sector.

As a result of constant increasing external factors influencing the rural economy there are unfortunately various needs and priorities like farm worker housing, installation and upgrading of essential services, provision of social facilities (schools, crèches etc.), the provision and upgrading of the sport facilities as well as skills and training programmes that cannot be addressed adequately by farming entities alone. In light of the current economic environment the producers and land owners are really experiencing great difficulties to maintain the services on an acceptable level of standard. Research however has shown that “rebates on property tax” can be of great value to encourage the farmers in assisting municipalities with the provision and maintenance of these services as far as possible.

The Stellenbosch Agricultural Society in association with The Stellenbosch Farmworker Forum and the Franschhoek Agricultural Society hereby requests and propose that the Stellenbosch Municipality adopts the same financial model as currently being implemented by the Bergriver Local Municipality as part of their budget and rates policy framework. The proposed tax rebate policy will apply to bona-fide agricultural owners belonging to agricultural societies affiliated to Agri Western Cape and subsequently also to the SA Agricultural Union, situated in the Stellenbosch WC0024 municipal area.

PROPOSAL

“Agricultural properties will be granted rebates as determined by council in its annual Budget.

(a) An additional 10% rebate calculated as follow could also be granted:

i.	1 x two bedroom houses on property	1.00%
ii.	2 x two bedroom houses on property	2.00%
iii.	3 x two bedroom houses on property	4.00%
iv.	>3 x two bedroom houses on property	5.00%
v.	If electricity provided to worker's houses	0.25%
vi.	If water is provided to worker's houses	0.25%
vii.	If sewer is removed from worker's houses	0.25%
viii.	If refuse is removed from worker's houses	0.25%
ix.	If school on property or transport is provided to learners	1.00%

- | | | |
|------|---|-------|
| x. | If sport facilities on property | 1.00% |
| xi. | If transport to nearest town is provided at
no cost to workers at least once per month | 1.00% |
| xii. | If training is provided to workers | 1.00% |

- (b) An additional 2.5 % for every 5ha of newly planted vineyards
(An additional proposal for rebate specifically for the SW024 area)

The above additional 10 % will only be granted to Bona Fide farmers with submission of the following documentation with their application:

- (i) Proof of VAT registration
- (ii) Existing account must not be in arrears with the Municipality.
- (iii) Copy of I.D. Document of all workers residing on the farm

Applications for the rebate must be submitted in accordance with the prescribed process in terms of the Rates Policy. The additional rebate can only be granted on the value of the property as it appears on the valuation roll. Properties of the same owner, but valued separately cannot be added together for the calculation purposes.

The Stellenbosch Agricultural Society as well as the Stellenbosch Farmworker Forum sincerely believes that the implementation of the above holds a significant advantage to stimulate public private working relations to the benefit of the area and its community in a sustainable manner. The proposal is consistent with the vision "***The Innovation Capital of South Africa***" and it will give practical execution to the five (5) strategic objectives as adopted in terms of the existing and proposed Municipal Integrated Development Plan.

It is also requested that the Municipality investigate the inclusion of disaster relief when the Municipal area or Region is classified as a disaster area by Provincial or National Authorities. The budget of the Bergriver Local Municipality for example also makes provision for agricultural properties to qualify for an additional 5 % disaster relief rebate.

We trust that the Stellenbosch Municipality will favourably consider the above request and recommendations, and we kindly await your feedback in this regard.

Yours faithfully,



Angelika van der Merwe

MANAGER: STELLENBOSCH AGRICULTURAL SOCIETY

STELLENBOSSE LANDBOUGENOOTSKAP STELLENBOSCH AGRICULTURAL SOCIETY



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2019-04-30

The Municipal Manager
Stellenbosch Municipality
PO Box 17
STELLENBOSCH
7599

Dear Madam

COMMENTS: REVISED 4TH GENERATION IDP SECOND REVIEW 2017/2022 – DRAFT BUDGET: TARIFF AND RATES POLICY

The Stellenbosch Agricultural Society as a result of the IDP sector engagements held during December 2018 and April 2019 hereby comments on the Tariffs and the Rates policy 2019/20.

RATES POLICY:

The Agricultural Society is appreciative of the property tax rebates for NPO's as indicated in the Rates Policy, and has been successfully applying for this discount for several years. Please take cognisance of the fact that the Agricultural Society under a federal structure is affiliated with Agri Western Cape and Agri SA. Since the society is functioning as a Society in terms of a Federal Structure that is acknowledged by Provincial and National Government, formal registration as an NPO has never been required. It is therefore requested that the Municipality recognise the status of the Society accordingly.

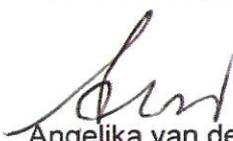
Regarding the requirements for qualifying for the tax rebate, however, it may sometimes be problematic for the Agricultural Association to meet the R1 million revenue/income limit. The association is also aided annually in collecting membership fees for Agri Western Cape, and assists SANW and IPW on an agency basis with applications for wine competitions and course fees, as well as organising and hosting the Farm Worker of the Year Regional



Competition on behalf of the Western Cape Department of Agriculture. This administrative support can sometimes increase revenue of the Society to more than one million rand, but it does not form part of net income of the Society. It should also be mentioned that the premises for which tax rebates are concerned has historical buildings on the property, and it is thus essential and imperative to maintain the buildings as best as possible in order to conform to prescribed requirements. You are requested to take into account the above when the Society applies for the tax rebate.

We trust that the Stellenbosch Municipality will favourably consider the above request and recommendations, and we kindly await your feedback in this regard.

Yours faithfully,



Angelika van der Merwe

MANAGER: STELLENBOSCH AGRICULTURAL SOCIETY

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2016-05-06

The Director: Planning and Economic Development
58 Andringa Street
STELLENBOSCH
7600

COMMENTS: DRAFT POLICY ON THE MANAGEMENT OF AGRICULTURAL LAND

The Stellenbosch Agricultural Society representing organised agriculture in the Stellenbosch Municipal area of jurisdiction, hereby provides its comment on the "Draft Policy on the Management of Agricultural Land" as advertised in the Eikestad News dated 8 April 2016.

The said publication follows on the Resolution of the Stellenbosch Council taken on 2016-01-27 that read as follows:

"37 TH COUNCIL MEETING: 2016-01-27: ITEM 7.9 During deliberations on the matter, the Speaker undertook to allow more time for debate on the Policy in the next Council meeting. On a request by Councillor AT van der Walt to rectify mistakes in the Policy, the Speaker reiterated that he will not allow further debate on the Policy, but urged the Councillor to submit his inputs to the Acting Municipal Manager for inclusion in Mayco and for further debate in the Council meeting at the end of February 2016.

RESOLVED (nem con)

- (a) that the Draft Agricultural Land Reform Policy be adopted, in principle;
- (b) that the legal inputs be obtained before this Policy go for public comment; and
- (c) that the said Policy be advertised for public comment, where after same be re-submitted via Mayco to Council by end February 2016 for consideration and conclusion."



With reference to the above (refer to resolution b) and upon further scrutiny of the February and March 2016 Council minutes it is our understanding that the comments of the legal department has not been obtained. The Stellenbosch Agricultural Society expresses their concern in this regard with emphasis on the contractual agreements and lease conditions embedded in the existing long term lease agreements. The input from the legal department is therefore considered a vital and important component in order to protect the contractual agreements of the long term lessees of which many are members of the Society.

The Stellenbosch Agricultural Society, during 2014 actively participated in an extensive Participatory Appraisal of Competitive Advantage Process (PACA). In terms of the said process several projects were identified and expectations were created in addressing the challenges to stimulate and sustain the rural economy. Effective communication with the relevant project co-ordinators should be encouraged to ensure alignment with the projects identified in the PACA process.

The Society is furthermore seriously concerned about the 12-step approach as proposed in the draft policy, i.e. process to acquire land. The proposed approach only at the latter stages (step 10 and 11 from 12) recognises the role of the strategic partner/mentor. It is our opinion that this arrangement must be in place prior to bid evaluation and adjudication.

In terms of the draft policy it is mentioned that the municipality does not have the capacity to monitor and evaluate the progress of every piece of allocated land and that it therefore will adopt the modus and condition of Rural Development and Land Reform. In this regard a Strategic Partner (selected from a list of approved service providers and financed by the Department of Rural Development and Land Reform) must be contractually involved to ensure long term sustainability. This is considered a re-active approach and it is proposed that the list of Strategic Partners /registered service providers be made available prior to land acquisition in order to optimise potential linkages with the established commercial farmers as well as other full value chain agricultural support entities. The strategic vision and principles of the Stellenbosch Municipality as defined in terms of the approved Integrated Development Plan (IDP) specifically emphasise the importance of local economic development, promotion of tourism, job creation, sustainable food production, food security and heritage conservation. The Stellenbosch Municipality, in terms of their IDP, firmly recognise and acknowledge the fact that they must create an environment that is conducive to enterprise and business related development. The objectives and outcomes of the policy should follow a pro-active approach in order to enhance sustainable farming and/or agri-bussinesses.

It is important to note that several LRAD (Provincial Department of Agriculture) projects have already been identified on existing leased agricultural land, but could not be implemented

due to red tape and the discontinuation of certain programmes. Many public funding and planning were already invested in possible land reform projects. It is therefore requested that the Municipality communicate with the relevant project co-ordinators, in order to assist existing beneficiaries residing on farms to proceed with possible BEE farming entities.

It is also herewith stressed that the municipality must take responsibility to maintain and manage Council owned property i.e. agricultural land which is not leased. This will require an operational budget to address illegal land invasion, fire protection and alien plantation management. Such a compulsory operational cost or expenditure per hectare (ha) by the municipality to maintain their property should also be taken into account in the municipal budget.

Since the availability of water remains an obstacle to achieve sustainable farming units it is also recommended that the Winelands Water Association be involved in planning for future water needs.

The informal invitation to the Farmworker Forum and Agricultural Society, to attend a public meeting on 5 May 2016 at the SEDA office was only received on 4 May 2016. This was unfortunately too short notice to arrange representation at this meeting. Since the policy might have an impact on existing and proposed future farming operations on leased land, it is requested that the respective department by means of a workshop engage with all the long term lessees including existing BEE enterprises with the relevant experience and knowledge as well as other stakeholders (e.g. Winelands Water Association) for collaboration and input prior to the final submission of the policy to Council. This might even encourage existing landowners to be part of a more efficient transformation process. Existing BEE projects could also contribute to best practise and possible pitfalls.

The Draft Policy on the Management of Agricultural Land in our opinion rather reflects an approach/procedure towards the alienation and or lease of municipal agricultural land. It cannot be considered as a policy since it shows little and/or no information on how the productive utilisation of agricultural land can contribute to rural economic development.

It is trusted that the above will assist and that it will inform the finalisation of the document.

Receipt of acknowledgement of this letter will be appreciated.

Yours faithfully

A handwritten signature in black ink, appearing to read 'APM Van der Merwe', written in a cursive style.

APM VAN DER MERWE

GENERAL MANAGER

STELLENBOSCH AGRICULTURAL SOCIETY

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2019-04-29

The Municipal Manager
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COMMENTS: REVISED 4TH GENERATION IDP 2017/2022 – SECOND REVIEW MARCH 2019

The Stellenbosch Agricultural Society (including the Stellenbosch Farmworker Forum) representing organised agriculture in the Stellenbosch area hereby formally provides their comments on the Revised 4th Generation IDP 2017/2022 – Second Review March 2019.

The Society over the last eight (8) years has submitted comments on the IDP and more recently on the first review of the IDP process. Although some of the comments of the Society have been included in the Second Review documentation it remains a concern that valuable inputs of organised agriculture has still not been acknowledged. It is however trusted that our comments on the Second review will be considered in achieving the desired outcomes with special emphasis on farm worker housing, land reform and sustainable food production.

FOCUSSED INPUTS/COMMENTS AS PART OF SECOND REVIEW

1. RISK MANAGEMENT (REFER TO PARAGRAPH 2 OF DOCUMENT)

Strategic Risk 2 - Growth in demand for housing exceeds the resources available for development



Input:

There is very little municipal land available in and surrounding rural nodes like Koelenhof, Vlottenburg, Raithby and Lynedoch. The Municipality in this regard as part of the IDP process must encourage and promote the establishment of private partnership as strategic tool to make land available for mix use and farm worker housing (e.g. Meerlust, Spier, Lynedoch, Simonsig and Watergang).

Strategic Risk 9 – Losing the historic value of Stellenbosch**Input**

New vineyard establishment has decreased approximately with 10% over the last few years with declining profit margins in relation to other production areas. These detrimental economic circumstances currently associated with the production and wine industry can lead to an ever changing rural environment to the detriment of the town, the historical and cultural landscape. Possible incentives for the establishment of new vineyards and conservation of historic farm homesteads should be implemented.

Emerging Risk (ER1) – Climate change**Input**

Encourage the implementation of renewable energy initiatives (wind and solar) farms, water saving mechanisms etc.

2. STRATEGIC PARTNERS (SECTION 2.9)

The Stellenbosch Municipality in terms of the IDP document acknowledge and recognise the important role that partnerships play towards the development mandate of the Municipality as well as priority setting, resource allocation and development planning.

The Stellenbosch Agriculture Society and Stellenbosch Farm Workers affiliated with Agri Western Cape and Agri-SA should be included as strategic partners since the said organisation represents organised agriculture in the Stellenbosch area.

It is also noted that no mention is made about the important role of the Wynland Water Users Association. The said association is responsible for the provision, allocation and management of water from the Theewaterskloof water scheme, the withdrawal of water from the Eersteriver and Plankenburgen rivers as well as the

management of the respective water distribution networks. The Wynland Water Users Association must be included as a strategic partner.

It is also requested that the Stellenbosch Wine Route be included as strategic partner in order to promote Wine and related tourism and value chain benefits to the town.

3. ECONOMIC OUTLOOK (SECTION 3.3.6 OF DOCUMENT)

Extracts from IDP

“The Stellenbosch Municipal area has a large farming community; the agriculture forestry and fishing sector contributed 14.7% to employment in 2016 making it the 3rd largest contributor to employment.

The manufacturing sector in the Stellenbosch Municipal area is highly reliant on the agriculture, forestry and fishing sector, as 40% of the manufacturing sector activities are within the food, beverage and tobacco subsector.

INPUT A

The IDP document highlights and specifically recognised the role that **Agri-Parks (Section 3.3.7)** can play as a key economic contributor in the Stellenbosch rural area. Due to the importance of the agricultural value chain, initiatives such as the Agri-Park Programme have the potential for widespread economic benefits since it will not only support farming activities but also promote local processing. Not only will these development support and generate new farming activities, it will also stimulate the economy through the construction sector, the manufacturing sector (forward and backward linkages), the wholesale and retail trade, catering and accommodation sector and the transport, storage and communication sector, contributing to economic growth and employment creation.

The Cape Winelands District Rural Development Plan (CWDRDP) has been prepared specifically to ease integration of the Agri-Park initiative and accompanying Department of Rural Development and Land Reform (DRDLR) projects into various Local Municipality and District Integrated Development Plans and Spatial Development Frameworks. The purpose of the Agri-Park initiative is to serve as catalyst for rural economic development ensuring development and growth in order to improve the lives of all communities in the District.

In terms of the IDP document the following is noted:

- Council has approved the implementation of the Farmer Production Support Unit in Stellenbosch
- 65 ha has been made available under lease of this initiative (Portion BH1 of Farm 502 and Portion BH2 of Farm 502)
- 10 emerging farmers have entered into individual lease agreements with the Municipality in terms of Agri-Parks Master plan developed by Urban Econ
- Funding has been obtained from the Department of Agriculture for the installation of a water pipeline.

INPUT B

The Society in collaboration with the Stellenbosch Farm Worker Forum as part of the land reform agenda expresses their support for emerging farmer development on municipal land that is earmarked for agricultural purposes. The Society in collaboration with the Stellenbosch Farm Worker Forum however remains concerned that the mere allocation of land parcels will negatively impact on commercial agricultural production. In this regard it is recommended that recognition be given to existing farm workers who have the required experience, training, knowledge and management skills of farming operations and practices.

The Agri-Park Initiative, in terms of the LED strategy (Strategy 6) has been recognised as the primary driver to facilitate rural development and farm worker support. The Municipal Council subsequently approved a Policy on Management of Agricultural Municipal Land. The aim of the policy is to provide access to land to emerging farmers and the establishment of an Advisory Body to advise the Municipality on the development of its agricultural land. The Stellenbosch Agricultural Society during 2016 (refer to Appendix 1) submitted detailed comments on the draft policy and forms part of the Strategic Committee. The contents (Appendix 1), still remains a great concern to the Society. In this regard it is recommended that the implementation of the final approved policy be workshopped with all interested and affected parties (individual lessees and adjacent landowners and farmworkers). This will ensure understanding and better insight the surveys that are currently being undertaken on the farms.

Despite many requests The Stellenbosch Agricultural Society as well as the Water Users' Association being part of the Strategic Committee has unfortunately to date

not been informed on the progress of sustainable allocations of land to qualifying beneficiaries.

As organised agriculture, we are concerned that the project will not achieve the objectives of the Agri-Park initiative, i.e. - to serve as catalyst for rural economic development ensuring development and growth in order to improve the lives of all communities in the District.

INPUT C

It is recommended that the unemployment data base also makes provision for farm workers as well as qualified agricultural workers so as to promote the data base to the agricultural industry in order to access provide job opportunities to local residents.

3 SPATIAL DEVELOPMENT FRAMEWORK, INTEGRATED HUMAN SETTLEMENTS PLAN AND HOUSING PIPELINE (SECTION 6.3.1 OF DOCUMENT)

The Housing Pipeline that serves as the housing implementation strategy of the Municipality was approved by Council in March 2018 as indicated in the report. In terms hereof specific provision on policy level was made for Mix use housing to cater especially for formalised home ownership in respect of farm worker housing.

The Spatial Development Framework as set out in Chapter 6.3 of the Revised 4th Generation IDP document **is not aligned with the housing pipeline** as there is no spatial indication and/or areas earmarked to accommodate farm worker housing. The approved revision of the housing pipeline in March 2018 furthermore excludes and does not provide for any form of farm worker housing as part of the priority projects, upgrading of informal settlements and community residential units. In light of the above default the Society and the Farm Worker Forum hereby requests that the following be included as part of the SDF and Integrated Human Settlement Plan/Housing Pipeline:

- That provision is made to incorporate farm worker housing as part of the sectoral planning envisaged for the housing projects in the town and more specifically the identified rural nodes. In this regard it is proposed that at least 20% of the residential opportunities be ring fenced for farm worker/inhabitants housing;

- That the Spatial Development Framework be amended to incorporate De Novo as a rural node in support of emerging farming development, training and formal farm worker/inhabitants housing. The Society therefore strongly believes and proposes that the De Novo area be re-instated as an area for development opportunity as part of the SDF process. The development of De Novo as part of the IDP has also been prioritised by the relevant Ward Councillor (Ward 19 Councillor Jan Hendrikse), but it is still not reflected in the SDF proposals.
- That the Spatial Development Framework includes Faure Agri Village (Meerlust), Simonsig Farm, Watergang as well as a portion of land earmarked for development adjacent to Jamestown to cater for farm worker housing.
- That the Municipality as part of this revision process express their committed support to the Agri Housing Settlements NPC that in collaboration with several Agricultural Societies has been established and registered with the Social Housing Regulating Authority (SHRA) as a Social Housing Institution (SHI) to address the dire needs of farmworker housing in the Western Cape and more specific the Stellenbosch area. The proposed Meerlust farm worker development can serve as an excellent pilot project in this regard.
- The Rural Area Plan that was commissioned during 2015 is not included as strategic component of the SDF in terms of the current review process. The Agricultural Sector considers this as a very important strategic document in actively addressing the priorities and needs of the rural community. It is therefore imperative that the status quo document that depends on information assembled from 2016 be updated in consultation with the Society as part of the 2019/2020 SDF process. Recent factors for example severe drought and economic influence on the sector are not included in the Sector Document and should therefore be updated accordingly.

4. IDP STRATEGIC FOCUS AREAS

4.1 SAFEST VALLEY

The Society as well as the Farm worker Forum remains concerned of the increased crime rate that is experienced in the rural area. Although there is good

co-operation with the local SADP the lack of personnel and visible policing is still a key problem.

Farmers and farm workers are working together but there is a dire need for a centralized platform in order to ensure integrated and efficient communication and distribution of relevant information. The establishment of the Stellenbosch Safety Initiative is a positive response and shows commitment from the Municipality in addressing the safety and security issue. There is however a lack in the rural areas especially with the demarcation of functional areas and support for the respective neighborhood watches. The installation of cameras on critical areas on the rural road network that are linked to the central operation center can play an essential and important role towards safety and security in the rural area. The Society in this regard can also assist in procuring License Plate Recognition cameras (LPR) to be installed on strategic locations. The compilation of an integrated strategic plan prioritizing locations in the rural area will support the sourcing of private funding in order to ensure an efficient system in the greater municipal area

4.2 GREENEST VALLEY (RESOURCE CUSTODIANSHIP)

In order to ensure high quality production and agricultural products it is essential and of vital importance to prevent pollution of the rivers and catchment areas. The upgrading of the Waste Water Treatment Works and River Rehabilitation Plans remain a key factor in this regard.

New vineyard establishment has decreased approximately with 10% over the last few years with declining profit margins in relation to other production areas. These detrimental economic circumstances currently associated with the production and wine industry can lead to an ever changing rural environment to the detriment of the town, the historical and cultural landscape as well as sustaining the employment opportunities that benefit from the agricultural sector. In order to maintain the Winelands landscape it is emphasized that the Municipality implement incentive schemes to ensure establishment of new vineyards and the restoration of historical farm buildings.

5. CONCLUSION

The agricultural sector with multi-plier economic benefits as identified in terms of the IDP 2017/2022 review document is of key priority for the sustainable

development of the Stellenbosch Municipal area. The Stellenbosch Agricultural Society and the Stellenbosch Farm Worker Forum firmly believes that this scenario can be strengthened through a mutual partnership between organized agriculture and the Stellenbosch Municipality.

In the light of the above it is trusted that the Municipality will consider and include the comments of the Stellenbosch Agricultural Society as part of 4th Generation IDP 2017/2022 Second Review process.

YOURS FAITHFULLY

A handwritten signature in black ink, appearing to read 'A. van der Merwe', written in a cursive style.

ANGELIKA VAN DER MERWE

FRIENDS OF STELLENBOSCH MOUNTAIN



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Comments on the 2019 Draft Integrated Development Plan

30 April 2019

1 Updating of Sections 6.3.1 and 6.3.2 of draft IDP

- 1.1 Sections 6.3.1 and 6.3.2 of the Draft IDP pertaining to the MSDF resemble those of the IDP revision approved in May 2018, but they do not reflect the important reality that a new 4th generation MSDF will be tabled and approved in May 2019. The text of the 2018 IDP is in part incompatible with this new 4th generation revision of the MSDF.
- 1.2 It was communicated to us that policy and/or regulations as enforced by Province make it impossible to effect text replacement. A distinction was made between “amendments” to an IDP and a “review”. We understand that policy and regulations should be obeyed. However, there is ample precedent for such larger revision in the draft 2019 IDP itself, which apparently do not trigger problems at all. Here are some examples:
 - a. The section *Contents-Revisions* of the 2019 draft IDP itself lists extensive rearrangement of content compared to the 2018 version. That apparently is not prohibited.
 - b. Section 6.3.2 of the 2019 draft IDP already differs fundamentally from the 2018 IDP. Example: three 2018 paragraphs were left out of what is now item (b) of Section 6.3.2.
 - c. Most important of all, the 2018 IDP contains **five pages of concepts** following the heading *Overarching concept*; see pages 49–54 of the 2018 IDP. These five pages have been summarily removed in the 2019 draft IDP, where item (c) of Section 6.3.2 starting with the same *Overarching concept* has been reduced to eleven lines! This is unacceptable as it eliminates almost all reference to overall concept or principle when in fact these are critical.
- 1.3 **The conclusion is clear: there appears to be no basis in law or policy which would prohibit including Section 4.1 (Vision) and Section 4.2 (Concept) of the draft 2019 MSDF into Section 6.3.2 of the draft 2019 IDP.**
- 1.4 **We call on the IDP administration to (a) delete the current Sections 6.3.1 and 6.3.2 of the 2019 draft IDP and (b) insert Sections 4.1 and 4.2 of the 2019 draft MSDF in their place.**

2 Comments on the CITP

- 2.1 We are forced to insert comments on the Comprehensive Integrated Transport Plan (CITP) into the IDP comments here because there appears to be no separate channel making provision for public input into the drafting of a CITP revision.
- 2.2 The matter is urgent because it has been stated repeatedly in public fora that revisions to the CITP are underway.
- 2.3 The purpose of the present comments is to emphasise that **the IDP and MSDF** (and of course all other relevant legislation) **is required to inform and determine the CITP in all its aspects**. The basis for this requirement is broad and solid:
 - a. Section 8.1 of the National Land Transport Act Minimum Requirements for the Preparation of Integrated Transport Plans, 2016 (“MinReq 2016”) states that the CITP must be prepared *with due regard for to, relevant integrated development plans, and must comply with the Spatial Planning and Land Use Management Act and other applicable national and provincial laws.* (“SPLUMA”)
 - b. According to MinReq 2016, there should be a *total overhaul every 5th year* of a CITP (see Page 9). It has been mentioned repeatedly in public meetings that the Stellenbosch CITP is being revised; however, no draft has ever been published for public comment or participation.
 - c. Section 5.1 of MinReq 2016 states that *The overhauling of a plan every fifth year means that every aspect of the plan must be re-examined to see if it is still up to date, revised and updated where necessary, and relevant new aspects must be added.*
 - d. Also, MinReq 2016 requires that Chapter 4 of a CITP must be closely aligned with the SDF. We quote from Page 15 of MinReq 2016:

Integrated Development Plans (IDPs) encapsulate all aspects of development planning and service delivery in municipalities. A spatial development framework (SDF) must form an essential component of every IDP, reflecting geographically the municipality’s strategy for delivering infrastructure and services in a sustainable and cost-effective manner. . . . The SDF must be aligned with the ITP for the area, and in turn the SDF must be taken up in the ITP, clearly showing existing and intended transport corridors and nodes, and areas earmarked for mixed land use and densification in support of public transport. The SDF should also indicate the municipal land use strategies that will be used to discourage urban sprawl and the dispersal of activities making them dependent on travel by car. The CITP should indicate the specific measures proposed in the SDF to support public transport and to ensure that transport services may be carried out in a sustainable and cost-effective manner. The SDF so included in the CITP will give explicit effect to section 38 of the Act, which empowers the planning authority to manage any change or intensification of land use which deviates from that specified in the SDF.
- 2.4 The current CITP review therefore **must** be aligned with the new MSDF and IDP rather than evolve independently.
- 2.5 The currently available (year 2013) CITP is in parts incompatible with the draft 2019 MSDF and the IDP, and SPLUMA was only promulgated in 2013.
- 2.6 There should be a public participation process on the CITP review.

FRIENDS OF STELLENBOSCH MOUNTAIN



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Addendum to “Comments: Revised 4th Generation Draft Integrated Development Plan 2019/20”

6 May 2019

1 Summary

- 1.1 A budget line item on the “Schuilplaats Road Link”, project 712979131, was inserted into the draft MTREF with no knowledge disseminated or information provided on it. It lived a secret existence until it surfaced as line item *Eastern Link Road Wildebosch - Trumali Rd* for R2,000,000 on a slide presented at the Ward 21 IDP meeting on 2 May 2019; see Appendix A. The re-editing points to a serious attempt to divert funds from an extension of Schuilplaats Road to Trumali Road to the planning and construction of a link between Wildebosch and Trumali Roads.
- 1.2 We set out in great detail in Section 3 and Appendix D how two small development proposals, those for Portion 1 and Portions 2/3 of Farm 372 (smallholdings along Paradyskloof Rd) are being leveraged for two larger purposes, namely
 - a. to leverage the current small Farm 372 developments for leapfrog goals of developing Farms 1049 (upper Brandwacht) and parts of Farm 369/R (Waterworks) and ultimately probably also Farms 369/P and 370, and
 - b. to leverage the situation towards constructing one of the four necessary segments which together would form the Eastern Link Road between Techno Park and Jan Marais Park in town.
- 1.3 The re-wording of project 712979131 to refer to Wildebosch Rd rather than Schuilplaats Rd would provide significant support to both of those goals.
- 1.4 The spatial detail of this agenda is set out in Figure 1 below. The original Farm 372 proposal would have required no additional road construction at all. After intervention by the provincial Department of Transport and Public Works (DTPW), the Schuilplaats–Trumali link was imposed on the developer and the municipality; see route L3a in Figure 1. Route L3b as decided by the Municipal Planning Tribunal was ill-conceived as it did not take into account the existing approvals of DEADP and the municipality.
- 1.5 Corresponding to the re-worded budget line item, Route L3c between Wildebosch and Trumali Roads would form part of the notorious Eastern Link (also called Eastern Bypass, or North-South Road, or Main Road 169).

- 1.6 The Department of Transport and Public Works (DTPW) of Western Cape Provincial Government has to date played a very disruptive role, possibly an unlawful one. In terms of legislation, DTPW can and must administer the R44, and any development proposal which influences the R44 must obtain comment from it. The DTPW has, however, gone far beyond its mandate (the R44) to impose conditions on approval which pertain to roads over which it has no authority.
- 1.7 It appears that DTPW and indeed even the compilers of the municipal MTREF are either unaware of, or in contempt of, the MSDF spatial proposals pertaining to the roads network. The DTPW even went so far as to *strongly recommend* the construction of the Eastern Link Road while the current and previous MSDF and IDP explicitly recommend no major new road construction. See Section 3 for further details on legal authority issues.
- 1.8 The budget line item on Schuilplaats/Wildebosch is therefore incompatible with the IDP and MSDF. FSM strongly recommends that **project 712979131 from the draft MTREF 2019/20 be deleted altogether** whatever its description (Schuilsplaat or Wildebosch Road) and that **the R2,000,000 are re-allocated to project 712979131 to rather fund sustainable NMT and transport infrastructure in Stellenbosch**. This would be in line with the stated IDP and MSDF goals and principles and reflect the road networks shown in those documents.
- 1.9 At the root of all problems lies the proclamation in the early 1990's of a "Main Road 169", which has been called the *North-South Road*, the *Eastern Bypass* and now latterly the *Eastern Link Road*. As again exemplified by the Farm 372 proposals, the Main Road 169 proclamation has been abused many times by many development proposals to justify unsustainable solutions to the traffic problems. This project, which has been on the planning books for thirty years, is no longer compatible with the current and future realities of transport and traffic planning. It should be scrapped. **FSM calls on Stellenbosch Municipality and Western Cape Provincial Government to bury the Eastern Link Road project and to deproclaim Main Road 169.**
- 1.10 **FSM calls on the Western Cape Provincial Government and DTPW in particular to start supporting sustainable transport and NMT projects** rather than continuing to impose a roads agenda on Stellenbosch which is incompatible with national, provincial and local legislation and plans.
- 1.11 The municipal directorate of Engineering services and was until recently happily proceeding with revisions and implementation of a so-called Roads Master Plan (RMP). However, neither the Schuilplaats extension nor the Eastern Link Road or any of its segments any appear in any of the current major municipal planning instruments, including the Stellenbosch Integrated Development Plan (IDP) and the Stellenbosch Municipal Spatial Development Framework (MSDF). The RMP is subordinate to legislation and specifically the MSDF and CIP and has no legal status of its own. **FSM calls on the all branches of the municipality to know, respect and implement the municipality's own major planning instruments rather than sabotaging them in the way the MTREF line item would.**
- 1.12 Finally, FSM calls for an investigation to determine how the text of a MTREF line item was redacted and the money thereby re-allocated to a different purpose. As set out below, a *Schuilsplaat Road Link* is not the same as a *Eastern Link Road*.
- 1.13 If there is absolutely no way to avoid implementing a road link between Paradyskloof and Trumali Roads, it should be done **exclusively** on the Schuilplaats Road extension. This route (L3a in Figure 1 below) has been approved by various authorities, while all others would require

new approval and would have significant negative physical and legal consequences. We note that the Environmental Impact Assessment was conducted only for the proposed Schuilplaats Road and the DEADP Record of Decision makes reference only to any other road route.

2 The MTREF Line item “Schuilsplaat Road Link”

- 2.1 At an IDP public meeting for Ward 21 residents held on 2 May 2019, important new information was made public: a mysterious line item appeared on Slide 32 of the presentation which is reproduced in Appendix A below. Slide 32 was clearly prepared with a view to Ward 21 with those MTREF line items selected which had particular relevance to Ward 21.
- 2.2 The other Ward 21-relevant line items on Slide 32 had been shown several times before, but the item entitled *Eastern Link Road Wildebosch - Trumali Rd* for R2,000,000 was new. It had not appeared in a similar presentation made to the Ward 21 committee on 16 April 2016, nor the Mayor’s Budget Speech. A search of the full draft Medium Term Revenue and Expenditure Framework 2019–2022 (“MTREF”) yielded no item of the same wording. Only on a detailed search did it become apparent that the *Eastern Link Road Wildebosch - Trumali Rd* item was probably identical with *Project 712979131* of the draft MTREF, appearing on pages 117 and 188, where it is entitled *Schuilsplaat Road Link* (sic). The misspelling of *Schuilplaats* as *Schuilsplaat* appears in the original MTREF document.
- 2.3 The item raises many important questions and issues. We firstly note that the item seems to have been inserted into the MTREF without the knowledge or approval of the Ward 21 councillor, because it was not presented at the ward committee meeting. It was certainly never mentioned or discussed at any Ward 21 committee meeting.
- 2.4 It also seems that the “Schuilsplaat” item was redacted by whoever compiled the IDP presentation to refer to *Wildebosch Road*, not *Schuilplaats*. This is highly significant, as will emerge below.
- 2.5 The phrase *Eastern Link Road*,’ edited into Slide 32 by an unknown hand, refers to a long-standing proposal for a new road to be constructed east of the R44. While various versions exist, the proposal typically envisages a roadway from the Technopark-R44 intersection across the foothills and descending east of the Dalsig suburb towards the Eerste River. For a better description, we divide it into four segments or “links” L1, L2, L3 and L4 as indicated in Figure 1 below. Link L2 already exists in the form of Wildebosch Road in Paradyskloof. Links L1 and L4 exist on paper in the various proposals. Link L3 is the subject of the present Addendum.
- 2.6 Before returning to the technicalities of alternative links L3a, L3b and L3c, we evaluate the MTREF line item in the light of the present draft IDP and draft MSDF. Both the IDP and MSDF set out in great detail the principles, visions and objectives of spatial planning conformant to the relevant legislation such as the national Spatial Planning and Land Use Management Act (SPLUMA, 2013), the subordinate provincial Land Use Planning Act and the municipal Land Use Planning By-Law, as well as all the other relevant legislation listed in the appropriate chapters of the IDP and MSDF. **The inclusion of this line item is a direct violation of the draft IDP, the draft MSDF as well as the principles of the MSDF and IDP of earlier years.**
- 2.7 Extracts of a revised draft *Roads Master Plan* (“RMP”) were presented at a Mobility Forum meeting in September 2018 and were immediately disputed. FSM on 5 October 2018 sent a detailed letter to the Mayor and Municipal Manager on the RMP and will not repeat the arguments here. Suffice it to say that the RMP is a subordinate sector plan with no

legal status of its own. The RMP does not form part of the present or past IDP or MSDF and can, at best, only be used as a source of technical information. It certainly cannot determine what goes into the MSDF or IDP and it certainly cannot override their principles, goals and strategies. The RMP and its recommendations therefore cannot be understood to justify the inclusion of any aspect of the Eastern Link Road or any part of it into the MTREF.



Figure 1: Present and possible future links towards an unlawful “Eastern Link Road”

Key:	
372	Portions 1/2/3 of Farm 372
L1	Future link road between Technopark and Wildebosch Rd
L2 = W	Wildebosch Rd, one of the four links
L3a	Original route proposed by developer
L3b	Route specified by MPT
L3c	Route apparently now being planned
L4	future link which would complete the entire Eastern Link Road
S=Schuilplaats T=Trumali Rd, P=Paradyskloof Rd, B=Blauwklippen Rd	

3 The Farm 372 development, developers and DTPW

In this section, we set out how two small development proposals are being leveraged for the ulterior purposes leading to redaction of the MTREF line item.

- 3.1 During 2016 and 2017, two development proposals were launched with respect to Farm 372, one pertaining to Portion 1, the other to Portions 2 and 3. The three portions are smallholdings along Paradyskloof Road and are within the urban edge.
- 3.2 The sequence of communications is set out in detail in Appendix D.
- 3.3 An initial developer-funded traffic impact assessment in 2016 found no need for road construction to accommodate the additional traffic generated by the aspiring developments.
- 3.4 However, DTPW expressed concerns about the traffic impact and then proceeded to exceed its powers. The two letters by DTPW are reproduced in Appendices B and C. Of critical importance are items 6.2 and 7 in the letter of 5 April 2017 (which correspond word for word to items 6.2 and 10 of the letter of 13 April 2017). They read

This Branch [of DTPW] offers no objection to the proposed development [...] subject to the following conditions: [...]

6.2 The extension of Schuilplaats Road up to Trumali Road must be implemented as part of this development; [...]

7. This Branch strongly supports the suggested extension of Wildebosch Road to link with the extension of Trumali Road and should be a priority for implementation by the Municipality which will together with the extension of Wildebosch Road to the Techno Park access on the R44 alleviate congestion at the Blaauwklippen Road and Paradyskloof Road on the R44. The extension of Wildebosch further north should also be considered to provide a parallel alternative to the R44.

See Section 4 for an investigation into the legal implications of these quotes.

- 3.5 The route suggested in the quoted Paragraph 6.2 is identical to Segment L3a in Figure 1. The route suggested in Paragraph 7 is identical to segment L3c in Figure 1.
- 3.6 Following the DTPW letters **setting the precondition** that route L3a be built before the development could go ahead, a revised proposal was submitted early in 2017 which included the extension of Schuilplaats Road in Paradyskloof, northwards across a greenfield portion of Farms 369/P and 370 to link up with Trumali Road, as well as a partial closing of the R44/Paradyskloof Rd intersection. This was advertised and various authorisations were obtained pertaining to this (Schuilplaats-extension) version. See route L3a on Figure 1.
- 3.7 Following two meetings of the Municipal Planning Tribunal, the Municipality conveyed in a letter dated 3 July 2018 to the developers a partial approval and a set of conditions. Pertinent to the present are conditions 4.3 and 4.4 requiring that the developments obtain access from Trumali Road (rather than Paradyskloof Rd) via a shifted road link to Trumali Rd; see route L3b on Figure 1.
- 3.8 The developers both appealed the decisions. In their appeals, the developers point out that route L3b has no precedence and question the authority of the MPT to impose a condition which is external to the development itself. The current status of the appeal and possible legal action is unknown to us.

3.9 FSM cannot support any of the road links between Paradyskloof and Trumali Roads. The opposition is based on the MSDF and IDP. Given the long and error-prone history of these developments, it may have to be that at least the original Schuilplaats Road extension must now be implemented. Of the three bad alternatives L3a, L3b and L3c, it represents the one which least deviates from the principles and strategies of the MSDF. FSM has, however, little sympathy with the Farm 372 developers with their self-serving, low-density, gated-estate, fossil-age proposals born from greed.

4 Assessment

- 4.1 We return to the quote from the DTPW letter as reproduced above and in Appendices B and C. The two letters show that, since the initial application had made reference to the (provincial) road R44, the DTPW considered itself empowered to **require** the construction of a (non-provincial) road link (L3a) between Paradyskloof and Trumali Roads **as a precondition for approval**. Not only that; the DTPW went further in *strongly supporting* an option (L3c) which had not been part of the application at all.
- 4.2 Powers of overall planning and strategy of spatial development in general and roads in particular rest with the legislation (national, provincial and local) and related policy and regulation. Of particular pertinence would be the MSDF and the Comprehensive Integrated Transport Plan (CITP). The DTPW letters make no attempt to consider or even make reference to, and thereby have no respect for, the Stellenbosch IDP or MSDF or CITP. The DTPW letters do not provide reasons or legal grounds based on higher-order legislation either; they simply impose conditions and make recommendations without giving reasons or legal basis. **The DTPW has thereby been acting *ultra vires***, ie beyond its powers which pertain to the R44 only. Paragraphs 6.3 and 6.4 of the letter pertain directly to the R44 and can therefore be considered lawful. By contrast, Paragraphs 6.2 (extension of Schuilplaats Rd), 6.5 (development construction may only commence once the extension has been completed) and Paragraph 7 are probably unlawful.
- 4.3 It gets worse. The recommendations of the DTPW letters appear to be based on the confluence of ulterior motives of two different entities. These agendas are, if not actively conspiratorial programmes of action, then at least strong psychological biases. The entities are the DTPW itself and Stellenbosch development opportunists.
- a. The DTPW has legal authority not only over the R44, which in the legal parlance is called *Main Road 27*, but also over *Main Road 169*. The latter was proclaimed late in the 1980's and is the technical name for the Eastern Link (or North-South Road) now re-appearing in the MTREF item. As a *Main Road*, that future route would also fall under the legal authority of the DTPW, not the municipality. In this light, the *strong recommendation* in Paragraph 7 of the DTPW letters is exposed as an attempt to bring to fruition a project which the DTPW would continue to control and which in future it could upgrade and change at will — as DTPW is currently doing with the R44 “upgrades”.
 - b. There are clearly multiple opportunities for aspiring developers associated with the construction of Main Road 169. Not only would contractors benefit from the construction work itself, but the road would open up surrounding areas — currently vineyards, agriculture and renosterveld — for development by arguing for “infill” and “densification” a few years from now. Already the first steps have been taken in an attempt to extend the Urban Edge to include Farm 1049 Brandwacht as well as a 20 ha portion of the nature area on Farm 369 near the Paradyskloof waterworks, on land owned by the Municipality itself.

4.4 Examples pervade the Farm 372 development proposals of the consultants and developers always keeping a keen eye on the future opportunities of the *Eastern Link Road*. See the letters by ICE Engineering, Hennie Du Plooy, the development proposals themselves and of course the traffic impact assessments themselves. Here by example is a quote from the letter of 2018-06-12 by ICE (see Appendix D for a full quote):

Alternatives to address the issues mentioned are, firstly, to construct a section of proclaimed Main Road 169 that runs from opposite the Techno Park intersection via Wildebosch Road towards the CBD.

4.5 This narrative has been so pervasive that even the MPT has fallen for it, asking questions about the Eastern Link Road details rather than questioning whether it appears in the IDP and MSDF in first place.

4.6 A similar pattern of behaviour played out with respect to the applications by Capitec for new headquarters in Techno Park and later for a parking garage. Private meetings were held between developers, consultants, municipal officials, and then DTPW simply imposed a condition that the R44-Adam Tas link road **must** be constructed, even though that link is not a provincial road.

5 Unlawful Comments Process

5.1 Notice was given on 4 April 2019 by means of the Eikestadnuus newspaper that the “Draft (Revised) 2019/20 Integrated Development Plan” (“IDP”) as well as the “Draft 2019/20–2021/22 multi-year Medium Term Revenue and Expenditure Framework” (“MTREF”) and revised budget-related policies were available for inspection and public comment. The notice was published in terms of 3(4)(b) of the Local Government Municipal Planning and Performance Management Regulations of 2001, Sections 21 and 42 of the Municipal Systems Act of 2000, and Section 22 of the Municipal Finance Management Act of 2003. The closing date for comments was specified in the Eikestadnuus notice as **30 April 2019**.

5.2 The ward-based IDP public participation meeting for Ward 21 was held on 2 May 2019, two days after the closing of the aforesaid comment period.

5.3 The IDP management appears to have realised (a little late) that it was probably unlawful to hold a public meeting requesting written input two days after the official closing date. An announcement was therefore made at the 2 May public meeting that comments could be submitted up to and including Monday 6 May, six days after the official deadline of 30 April published in terms of the legislation. Such ad hoc extensions are not provided for in the law and are therefore unlawful.

5.4 Written input was also requested at the 2 May meeting in terms of loose handwritten page submissions to be deposited into a “suggestion box” on site. As it was requested and obtained two days after the official comments deadline, such written input provided on the evening of the IDP meeting is also unlawful in terms of the notice published by Stellenbosch Municipality (“SM”) itself.

5.5 The opportunity for an extended comments period was, to our knowledge, not provided to residents in the entire WC24 municipal area. Residents of different wards were therefore not treated in an equitable manner.

5.6 All this would be a matter of irritation for the public and cause for a learning process for the municipality, were it not for the fact that, at that very Ward 21 IDP meeting of 2 May,

important new information was presented for the first time to the public, as dealt with in the first part of this Addendum.

- 5.7 Friends of Stellenbosch Mountain (“FSM”) had already submitted comments on the IDP in time for the 30 April deadline. Having become aware of this new information, FSM has been faced with the nefarious alternative of being accused of unlawful action itself: If, on the one hand, FSM were to ignore the (unlawful) extension of the comment period from 30 April to 6 May, it could be said that FSM had been provided an opportunity to comment but failed to do so. If, on the other hand, FSM were to submit further comment within the period after expiry of the lawful deadline of 30 April, it could be accused of thereby implicitly accepting the lawfulness of that extension.
- 5.8 Faced with that impossible choice, FSM has chosen to submit the present comments as an “Addendum” to the FSM comments submitted on 30 April. FSM explicitly denies that, in submitting this Addendum, it thereby accepts the lawfulness of the ad hoc extension and reserves its rights to follow up on the lawfulness or otherwise of this situation.
- 5.9 FSM will submit separate comments on the draft 2019 Municipal Spatial Development Framework (“MSDF”) in time for the MSDF comments deadline of 8 May 2019. If for some technical reason the present *Addendum* is not accepted as lawful comment on the IDP per se, then the present Addendum shall be deemed to also be a comment on the MSDF. It is thereby lawful.

A Slide 32 of the IDP public meeting, 2 May 2019

**2019 - 2021 MTREF Capital Budget
Ward 21**



Name	2019/20	2020/21	2021/22	MTREF Total
Technopark Access Road	5 000 000		-	5 000 000
Eastern Link Road Wildebosch - Trumali Rd	2 000 000		-	2 000 000
Reseal Roads Paradyskloof	1 000 000		-	1 000 000
Jamestown South Transport Network	1 000 000	2 000 000		3 000 000
Local Economic Development Hub Jamestown		-	4 500 000	- 4 500 000
TOTAL	45 700 000	54 980 000	40 500 000	141 180 000

B Letter from DTPW to SM, 5 April 2017

EXHIBIT
ATTACHMENT



ROAD NETWORK MANAGEMENT
Email: Grace.Swanepoel@westerncape.gov.za
tel: +27 21 483 4669
Rm 335, 9 Dorp Street, Cape Town, 8001
PO Box 2603, Cape Town, 8000

REFERENCE: 16/9/6/1-25/197 (Job 24662)
ENQUIRIES: Ms GD Swanepoel
DATE: 5 April 2017

The Municipal Manager
Stellenbosch Municipality
PO Box 17
STELLENBOSCH
7599

Attention: Mr U von Molendorff

PORTION 2 AND 3 OF FARM WELGEGUND 372, STELLENBOSCH: APPLICATION FOR CONSOLIDATION, REZONING, NAMING AND NUMBERING OF INTERNAL STREET, A PERMANENT DEPARTURE AND APPROVAL OF ARCHITECTURAL AND LANDSCAPING GUIDELINES

1. The following refer:
 - 1.1 The letter P3362 from TV3 Projects (Pty) Ltd for Application Number LU/4718 dated 26 January 2017;
 - 1.2 The King's View Residential Estate Development Application prepared by TV3 Architects and Town Planners dated 24 January 2017;
 - 1.3 The Traffic Impact Assessment (iCE/S/1146) prepared by iCE Group (Stellenbosch) dated 20 May 2016;
 - 1.4 The Traffic Impact Assessment Addendum (iCE/S/1146) prepared by iCE Group (Stellenbosch) dated 1 August 2016;
 - 1.5 The Traffic Impact Assessment Second Addendum (iCE/S/1146) prepared by iCE Group (Stellenbosch) dated 25 January 2017;
 - 1.6 The meeting held with iCE and ITS Engineers on 15 December 2017 at our offices, and
 - 1.7 The subsequent e-mail from Mr P van Blerk dated 16 December 2017.

2. This application entails the following:
 - 2.1 The consolidation of Portion 2 and 3 of Farm 372;
 - 2.2 The rezoning of the consolidated site from Agricultural Zone I to Subdivisional Area;
 - 2.3 The subdivision thereof into 40 Residential Zone I erven with an Open Space Zone II erf to establish an internal private road and private open space;
 - 2.4 A permanent departure to relax the internal side building lines from 2m to 0m, only for a garage, car port or outbuilding;
 - 2.5 The approval of the internal street name and street numbers and
 - 2.6 Approval of the architectural and landscaping guidelines.
3. Paragraphs 2.4, 2.5 and 2.6 above are for your Administration.
4. Main Road 27 (Strand Road) (R44), Divisional Road 1053 (Blaauwklippen Road) and Main Road 169 (Wildebosch Road) are affected by this application.
5. This Branch does not agree with the proposed distribution of the peak hour traffic in the TIA showing no trips being diverted to the R44 via Florida Road, Repens Road, Serruria Road and Blaauwklippen Road. However, these trips will be limited and should have an insignificant impact on the already highly congested R44/Blaauwklippen Road intersection.
6. This Branch offers no objection to the proposed development in terms of the Stellenbosch Municipal Land Use Planning By-Law, 2015, subject to the following conditions:
 - 6.1 The development is limited to only 40 residential units;
 - 6.2 The extension of Schuilplaats Road up to Trumali Road must be implemented as part of this development;
 - 6.3 The upgrading of R44/Paradyskloof Road intersection to a "butterfly" intersection must be implemented as part of this development;
 - 6.4 The left-turn lane on Trumali Road at the intersection with the R44 must be increased to 75m (excluding taper);
 - 6.5 The construction of the development may only commence once the extension of Schuilplaats Road has been constructed up to Trumali Road and the R44/Paradyskloof Road intersection upgraded and
 - 6.6 The detail design of the upgrading of the R44/Paradyskloof Road as well as the left-turn lane on Trumali Road, after being scrutinised by your Roads Department, must be submitted to the Design Directorate (Ms Melanie Hofmeyr 021483 3999) of this Branch for final approval.

7. This Branch strongly supports the suggested extension of Wildebosch Road to link with the extension of Trumali Road and should be a priority for implementation by the Municipality which will together with the extension of Wildebosch Road to the Techo Park access on the R44 alleviate congestion at the Blaauwklippen Road and Paradyskloof Road on the R44. The extension of Wildebosch further north should also be considered to provide a parallel alternative to the R44.

Yours faithfully



ML WATTERS
For CHIEF DIRECTOR: ROAD NETWORK MANAGEMENT

C Letter from DTPW to SM, 6 April 2017

25



ROAD NETWORK MANAGEMENT
Email: Grace.Swanepoel@westerncape.gov.za
tel: +27 21 483 4669
Rm 335, 9 Dorp Street, Cape Town, 8001
PO Box 2603, Cape Town, 8000

REFERENCE: 16/9/6/1-25/196(Job 24656)
ENQUIRIES: Ms GD Swanepoel
DATE: 6 April 2017

The Municipal Manager
Stellenbosch Municipality
PO Box 17
STELLENBOSCH
7599



Attention: Mr U von Molendorff

Dear Sir

FILE NR:
SCAN NR: F 372/15
COORDINATOR NR: 508302

PORTION 1 OF FARM WELGEGUND 372, STELLENBOSCH: APPLICATION FOR REZONING, PERMANENT DEPARTURE, STREET NAME AND NUMBERS, APPROVAL OF THE OWNERS' ASSOCIATION AND APPROVAL OF SITE DEVELOPMENT PLAN

1. The following refer:
 - 1.1 The letter Farm 372/1, Stellenbosch from LMV CAPE Town Planners for Application Number LU/5114 dated 26 January 2017;
 - 1.2 The Welgegund Domaine Privé Development Application prepared by LMV CAPE Town Planners dated 20 January 2017;
 - 1.3 The Traffic Impact Assessment (ITS 3546.1) prepared by ITS Engineers dated January 2017 and
 - 1.4 The meeting held with ICE and ITS Engineers on 15 December 2017 at our offices.
2. This application entails the following:
 - 2.1 The consolidation of Portion 2 and 3 of Farm 372;
 - 2.2 The rezoning from Agricultural Zone I to Subdivisional Area;
 - 2.3 The subdivision thereof into 34 Residential Zone II erven with 8 Open Space Zone II erven to establish an internal private road and private open spaces;

- 2.4 A permanent departure to permit a group housing site with an area of 2.5ha in lieu of 2 ha;
- 2.5 The approval of street name and numbers;
- 2.6 Approval of the constitution of the owners' association and
- 2.7 Approval of the Site Development Plan.
3. Paragraphs 2.4, 2.5, 2.6 and 2.7 above are for your Administration.
4. Main Road 27 (Strand Road) (R44), Divisional Road 1053 (Blaauwklippen Road) and Main Road 169 (Wildebosch Road) are affected by this application.
5. This Branch does not agree with the proposed distribution of the peak hour traffic in the TIA showing no trips being diverted to the R44 via Seruria and Blaauwklippen Road. However, these trips will be limited and should have an insignificant impact on the already highly congested R44/Blaauwklippen Road intersection.
6. This Branch offers no objection to the proposed development in terms of the Stellenbosch Municipal Land Use Planning By-Law, 2015, subject to the following conditions:
 - 6.1 The development is limited to only 34 group housing units;
 - 6.2 The extension of Schuilplaats Road up to Trumali Road must be implemented as part of this development;
 - 6.3 The upgrading of R44/Paradyskloof Road intersection to a "butterfly" intersection must be implemented as part of this development;
 - 6.4 The left-turn lane on Trumali Road at the intersection with the R44 must be increased to 75m (excluding taper);
 - 6.5 The construction of the development may only commence once the extension of Schuilplaats Road has been constructed up to Trumali Road and the R44/Paradyskloof Road intersection upgraded.
 - 6.6 The detail design of the upgrading of the R44/Paradyskloof Road as well as the left-turn lane on Trumali Road, after being scrutinised by your Roads Department, must be submitted to the Design Directorate (Ms Melanie Hofmeyr 021 483 3999) of this Branch for final approval.
7. This Branch recommends that the Municipality and the developers for Portions 1, 2 and 3 of Farm 372 combine their efforts to ensure that the required road infrastructure as listed above are constructed before any of the developments commence.
8. This Branch will not be able to contribute any funding towards the implementation of the road infrastructure required.
9. This Branch recommends that the proposed right-turn lane from Blaauwklippen Road into the R44 be implemented as a matter of urgency.

10. This Branch strongly supports the suggested extension of Wildebosch Road to link with the extension of Trumali Road and should be a priority for implementation by the Municipality which will together with the extension of Wildebosch Road to the Techo Park access on the R44 alleviate congestion at the Blaauwklippen Road and Paradyskloof Road on the R44. The extension of Wildebosch further north should also be considered to provide a parallel alternative to the R44.

Yours faithfully



ML WATTERS
For CHIEF DIRECTOR: ROAD NETWORK MANAGEMENT

**D Farm 372/1/2/3 development proposals:
Detailed timeline of communications**

Date	Communication from/to	Statement(s) made regarding roads and routes
2016-10-01	ITS	372/1: "Transport Impact Statement" finds no need to construct a further road apart from upgrades at existing intersections.
2016-04-29	DEADP to EAP	Any revision of the proposed development constitutes a listed activity in terms of NEMA EIA regulations.
2016-06-14	372/2/3: Developer to Municipality	Application for development
2016-09-08	Eikestadnuus	372/2/3: Application advertised
2017-01-01	ITS	372/1: "Final Report" repeats the findings of the 2016-10-01 draft but now includes the alternative access proposal. According to a letter of 2018-04-19, this was done after DTPW expressed concerns regarding the traffic impact.
2017-01-25	Developer to Municipality	Application amended to include the Schuilplaats-Trumali road link
2017-02-24	Eggers	Comments and objection to developments
2017-03-22	372/2/3: Dept Planning Memo	Par 3c: Upgrades required as per TIS: (i) upgrading of R44/Paradyskloof Rd intersection with butterfly layout; (ii) extension of Schuilplaats Rd to Trumali Rd. Development contribution Roads: R852031 MINUS R21301 per erf.
2017-04-03	ITS to Developer	372/1: Addendum addressing the proposed Schuilplaats Road extension to Trumali Road. Modelling of possible traffic through Paradyskloof suburb.
2017-03-??	ICE Engineering	Response to concerns raised by Eggers and others (page 4 of "Summary of objections received": <i>Future planning makes provision for Wildebosch Road to link directly to town as well as to the R44 opposite Techno Park. This in addition to the existing Blaauwklippen Road- and Paradyskloof Road intersections with the R44. The Schuilplaats Road connection to the R44 via Trumali [sic] Street now proposed would then provide another access from the R44. ... The cost implication of the Wildebosch Road extension is much more significant and not feasible at this stage.</i>
2017-04-05	DTPW to Municipality and developer	372/2/3: Par 6.2: Development supported only on condition that the extension of Schuilplaats Rd to Trumali Rd must be implemented as part of the development. Par 6.5: Construction may only commence
2017-08-21	Piet Smit (Municipality) to TV3	Permission to apply for certificate of exemption to construct road. The route referred to was the Schuilplaats-Trumali route as shown on the attached diagram and in the letter stating that <i>This new public road will link Paradyskloof Road and Trumali Road via the extension of Schuilplaats Road.</i>
2017-10-10	Municipality to TV3	Exemption granted
2017-11-24	DEADP	Environmental Authorisation / Record of Decision, authorises extension of Schuilplaats Road

Date	Communication from/to	Statement(s) made regarding roads and routes
2018-02-26	Municipality to TV3	Exemption granted regarding subdivision of Erf 9446 (currently blocking the Schuilplaats Road extension) to create a portion of a public road.
2018-03-23	Mun Planning Tribunal	Application referred back. Details on road extension and traffic required; public participation process.
2018-04-18	Developer to Municipality	Additional information supplied, including traffic impact study. The letter goes on to state that <i>As a result of the two development(s), funding is available for the applicable bulk road improvements through the development contributions payable which means the existing traffic problems will be resolved earlier than having to wait for funding via the municipal budget.</i>
2018-05-04	MPT	Par 4: Quotes TIA as of the view that the proposed upgrades will improve the existing traffic conflicts after the road improvements have been implemented.
2018-05-04	MPT	Revised minutes add conditions (Par 3.3, 3.4): <i>for a 6.5m road reserve on the common boundary between the subject property and the adjoining Portion 1 of Farm 372 to create a portion of public road as a link road to Trumali Road.</i>
2018-06-12	ICE to Developer	ICE makes several incorrect claims, eg that the Paradyskloof Rd-R44 intersection leads to “numerous crashes”, that a “significant volume of traffic would travel via Paradyskloof residential streets”. Then ICE goes on to write <i>Alternatives to address the issues mentioned are, firstly, to construct a section of proclaimed Main Road 169 that runs from opposite the Techno Park intersection via Wildebosch Road towards the CBD. The section of road that would have to be constructed will be from the existing Wildebosch Road up to Trumali Road (a distance of ± 750 metres of new road) plus Trumali Road would have to be upgraded from the existing Brandwacht-Aan-Rivier development to the point where the mentioned road intersects Trumali Road, a length of ± 500 metres. In this case all traffic wishing to travel to the CBD from the area within Paradyskloof towards the R44 (if not using the R44/Blaauwklippen Road intersection) would have to travel up Paradyskloof Road to Wildebosch Road (a distance of up to ± 880 metres), then ± 750 metres to Trumali Road and all the way down Trumali Road to the R44, ± 870 metres. A second alternative is to construct a link between Paradyskloof Road and Trumali Road, as close as possible to the R44/Trumali Road intersection in order to minimize the travel distance. The opinion is that this link should be provided irrespective of the implementation of the future Wildebosch Road as this will provide an alternative to the Wildebosch Road route to the CBD and alleviate possible future congestion along the Wildebosch Road route towards the CBD which is not desirable.</i>

Date	Communication from/to	Statement(s) made regarding roads and routes
		<p><i>Schuilplaats Road is the closest possible location for such a link. In extending Schuilplaats Road up to Trumali Road (a distance of ± 210 metres), traffic from Paradyskloof travelling to the CBD would then have to travel via this road (± 210 metres) and another ± 140 metres along Trumali Road to the signalised intersection at the R44. A significant shorter, more direct route and at a significantly lower cost.</i></p> <p><i>From the above it is the opinion that the existing and proposed Schuilplaats Road will be the most efficient and economical route, would be more than sufficient to accommodate the expected traffic volumes and that it will be of great benefit for residents within the Paradyskloof residential area.</i></p>
2018-06-29	MPT/Municipality to IAPs	372/1: (Condition of approval) Par 4.3: Provision to be made for new road reserve from development to Trumali Rd. Par 4.4: Access to development to be provided from the new public road reserve. Reason for decision 5.4: to alleviate the expected cumulative impact of the traffic, provision should be made for a link to Trumali Rd.
2018-07-03	372/2/3: MPT/Municipality to IAPs	(Condition of approval) Par 4.2: Provision must be made for a road reserve on the common boundary between the subject property and adjoining portion on 372/1 to create a portion of public road as a link to Trumali Rd. Par 4.3: Access to development from the new public road reserve. Par 4.22: Conditions of DEADP as per 2016-04-29 must be adhered to.
2018-07-10	MPT	Decision letter
2018-07-10	Municipality to developer and IAPs	372/2/3: <i>This letter replaces my letter dated 3 July 2018. As above (road-related conditions now paragraphs 4.3 and 4.4). The change refers to a new clause on densities.</i>
2018-07-19	LMV attorneys to Municipality	Appeal on behalf of 372/1. Similar to the one lodged by 372/2/3. Also has a letter by DHM attorneys.
2018-07-27	ICE to Developer	Second opinion following the 2018-06-29 MPT/Municipality communication. Reaffirms the opinion of 2018-06-12. The MPT-proposed route would be ± 565m long compared to the ± 210m for the Schuilplaats extension. Cost-wise the Schuilplaats link is preferred.

Date	Communication from/to	Statement(s) made regarding roads and routes
2018-07-30	DHM Attorneys to Municipality	372/2/3: Appeal lodged against decision. Appeal is lodged inter alia against Pars 4.3 and 4.4 (road reserve and access route from Farm 372 to Trumali rather than via Schuilplaats Rd). Developer claims that imposition of conditions which do not arise from the proposed use of land are incompatible with Municipal Planning By-Law. Developer also claims that (Par 36. of DHM letter) <i>The construction of the extension of the Schuilplaats Road and the upgrading of the Paradyskloof intersection with the R44 will be taking place, irrespective of whether this application is approved or not and therefore do not result from the proposed development as required in terms of section 66 of the Municipal Planning By-Law.</i>
2018-07-30	TV3 to Municipality	Page 3: The MPT route (from 372 to Trumali) was not considered or assessed as an alternative in any of the Traffic Impact Reports; points out inconsistency between Par 62 of MPT decision and the required access route to Trumali rather than Paradyskloof Rd

APPENDIX 1



Agri Housing Settlements NPC

LEVEL 1 B-BBEE CONTRIBUTER

Doornbosch Agricultural Centre
Strandweg (R44)
Stellenbosch
7600

30 April 2019

The Municipal Manager
Stellenbosch Municipality
PO Box 17
Stellenbosch
7600

Dear Madam

COMMENTS: REVISED 4TH GENERATION IDP: SECOND REVIEW 2017/22 – IDP

FARMWORKER HOUSING – PARTNERSHIP AGREEMENT

The Agricultural Housing Settlements NPC as a result of the IDP sector engagements held during December 2018 and April 2019 hereby comments on the IDP as follows:

- 1 AHS (Agri housing Settlements NPC) has, in collaboration with the Stellenbosch Agricultural Society and several other agricultural societies in the Western Cape, been established and registered with the Social Housing Regulating Authority (SHRA) as a Social Housing Institution (SHI) to address the dire needs of farmworker housing in the Western Cape. As contemplated in part 3 of the National Housing Code. AHS can therefore apply for among other, National, Provincial and Local Government Social

Housing Subsidies, Integrated Residential Development Program and Institutional subsidies, loans as well as FLISP subsidies, in order to:

- 1.1 Develop affordable housing stock and provide this to Farm Owners and Farmworkers who qualify on a rental, instalment sale, share block, cooperative, direct sale and or alternative tenure basis.
 - 1.2 Provide ongoing long term management services in respect of the housing stock.
 - 1.3 Create Agri Villages and the necessary facilities to allow for
 - 1.3.1 a day care centre for schoolchildren in the afternoon,
 - 1.3.2 training facilities,
 - 1.3.3 a crèche for the young ones,
 - 1.3.4 healthcare and
 - 1.3.5 socio economic opportunities
- 2 The intention of AHS is to provide:
- 2.1 a flexible approach to cater for the variety of farmworker housing needs;
 - 2.2 secure tenure to farm workers;
 - 2.3 the promotion of healthy and safe living environments;
 - 2.4 the empowerment of farm residents to participate in the provision of their own housing needs;
 - 2.5 where possible, promoting access to social and economic amenities;
 - 2.6 Access to economic opportunities not related to farming for households (seasonal workers/woman) where appropriate;
 - 2.7 Sustainable spatial settlement patterns in the Western Cape with their intended developments and to discourage the development of farmworker housing that places an additional service burden on municipalities;

To give effect to the above it is proposed that Stellenbosch Municipality and AHS enter into a partnership agreement to guide the relationship between the parties. It is confirmed that the City of Cape Town has already engaged with the AHS and signed a conditional partnership and awarded a project in this regard. A proposed Partnership

Agreement and letter from SHRA confirming our registration as SHI has been forwarded to the Housing Department during 2018 for consideration.

- 4 It is also confirmed that AHS is now registered as an VAT exempted NPC making it even more economically viable to provide affordable housing to farmworkers. Several farm owners has also indicated that private funding and land can be made available in order to promote sustainable Agri Housing Settlements for employers.
- 5 The Agri Housing Settlement NPC respectfully request that the Agri Housing Settlement NPC be acknowledged and included as strategic partner as per Section 2.9 of the IDP document. The said partnership can play a meaningful role in addressing the housing needs and priorities of the farmworkers/rural inhabitants.

We trust that the Stellenbosch Municipality will favourably consider the above request and recommendations, and we kindly await your feedback in this regard.

Regards


Schalk Loots

*for and on behalf of **Agri Housing Settlements NPC***

Delorees Kotze

From: andre_p@mweb.co.za
Sent: Friday, April 26, 2019 2:37 PM
To: Roscoe Bergstedt
Cc: Esther Groenewald; Keith Kennedy; Carel Nel; Annalene De Beer; Johan Fullard; Deon Louw
Subject: Re: [EX] BUS parking areas allocated without due process - - disruptive to the community and dangers to the students and residents

Good afternoon Roscoe,

Thank you for sharing this with us.

I doubt that this proposal will fly, destroying the river bank and park to accommodate buses is not the way to go.

Whoever drafted this has no idea about sense of place.

This magnifies the need for public involvement and consultation - the municipality could have saved the cost of drafting these plans if it had consulted the residents of the neighbourhood first, through the ward committee.

The issue of bus parking in general, also tourist buses, should be addressed urgently. There is space at Coetzenburg for 8 buses during the day, I have suggested this for some time, to no avail. The schools, university and tourist industry should also come to the party.

Regards,
André Pelser
Chairman
Stellenbosch Ratepayers Association

On 26 Apr 2019, at 13:53, Roscoe Bergstedt <Roscoe.Bergstedt@stellenbosch.gov.za> wrote:

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The Municipality have conducted a Tour Bus Parking study for the Stellenbosch area, however irrespective of the name we

have included the relocation of the scholar transport services currently occupying road space in Koch street.

I have attached a few proposals and would recommend that through the ward councillor's office have a meeting to discuss the aforementioned.

<image001.png> *Kind Regards,*

Roscoe Bergstedt

Manager: Transport Planning and

Public Transport

Engineering Services

T: +27 21 808 8204 | F: +27 21 883 9874

71 Plein Street, Stellenbosch, 7600

2nd Floor, Ecclesia Building

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<image002.png><image003.png>

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Cc: Pieter Schaafsma; Carel Nel; Roscoe Bergstedt; Esther Groenewald; Annalene De Beer

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This was one of the issues raised at the ward 22 SDF/IDP interactive session in the town library from 19h00 till 21h00 last night. It was well advertised and well attended, the best in years.

I am copying the official responsible, hopefully he will inform you, and us, what the municipality's plans are in this regard.

Perhaps you have seen the draft environmental management plan on the municipal website which was approved by council this past Monday and will be open for public comment for 30 days.

No question that bus parking, not just for the schools, also in town, needs to be addressed urgently.

Take care, regards to Paulette,
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On 26 Apr 2019, at 11:45, Keith Kennedy <kgkennedy@ymail.com> wrote:

Gentlemen,

As Ward representatives on the Ward committee - we would like to bring this ongoing risk and difficult issue to the attention of the council and find out why the original planning for bus drops and pickups - have been, without proper consultation with the public - changed to create dangerous and difficult conditions along Koch Street. Please identify when we can meet to discuss

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Surely - in the interests of reducing risks to the students and community environmental betterment - this entire situation can be reviewed and perhaps a better outcome for everyone in the area be determined.

Keith Kennedy, PhD
[+27 82 053 0852 Cell-WhatsApp]

<Koch and Suidwal Proposal 1.JPG><Koch and Suidwal Proposal 2.JPG><Koch and Suidwal Proposal 3.JPG>

Delorees Kotze

From: Rikus Badenhorst
Sent: Wednesday, April 17, 2019 8:17 PM
To: Support Speaker; Wilhelmina Petersen (Speaker)
Cc: Shireen De Visser; Nelmari Williams
Subject: Questions regarding MSDF: Ward 21 Committee
Attachments: 2019-MSDF-Draft-Framework-Stellenbosch_HighRes.pdf

Dear Speaker

By copy: Shireen De Visser

At our Ward Committee meeting yesterday evening we discussed the attached Framework and from this discussion, would like to pose a few questions for the sake of clarity and in preparation of our IDP Public Participation meeting on 02 May.

QUESTIONS REGARDING MSDF:

Brandwacht/Waterworks

1. It seems that the area North of Trumali Rd towards the Paradyskloof Waterworks and the area around the waterworks have now been included in the Urban Edge and this was not the case in the previous MSDF - why would this be?
2. Does this not violate the principles of the MSDF?

Triangle south of De Zalze (Louws Bos triangle - Farm 502, which has now been recognised as a priority within our ward plan)

1. Why and when was it included into the Urban Edge?
2. Give reasons why it should not be excluded.

Jamestown

1. What does the wording "Existing and Proposed Urban Character Areas" means in terms of the area to the north of Webersvallei Road?

The Ward Committee looks forward to the response at your convenience.



Kind regards, Vriendelike Groete

Rikus Badenhorst

Councillor: Ward 21

**PCM: Econ. Development &
Planning**

PCM: Corporate Services

T: +27 21 808 8350 | C: +27 82 654 1048

Email:

Rikus.Badenhorst@stellenbosch.gov.za

Plein Street, Stellenbosch, 7600

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(B) LGMTEC FINDINGS
APRIL 2019



**Western Cape
Government**

STELLENBOSCH MUNICIPALITY

INTEGRATED PLANNING AND BUDGETING ASSESSMENT: ANALYSIS OF MUNICIPAL IDP, SDF AND BUDGET

Western Cape Government

APRIL 2019

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LIST OF ACRONYMS

AQMP	Air Quality Management Plan
BESP	Built Environment Support Programme
CBA	Critical Biodiversity Area
CBD	Central Business District
CMLs	Coastal Management Lines
CMP	Coastal Management Plan
CMP	Coastal Management Programme
CPP	Coastal Private Property
CSIR	Council for Scientific and Industrial Research
DCAS	Department of Cultural Affairs and Sport
DEA&DP	Department of Environmental Affairs and Development Planning
DHS/DOHS	Department of Human Settlements
DLG	Department of Local Government
DM	District Municipality
DWA	Department of Water Affairs
EFZ	Estuary Functional Zone
EIAs	Environmental Impact Assessments
EO	Environmental Officer
EPWP	Expanded Public Works Programme
FBE	Free Basic Electricity
HSP	Human Settlement Plan
ICM Act	Integrated Coastal Management Act
IDP	Integrated Development Plan
IGP	Infrastructure Growth Plan
IIAMP	Integrated Infrastructure Asset Management Plan
IIF	Infrastructure Investment Framework
IPSS	Integrated Performance Support System
IPWIS	Integrated Pollutant and Waste Information System
ISDF	Integrated Strategic Development Framework
ITP	Integrated Transport Plan
IWMP	Integrated Waste Management Plan
IYM	In-year Monitoring

JOC	Joint Operations Centre
kl	kilolitre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt hour (1000 watt hours)
LED	Local Economic Development
LUPO	Land Use Planning Ordinance
MBRR	Municipal Budget and Reporting Regulations
MDG	Millennium Development Goal
MI	Municipal Infrastructure
MIG	Municipal Infrastructure Grant
MIP	Municipal Infrastructure Plan
MMP	Maintenance Management Plan
MVA	Megavolt Amperes (1 Million volt amperes)
MWh	Megawatt hour (1 Million watt hours)
NDHS	National Department of Human Settlements
NEM: AQA	National Environmental Management: Air Quality Act
NEMP	National Estuarine Management Protocol
NRW	Non-revenue Water
O&M	Operations and Maintenance
PMS	Performance Management Systems
RMA's	Responsible Management Authorities
RMP	Road Management Plan
SDBIP	Service Delivery Budget Implementation Plan
SDF	Spatial Development Framework
SOP	Standard Operating Procedure
SWMP	Stormwater Management Plan
WC	Water Conservation
WDFs	Waste Disposal Facilities
WDM	Water Demand Management
WSDP	Water Service Development Plan
WTW	Water Treatment Works
WWTW	Wastewater Treatment Works

SECTION 1: INTRODUCTION

The annual assessment of municipal integrated development plans and budgets presents an opportunity to deepen and strengthen existing partnerships, as well as identify new areas for collaboration to further demonstrate 'Consolidation for Maximum Citizen Impact'. The importance of this assessment is stipulated in Chapter 5 of the Local Government Municipal Systems Act 32 of 2000 (MSA), the MSA Regulations and the Local Government Municipal Finance Management Act 56 of 2003 (MFMA). Provincial assessments afford the provincial sphere of government an opportunity to exercise its monitoring and support role to municipalities as stipulated by the Constitution. In addition, the assessments provide an indication of the ability and readiness of municipalities to deliver on their legislative and constitutional mandates.

This report encapsulates comments by the Western Cape Provincial Government on the draft 2019/20 MTREF Budget, 2019/20 reviewed Integrated Development Plan (IDP) and Spatial Development Framework (SDF).

The assessment covers the following key areas:

- Conformance with the MFMA, MSA & Municipal Budget and Reporting Regulations (MBRR);
- Responsiveness of draft budget, IDP and SDF; and
- Credibility and sustainability of the Budget.

The MBRR A-Schedules, budget documentation, IDP and SDF submitted by the Municipality are the primary sources for the analysis. The quality of this assessment report therefore depends on the credibility of the information contained in the documents submitted by the Municipality.

The Provincial Government plans to meet the executives of your Municipality on **30 April 2019** where the key findings and recommendations of this report will be presented and deliberated upon. The planned engagement will contextualise the Municipality's challenges and responses as taken up in the draft budget, IDP, LED, SDF and various other strategies and plans.

All the information related to the assessment and analysis of the annual budget, IDP and SDF are found in the report below.

SECTION 2: PUBLIC VALUE CREATION

2.1 INTRODUCTION

The Public Value Creation section seeks to provide an overview of the current socio-economic reality of the municipal area, assesses the alignment of the budget to the Municipality's Integrated Development Plan's Strategic Objectives as well as a provides an environmental analysis of the Municipality and how it collectively contributes to achieving maximum public value and citizen impact.

Public Value is defined as putting the public at the centre of service delivery to continuously improve the quality of life for all within the focus of the mandate of the institution.

2.2 SOCIO-ECONOMIC CONTEXT AND IMPLICATIONS

Table 1: Socio-Economic Context and Implications

Key Socio-Economic Indicators	NDP Goals	Local Context	Implications
Population Growth Rate	0.% - 1% per annum by 2030 (Nationally)	2.2% per annum from 2018 to 2024 (estimated) (SEP-LG 2018)	Rapid urbanisation in the municipal area contributes to capacity issues as it places continued strain in municipal resources and has an impact of its ability to deliver services to its citizens.
Economy	Average annual growth of 5.4 per cent over the period 2010 - 2030	2.5 per cent average annual growth over the period 2006 - 2016 (MERO, 2018)	Slow economic growth as a result of the low business confidence, political uncertainty, high unemployment rates, amongst other factors has an effect on economic growth. The economy needs to at least keep pace with population growth in order for per capita income levels to improve. The ability of consumers to pay for services and financial sustainability of the Municipality.
Unemployment	14% by 2020	11.0% (2017 estimate) SEP-LG 2018	Slightly higher than the District average, the unemployment rate has a direct impact on household income and its ability to afford basic services. Unemployment constrains municipal resources as more households therefore register as indigent households and qualify for provision of free basic services.
Education	A learner retention ratio of 90 per cent	Learner retention ratio - 74.4% (SEP-LG 2018)	Lower learner retention or a high drop-out rate (25.6 per cent) contributes to lower future earning potential as youth are under-skilled, struggle to find employment and place more pressure on public resources. There are also concerns around the social implications of leaving school early, such as teenage pregnancies, social evils such as alcohol and drug abuse and associated crimes.

Key Socio-Economic Indicators	NDP Goals	Local Context	Implications
Health	Maternal mortality to fall from 500 to 100 per 100 000 live births	Maternal Mortality was 0.0 per 100 000 live births in 2017/18. (SEP-LG 2018)	Whilst the maternal mortality rate remained constant over the past few years, several health indicators have deteriorated in the municipal area, this includes the delivery rate to women under 20 years old, the neonatal mortality rate and the HIV transmission rate. In a healthy society, the population is more productive, has lower worker absenteeism rates and improved learning is witnessed amongst school going age youth.
Poverty	For zero households to be below the poverty line	Approximately 2 493 households below the poverty line (Municipal Budget Schedules, SA9, 2019/20)	Income inequality in the municipal area is apparent, a high number of households earning below the poverty line translates into greater reliance on social support structures.
Safety and Security	For all citizens to feel safe and free of the fear of crime	38 murders per 100 000 people (SEP-LG 2018)	Crime hampers growth, discourages investment and capital accumulation and has a negative impact on the economy.

2.3 INTEGRATED PLANNING ANALYSIS

An Integrated Development Plan (IDP) is the principal strategic planning instrument which guides and informs all planning and development, and all decisions with regard to planning, management and development in a municipality. An IDP provides the strategic direction for all the activities of a municipality over five years linked to the council term of office.

Each municipal council must annually review and may amend the IDP of the Municipality. Should the review process determine that an amendment is required, municipalities are to follow the process as stipulated in Regulation 3 of the Local Government: Municipal Planning and Performance Management Regulations of 2001.

The 2019/20 review of the IDP of the Stellenbosch Municipality is the second of the 2017-2022 IDP. The 2019/20 IDP review approach takes into consideration the assessment of the performance measurements of the Municipality and to the extent that changing circumstances so demand. The 2019/20 Draft Reviewed IDP clearly indicates that a review process was followed and that the SDF will be adopted post the adoption the Final IDP in May 2019 which effectively imply that the Municipality will then have to follow an amendment process in terms of Section 34(b) of the Municipal Systems Act, 2000 (MSA).

The **attached detailed IDP report (Appendix A)** encapsulates comments by various sector departments including the Departments of Agriculture; Economic Development and Tourism; Cultural Affairs and Sport; Community Safety; Health; Human Settlements; Local Government, Social Development; Water and Sanitation; and Western Cape Education Department.

2.4 MUNICIPAL BUDGET ALLOCATIONS TO IDP STRATEGIC OBJECTIVES

The 2019/20 MTREF budget breakdown in terms of the strategic objectives is indicated in Table 2 below. Stellenbosch Municipality budgeted for a total operating expenditure of R1.808 billion and a total capital budget of R554 million for the 2019/20 financial year.

Table 2: Strategic Objectives for the 2019/20 Medium Term Revenue & Expenditure Framework

Strategic Objective	2019/20 Medium Term Revenue & Expenditure Framework OPEX				2019/20 Medium Term Revenue & Expenditure Framework CAPEX			
	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	Average Annual Growth	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	Average Annual Growth
R thousand								
Green and Sustainable Valley	134 693	142 684	148 675	5.1%	63 780	43 915	43 815	-17.1%
Valley of Possibility	928 925	1 000 259	1 059 412	6.8%	237 885	234 579	266 470	5.8%
Dignified Living	175 098	184 028	191 076	4.5%	182 362	94 977	85 321	-31.6%
Safe Valley	260 235	274 792	301 690	7.7%	39 820	14 650	7 750	-55.9%
Good Governance and Compliance	308 896	323 099	347 098	6.0%	29 715	24 972	22 557	-12.9%
Total Expenditure	1 807 847	1 924 862	2 047 952	6.4%	553 562	413 093	425 913	-12.3%

The Municipality has indicated the alignment of its Strategic Objectives in its 2019/20 IDP Review to the National Strategic Outcomes, Sustainable Development Goals, Western Cape Provincial Strategic Plan and the Cape Winelands District Municipality's Strategic Objectives. Overall the horizontal alignment of the municipalities Strategic Objectives are soundly demonstrated in its 2019/20 IDP Review.

Whilst all strategic objectives received sizable allocations, only the two most significant allocations have been discussed i.e. Valley of Possibility and Dignified Living. There are always competing priorities for limited resources however it is clear that the Municipality has made a concerted effort through the strategic allocation of its MTREF budget to focus on large infrastructure projects with the intention of providing bulk and other economic and social infrastructure to address the pressing needs of its citizens.

The majority of the Municipality's MTREF capital budget is allocated to the Strategic Objective: Valley of Possibility (R738.9 million over the MTREF). This highlights the Municipality's commitment to infrastructure development for the next three years. Water and sanitation projects were allocated the bulk of the investment in this budget which is necessary given the intended housing developments in the municipal area.

The second largest capital allocation of R362.7 million over the MTREF is allocated to the Strategic Objective: Dignified Living. This is mainly due to the planned provision of services sites in Klappmuts and housing developments in Idas Valley, both critical projects to contribute to the creation of public value for citizens.

2.5 ENVIRONMENTAL ANALYSIS

Agriculture is major economic driver within the Stellenbosch Municipality, in particular the wine industry, and therefore a large proportion of the Municipality is occupied by vineyards and associated facilities, which includes tourism. As a result of this the lowland areas are primarily transformed, with the only remaining remnants in areas which could not be cultivated, such as steep slopes. The vegetation types (e.g. Swartland Shale Renosterveld, Swartland Granite Renosterveld) are shared with neighbouring municipalities e.g. Drakenstein, Swartland, where the situation is the same with very high levels of transformation and many species threatened with extinction, and hence the vegetation types are listed as Critically Endangered. The

mountainous areas of the Municipality are however predominantly intact and mainly managed for nature conservation, primarily by CapeNature. They do however support biodiversity of high importance, with high levels of alpha, beta and gamma diversity and also of exceptional importance as catchment areas to supply water for a large proportion of the Western Cape's population and economy.

Although cultivation is a major land use activity within the Municipality there aren't high numbers of cultivation applications for virgin land as most of the land which is suitable for this purpose has already been ploughed. As mentioned above, however conservation of the remnants of renosterveld are of high importance for conservation, in particular the larger more connected remnants which will have higher long term ecological viability.

The town of Stellenbosch has high development pressure due to high levels of economic development and there are significant constraints for further development in terms of high agricultural potential land, heritage/aesthetic value, biodiversity and topography. This includes the infrastructure required to support development, in particular the road network. There is also pressure within the rural areas and Franschhoek town for residential and tourism development, however this is mainly on land transformed through agricultural activities, although it does occasionally encroach into natural habitat.

An important ecological component that requires attention is the watercourses traversing the Municipality, which are under pressure from agriculture and related activities. Adequate buffers and a functional riparian zone should be maintained in order to ensure that the watercourses can continue to deliver an ecological and ecosystem services function.

Fire is an important ecological driver within the mountain fynbos systems and also has implications in terms of impacts on neighbouring properties. Too frequent fires also impact on the fynbos whereby species do not have sufficient time to set seed for regeneration. Invasive alien species are a significant threat, and are of particular importance in mountain regions where they impact the catchments through reduced run-off, as well as increasing fire intensity. The rainfall of the Stellenbosch Municipality is predicted to decrease over time as a result of climate change, which in turn will impact on water production in the catchments and fires. It is thus crucial that the Municipality prioritise the importance of biodiversity and the associated ecosystem benefits it provides including clean air, water and cultural benefits.

It is recommended that the Municipality make use of the latest Biodiversity Spatial Plan (BSP), as it is the best available science to identify Critical Biodiversity Areas (CBAs), in order to proactively plan and identify suitable sites for development. The Stellenbosch Municipality does have an environmental planner and a team responsible for managing the local authority nature reserves/nature conservation areas. The Municipality can be considered as one of the better resourced local municipalities in the province, however they do require CapeNature to provide biodiversity support in terms of our mandate across the province.

An SDF was compiled in 2012 and revisions to this report were made in 2017 and released for comment. The 2012 SDF does not have spatial planning categories (SPCs) which determine spatial distribution of the primary land uses across the Municipality. In terms of mainstreaming biodiversity into the SDFs, the primary method is aligning the SPCs with the categories within the conservation planning products, which in this case, would be the Western Cape Biodiversity Spatial Plan (WCBSPP). The updates to the SDF were primarily proposed amendments (expansions) of the urban edges of the urban settlements. CapeNature did raise

concerns regarding some of these proposals, in particular those which are proposed on sites which are rated as a very high priority for protected area expansion e.g. Wemmershoek.

CapeNature does however wish to strongly support the provision of adequate resources to the reserve management component for the Municipality, in particular considering the important conservation areas which must be managed e.g. Wemmershoekvlei. Adequate resources are required at both the provincial and local government level to ensure that operational management for biodiversity and ecosystem services conservation can be implemented within the Municipality, in particular considering the resources required for management of aliens and fire.

An Environmental Management Framework has been compiled and provided to CapeNature. CapeNature have not yet provided formal comment on the EMF. It is, however, unclear if the Municipality is proposing that the EMF be adopted by the Municipality or whether the EMF has simply been used to inform planning and land use decision making.

In terms of disaster management, CapeNature plays a key role in managing the fires in the mountains. Collaboration with regard to the municipalities in terms of disaster planning and management is critical.

The Municipality has a designated Waste Management Officer. The Municipality has not developed its 3rd generation IWMP yet. The plan needs to be submitted to the Department once developed for assessment. The municipality indicated their efforts in developing a 3rd generation IWMP with the assistance of GreenCape. Reporting on the implementation of the IWMP must be included in their Annual reports. All the waste facilities are registered on IPWIS for their relevant waste activities and fully compliant in terms of reporting requirements. Currently the Municipality only has one Waste Disposal Facility, the Devon Valley WDF. It also has a mini Material Recovery Facility close to the Devon Valley WDF as well as a transfer station in Franschoek. Additionally, the Municipality also operates a waste transfer station at Klapmuts. The landfill capacity at Devon Valley is being reached very fast. The Municipality has been approved to move Eskom power lines which will open up more landfill air space. The Municipality has also applied for MIG funding to improve the MRF at the Devon Valley landfill. The Municipality is also in the process of applying for MIG funding to build an organic waste transfer station near the Devon Valley WDF. The Municipality will also be introducing a renewed effort to separate at source (households). The IDP needs to be updated based on the recommendations outlined in the Assessment of the Municipal Integrated Waste Management Infrastructure: Cape Winelands District Report:

- The rehabilitation compliance cost for the Stellenbosch local municipality (R63.18 million);
- The operational compliance cost for the Stellenbosch local municipality (R556 700);
- The cost of integrated infrastructure for the Stellenbosch local municipality to achieve 20 per cent Diversion by 2019 (R32.02 million); and
- The cost of integrated infrastructure for the Stellenbosch local municipality to remain compliant up to 2030 (R16.76 million).

Household access to refuse removal services in Stellenbosch has decreased from 87.0 per cent in 2011 to 71.0 per cent in 2016; household access to this service decreasing over the 5-year-period and unable to keep pace with the growth in the total number of households.

Inadequate sanitation, storm water and solid waste infrastructure in some lower income areas/informal settlements are contributing to river pollution. Appropriate strategies for waste separation at source should be formulated and implemented as swiftly as possible in Stellenbosch town and other settlements that use its landfill site. If this process is to be phased, the largest generators of waste per capita (i.e. upper income households, businesses, the University, industries and demolition sites) should be targeted first.

Climate change is generally increasing the risk profiles of Western Cape municipalities associated with increased likelihood of drought and ongoing water scarcity, flash floods, heat waves and extreme temperatures and increased fire risk leading to run away and uncontrollable fires. For more information on your location -specific changing risk profiles, please refer to your District's Climate Change Response Strategy/Framework, the Climate Change Advisory sent to your Municipality by DEA&DP in 2016, the Disaster Management Risk Profile for your Municipality (which will include climate change risks) as well as the Provincial Risk Profile which will be released by WCG in 2020.

From a mitigation perspective, municipalities have a role to play in reducing emissions in their own operations and encouraging their residents to move to a low carbon future. A particular action that municipalities can support is allowing small-scale embedded generation (SSEG) and putting in place appropriate tariffs that support residential, commercial and industrial consumers to invest in renewable energy, which the Municipality currently allows.

Urbanisation gives rise to an increase in developments for housing as well as economic developments and this is a risk to the ambient air quality. The increasing air pollution negatively affects the health of the community in these areas. The Western Cape Department of Environmental Affairs and Development Planning's Directorate Air Quality Management (D: AQM) currently has an Ambient Air Quality Monitoring Station located in the Stellenbosch Municipality.

In terms of the National Environmental Management: Air Quality Act (NEM: AQA), measures in respect of dust, noise and offensive odour is a Local Government responsibility. A By-law must be developed and adopted to ensure compliance to air quality management. As per Section 14(3) of the NEM: AQA, each municipality must designate an air quality officer (AQO) from its administration. As per Section 15(2) of the NEM: AQA, each municipality must include in its IDP an Air Quality Management Plan (AQMP). The Stellenbosch Municipality is compliant with regards to the designated AQO and the adopted AQMP.

An AQMP budget allocation needs to be secured in the IDP. Funds should ideally cover the following: air quality monitoring (passive or continuous monitoring of air pollutants), staff training and implementing air quality intervention strategies.

Stellenbosch Municipality requested DEA&DP in November 2018 to assist with the assessment and evaluation of Professional Planning reports to their decision-making authority due to a shortage of experienced and skilled registered Town Planners to compile Planning reports.

DEA&DP assisted during the said period in compiling a number of Planning reports. The Department of Planning and Development however still appears to be struggling to effectively and efficiently handle the workload and pending applications as critical posts remain vacant.

The Municipality is urged to ensure that the Department of Planning and Development recruits sufficient skilled and experienced registered Town and Regional Planners to its organisational

structure to deal with the development applications submitted to the Stellenbosch Municipality.

Economic growth and job creation is stifled if development applications are not processed as quickly as possible. A well capacitated and resourced planning department is crucial to achieve the aforementioned in Stellenbosch.

2.5.1 Strategic Overview and Important Matters

For this section, each component will draft a tailored assessment (with latest information) for each municipality in terms of budget responsiveness without losing focus of the longer term challenges facing the Province, the golden thread being climate change, drought, and sustainable resource management (e.g. water security) and explaining the implications of their respective functional area in each municipality.

The reference to functional area refers to the participating internal DEA&DP components and include the following; Biodiversity Management, Development Management, Waste Management, Pollution and Chemical Management, Coastal Management, Climate Change, Sustainability, Air Quality Management.

2.5.2 Current Work Undertaken

WCG is also in the process of reviewing the Western Cape Climate Change Response Strategy and inputs from municipalities will be important in the revision. We are also working with sector departments on development specific sector plans and how these sectors need to respond to climate change. By mainstreaming climate change into sector functions, it will filter down to municipal decision-making and planning through the municipal support efforts provided by the various WCG sector departments.

The Directorate: AQM hosts Quarterly Air Quality Officer's Forums and Air Quality Management Plan Working Groups 1 - 3; to serve as platform for AQO's to share their achievements and challenges with regards to noise, dust and offensive odour management in their jurisdictional areas. It is imperative for the Municipal Air Quality Officer to attend these Forums in order to successfully implement the mandates of air quality management, as assigned by the NEM: AQA.

2.6 KEY FINDINGS, RISKS/RECOMMENDATIONS

- It is recommended that the Municipality make use of the latest Biodiversity Spatial Plan (BSP), as it is the best available science to identify Critical Biodiversity Areas (CBAs), in order to proactively plan and identify suitable sites for development.
- In terms of disaster management, CapeNature plays a key role in managing the fires in the mountains. Collaboration with regard to the municipalities in terms of disaster planning and management is critical.
- In general, the 2012 SDF and 2017 amendments did not adequately take the WCBS into consideration and as such the WCBS must be considered separately and at least on par with the SDF in evaluating any development proposals.
- The IDP needs to be updated based on the recommendations outlined in the Assessment of the Municipal Integrated Waste Management Infrastructure.

- The Municipality is urged to ensure that the Department of Planning and Development recruits sufficient skilled and experienced registered Town and Regional Planners to its organisational structure to deal with the development applications submitted to the Stellenbosch Municipality.

SECTION 3: ECONOMIC SUSTAINABILITY

3.1 INTRODUCTION

This section examines if the tabled 2019/20 MTREF Budget and Spatial Development Framework is responsive from an economic and socio-economic perspective and the Municipality's ability to meet the legitimate expectations of the community for services from its limited resources in order to effect inclusive growth and contribute towards achieving maximum citizen impact.

3.2 ECONOMIC GROWTH AND DEVELOPMENT

3.2.1 Promoting Inclusive Economic Growth

The investment in socio-economic infrastructure is crucial in improving economic growth and development, while the management of the budget and subsequent spending efficiency by the Province as well as municipalities is an important consideration when assessing the allocation of the budget and its intended socio-economic outcomes.

(1) Provincial and Municipal Capital Budget Expenditure 2019/20

Table 3: Provincial and estimated Stellenbosch Municipal Infrastructure Expenditure: 2019/20 (R'000)

Type	2019/20		
	Provincial Infrastructure Spend	Municipal Infrastructure Spend	Total
Economic Infrastructure	229 316	77 620	306 936
<i>Road Transport and Public Works</i>	229 316	77 620	306 936
<i>CapeNature</i>	-	-	
Social Infrastructure	54 491	61 300	115 791
<i>Education</i>	20 400	-	20 400
<i>Health</i>	2 001	-	2 001
<i>Social Development</i>	690	61 270	61 960
<i>Housing</i>	31 400	30	31 430
Trading Services	-	258 475	258 475
<i>Electricity</i>	-	27 340	27 340
<i>Water</i>	-	80 000	80 000
<i>Waste Water Management</i>	-	114 400	114 400
<i>Waste Management</i>	-	36 375	36 375
Other	-	156 167	156 167
Total Infrastructure Spend	283 807	553 562	837 369

Source: 2019 Western Cape EPRE (Provincial spend), Municipal A-Schedules 2019/20

The WCG and the Stellenbosch Municipality will collectively spend R837.369 million in 2019/20 on infrastructure developments within Stellenbosch Municipality's geographical boundaries. It usually holds true that provincial government will invest more in infrastructure development than local or district municipalities considering that the overall provincial government budget

is significantly larger than that of their local counterparts however, in the case of Stellenbosch, the Municipality's infrastructure budget is nearly twice the size than that of the province.

The WCG will invest R722.85 million in the Stellenbosch Municipality over the 2019 MTEF. Provincial infrastructure spend towards economic infrastructure within Stellenbosch Municipality amounts to R229.32 million in 2019/20. Most of the allocation will be spent on the refurbishment, rehabilitation, upgrades and addition of new roads including the Spier Road. The Municipality will also invest a sizable allocation of R77.62 million to road transport capital allocations in 2019/20. Large projects in Stellenbosch include upgrades to the R44 (R5.0 million), general improvement of roads across the municipal area (R12.0 million) as well as the implementation of a non-motorised transportation system (R7.0 million).

The Department of Human Settlements will spend R97.610 million respectively on capital infrastructure transfers for IRDP projects in various areas (such as in Klapmuts, Jamestown, Cloeteville and more within Stellenbosch). The Department of Education plan to spend R79.26 million on the construction of four primary schools and a high school in the area over the MTEF.

The largest portion of the Municipality's 2019/20 capital spend is allocated towards trading services, focussing on the upgrading of the WWTW, the bulk sewer outfall for Jamestown and the bulk water supply for Klapmuts to service the new housing developments. This relates to the need identified in the IDP around bulk infrastructure capacity constraints in the Stellenbosch municipal area.

A critical challenge face by the Municipality is running out of landfill space. In order to address this issue in the short term, the Municipality needs to extend its current landfill space. The Municipality allocated R32 million to expanding its current landfill site whilst concurrently implementing waste minimization and waste to energy projects with a budget allocation of R8.0 million.

The Municipality recognises the critical role that infrastructure development plays in promoting economic growth and development and addressing inequality. It has therefore allocated a substantial portion of its 2019/20 budget to capital infrastructure development and maintenance in order to realise the vision of Stellenbosch to be a place of living, working and learning and thereby maximising citizen impact.

(2) Potential/Expected Impact of resource allocations

Investment, particularly in roads infrastructure unlocks the economic potential of towns as transport corridors and enable greater connectivity with markets thus creating the potential for economic growth and development in the area. It is therefore essential that interconnected regions have well developed and maintained roads for the transportation of good and linkages to external markets.

Bulk infrastructure development and investment extends basic services to those it has not yet reached, as well as ensures that continued quality services can be provided to those already receiving them. This has a concomitant effect on the consumer's willingness to pay for services, has the potential to increase the revenue base of the Municipality and improves the quality of life of its citizens.

3.2.2 Increasing Employment Opportunities

(1) Budget Allocations and Implications

One of South Africa's biggest challenges remains its high unemployment rate. For the period 2007 - 2017, Stellenbosch's unemployment rate has grown steadily from 6.5 per cent to 11.0 per cent. In 2016, nearly half (42.7 per cent) of the labour force were semi-skilled workers.

The wholesale and retail trade, catering and accommodation sector contributed the most jobs in the Stellenbosch municipal area in 2016 (18 284 or 24.4 per cent), followed by finance, insurance, real estate and business services sector (12 539 or 16.7 per cent). The sector in which the most net job losses was recorded in 2016 and 2017 was the agriculture, forestry and fishing sector. This is attributed to the severe drought experienced in the region however, employment opportunities in this sector is very often not only seasonal, but also low skilled and low income.

The Municipality's comprehensive Local Economic Development (LED) Strategy indicates that through a multi-stakeholder approach, the Municipality intends to create opportunities for both the private sector and the local community as economic growth benefits the whole of society.

These key LED strategies include; SMME development, red-tape reduction policies, the establishment of informal markets, LED hubs, tourism development, rural development and the implementation of smart procurement strategies.

The Municipality is directly involved in job creation through the Expanded Public Works Programme. EPWP funding for the 2019/20 financial year totals R5.28 million, a decrease from the R5.72 million grant in 2018/19. From the draft SDBIP that has been included with the budget documentation, the Municipality plans to create 300 full time equivalent jobs in terms of the EPWP programme by 30 June 2020.

(2) Potential/Expected Impact of Resource Allocations

The investment in LED and thorough implementation of the municipalities LED strategies will have positive externalities for the local economy as well as for the region. Collaboration through partnerships between the public and private sector as well as academia could enhance the effectiveness of the strategies employed and have a greater collective impact on the outcome of the strategies and maximise benefits to society.

The creation of the job opportunities through EPWP and LED will provide poverty relief by bringing much needed income to households particularly if those jobs could be translated into permanent employment opportunities. This may in turn reduce the number of indigent households within the area and consequently reduce the number of households reliant on the Municipality for free basic services.

The provision of employment opportunities also provides those involved with work experience and related skills and making candidates more employable and attractive to future employers.

3.2.3 Creating Public Value through Basic Services Provision

(1) Budget Allocations and Implications

Access to basic services levels continues to improve in the Stellenbosch municipal area. As per the Community Survey Data (2016), the lowest access levels were for refuse removal mainly due to farms and privately owned land which the Municipality does have access to. All the other basic service access levels for water, sanitation and electricity are close to 100 per cent access levels and there are currently no backlogs when it comes to basic services provision in the municipal area.

The main challenge in respect of backlogs in the Stellenbosch municipal area are with regards to access to housing. According to the Municipality's 2017/18 Annual Report, there are 16 482 applicants on the Municipality's housing waiting list. While the need for housing far outweighs the availability of current resources, there are several housing projects in the housing pipeline in order to reduce the backlog over the MTREF. The most significant allocations are for the Jamestown Housing project (R19.080 million), the Idas Valley IRDP/FLISP project (R13.5 million), Kayamandi; Watergang and Zone O (R12.650 million), 298 Serviced Sites in Kayamandi (R12.903 million) and the Cloetesville IRDP planning (R7.330 million) amongst others.

To improve the living conditions of those currently living in informal settlements, the Municipality has made the following budget allocations; R15.3 million for basic services improvements in Langrug, R2.0 million for Phase 2 Sanitation Infrastructure in Northern Extension and R10.5 million for a bulk sewer project in Kayamandi.

The Municipality provides poverty relief by providing approximately 6 000 households with no or low levels of income with free basic services. Households with a monthly income of less than R6 500 per month will receive 100 units of free electricity, 6 kilolitres of free water, free refuse removal services and free sanitation per month. The total cost of free basic services totals R92.79 million in 2019/20 as per the A10.

In addition to the provision of basic services, both water infrastructure and sanitation infrastructure in the Stellenbosch municipal area requires critical attention as indicated in the municipalities IDP. While significant allocations to new and existing infrastructure have been allocated in the 2019/20 budget, an investment of approximately R325 million is required to attend to the water supply infrastructure and similarly an amount of R283 million to repair and maintain its sanitation infrastructure.

(2) Potential/Expected Impact of Resource Allocations

The need for housing has been identified in the Municipalities IDP as the top priority in almost every ward in the municipal area. The current housing allocation and those in the pipeline is expected to increase access to housing, it is still not sufficient to meet the demand for housing within the municipal area. This speaks to the urgent need for the Municipality to prioritise interventions that will unlock opportunities for further housing developments as resources allows. Land tenure has the potential to redress the inequalities of the past and serve as a financial tool to improve the economic status of the landowner whilst contributing to the local economy.

Free basic service allocations will bring much need poverty relief to indigent households within the municipal area. Although per capita income in the Stellenbosch municipal area has steadily increased, so too has the Gini-coefficient which indicates growing inequality in the area. Given that the Municipality has committed to providing free basic services to 6 000 households each year over the next 3 years, it should take cognisance of the cost of providing free basic services.

The potential benefits of capital investments in infrastructure are restricted if the assets are not properly refurbished and maintained. The renewal, replacement or rehabilitation infrastructure on a regular basis is vital to extend its useful life. Currently, the required investment in the maintenance of existing infrastructure is more than the budgeted allocations. In addition to capital funding issues, the increased roll-out of infrastructure to eliminate backlogs and to service demographic and economic growth also impacts on the Municipality's operating expenditure budget. The Municipality needs to assess whether current levels of capital finance are sufficient to match the infrastructure requirements projected above and balance the municipal finance gap needed with affordable tariff increases over the long term.

3.3 UTILISING PROCUREMENT AS A LEVER TO IMPROVE PLANNING, BUDGETING AND PROCUREMENT STRATEGIES

The alignment between the budgeting and procurement planning process has become increasingly important based on recent statistics within municipalities in terms of the optimal and effective utilisation of their budgets. For this reason, the compilation of a demand plan and procurement plan needs to complement the Integrated Development Plan (IDP), municipal SDBIP, linked to the budget to ensure that funding for the acquisition of goods and services are available.

Procurement planning is becoming a national concern, hence National Treasury issued MFMA Circular 94 requiring the Accounting Officer to submit the procurement plan together with the Budget, Service Delivery and Budget Implementation Plan (SDBIP) in an effort to address the weak planning processes, as slow spending of capital budgets has a negative impact on service delivery.

By developing a procurement plan that takes into account environmental and social aspects in addition to traditional economic or financial considerations in conjunction with the demand plan to source items of a strategic nature and where possible source alternate suppliers or alternate commodities.

In order to ensure maximum citizen impact key projects identified on the procurement plan needs to be prioritised as an effort to improve the delivery of municipal services and impact on the economic status from a citizen focus perspective.

It must be noted that the Municipality has in terms of its procurement planning process and spend, committed a large portion of its budget to operational and capital expenditure, of which 60 per cent has been spent up until the end of January 2019. This is indicative that the Municipality has committed to optimising their capital and operational deliverables in order to ensure service delivery. The Municipality is also striving to incorporate the procurement planning activities into its budgeting process.

It must be noted that the Stellenbosch Municipality has a challenge in the following area as it relates to the procurement planning process, i.e.: Capacity constraints within the SCM unit and user-departments.

Procurement Planning should be utilised as a strategic tool to drive local economic development (LED) with key linkages and partnerships within the Municipality that draws a nexus between its IDP, budget planning processes that are associated with procurement initiatives. Utilising procurement as a strategic enabler seeks to create an opportunity for role-players to not only engage on the key socio-economic challenges, but more importantly to share experiences which contribute to all stakeholders working together to uplift and grow our communities and grow the local economy.

In view of the above the Provincial Treasury is in the process of putting together a procurement planning toolkit to assist municipalities in the procurement planning process that is aligned to its budget and IDP. From the perspective of the Municipality it is therefore imminent that the Municipality puts in place a stakeholder engagement plan to facilitate such engagements with its Programme and sub-Programme managers. Key linkages with its LED component must also be established to support these procurement planning and an economically sustainable delivery model.

3.4 REVENUE ENVELOPE, OWN REVENUE AND INTERGOVERNMENTAL REVENUE TRENDS

3.4.1 Own Revenue Assessment: Tariff Analysis for the four trading services, focussing on:

Tariff analysis

Table 4 below presents an analysis of the tariff for the four trading services, the proposed increase as well as the applied tariff structure.

Table 4: Summary of tariffs of the trading services

Service	Tariff Structure	Propose % increase	Changes/Comments
Property Rates		6.5%	
Electricity	Two-part tariff	13.8%	The Municipality is proposing an 13.8% increase for electricity which is in line with the Eskom approved tariff of 13.8%. We are aware that at the time the budget was tabled the municipal guidelines were not yet available. It should, however be noted that the NERSA guideline for electricity for the 2019/20 financial year is 13.07 per cent.
Water	Two-part tariff	6.5%	The increase is due to the improved rainfall and previous investment which has allowed the Municipality the ability to cope with the continuing drought. It should be noted that this increase is below the average increase of 9 per cent implemented by water boards which the NT uses for the basic component increase.
Sanitation	Cost dependent on property	6%	Is in line with the upper band of the inflation targeting bracket.

Water Services

Optimal water pricing is essential for the sustainability of both water and sanitation services. The price structure is typically influenced by availability of water, consumer income, purpose and usage, and certain socio-economic factors. The tariff structure can include a flat or uniform rate, block rates, seasonal and peak rate, conservation rates, and capacity rate.

Stellenbosch Municipality has a progressive tariff structure with steep inclining block tariffs (IBTs). IBTs promotes conservation and contains wasteful practices; this compliments the supply constraint environment that the Municipality currently finds itself in due to the severe drought and the dwindling water resources.

At the onset of the current municipal financial year, Stellenbosch Municipality implemented a few changes to their water tariffs. The Municipality retained its tariff structure, i.e. a two-part tariff with a basic fee and consumption fee. The Municipality increased the number of steps for the provision of this service but also the consumption value per step.

For the 2019/20 financial year, Stellenbosch Municipality has adjusted their tariff structure or restriction levels aside from applying the 6.5 per cent increase on the existing tariffs. In addition, the Municipality has indicated that they would remain at level 2 restrictions.

Table 5: Water Tariffs 2017/18

Tariffs : Stellenbosch							
Drought Tariff	Yes						
By-law	Yes						
Water Restrictions Level	5						
			Tariff	Level 1	Level 2	Level 3	Level 4
Step 1	0 - 6 kl	Per kl		4.90	4.90	4.90	4.90
Step 2	7 - 20 kl	Per kl		7.06	7.91	8.86	10.00
Step 3	21 - 40 kl	Per kl		11.94	14.83	18.42	38.00
Step 4	41 - 60 kl	Per kl		18.83	27.70	40.00	100.00
Step 5	61 - 80 kl	Per kl		25.59	39.77	185.00	215.00
Step 6	80 kl & >	Per kl		40.00	175.00	210.00	250.00

Source: 2017/18 Tariff list

Table 6: Water Tariffs 2018/19

2018/19 Water Tariffs				
Domestic	Normal	20% restriction periods	30% restriction periods	40% restriction periods
0 - 6 kl	R5.37	R5.37	R5.37	R5.37
6 -12 kl	R8.12	R8.91	R9.71	R10.50
12 -18 kl	R13.74	R22.46	R31.18	R39.90
18 - 25 kl	R23.54	R39.03	R54.51	R70.00
25 - 40 kl	R31.99	R53.58	R75.16	R95.75
40 - 70 kl	R50.00	R108.33	R166.67	R225.00
>70 kl	R75.00	R155.00	R235.00	R315.00
Domestic Cluster	Normal	20% restriction periods	30% restriction periods	40% restriction periods
0 - 6 kl	R5.37	R5.37	R5.37	R5.37
6 -12 kl	R8.12	R8.91	R9.71	R10.50
12 -18 kl	R13.74	R22.46	R31.18	R39.90
18 - 25 kl	R23.54	R39.03	R54.51	R70.00
>25	R31.99	R53.58	R75.16	R95.75

Source: 2018/19 Tariff list

Electricity:

Stellenbosch Municipality applies a two-part tariff structure for electricity; this includes an energy charge (consumption per kWh or Amp), and a fixed and capacity charge (basic or availability). The Municipality has an Inclining Block Tariff (IBT) approach. Stellenbosch Municipality has indicated that the tariff increase for electricity services is 13.8 per cent which is higher than the approved municipal guideline of 13.07 per cent. However, Provincial Treasury is aware of that the National Energy Regulator of South Africa (NERSA), still had not published the municipal tariff guidelines when the Municipality tabled its budget.

On the 29th March, NERSA published their municipal guidelines for comments. In the consultation paper in terms of the calculation, bulk accounts for 74 per cent of the tariff as the Municipality's approval is based on a weighted average. The input variables for the upcoming year is:

- Bulk purchases is 15.63¹ per cent
- Consumer price index (CPI) is 5.2² per cent
- Salary increases – CPI plus 1.5 per cent
- Repairs & maintenance, capital charges and other cost will increase at CPI

$$\begin{aligned} \text{MG} &= (\text{BP} \cdot \text{BPI}) + (\text{S} \cdot \text{SI}) + (\text{R} \cdot \text{RI}) + (\text{CC} \cdot \text{CCI}) + (\text{OC} \cdot \text{OCI}) \\ &= (74 \cdot 0.1563) + (10 \cdot 0.067) + (6 \cdot 0.052) + (5 \cdot 0.052) + (5 \cdot 0.52) \\ &= 11.566 + 0.67 + 0.312 + 0.26 + 0.26 \\ &= 13.07 \% \end{aligned}$$

Cost reflectiveness of Tariffs

This section will assess the cost reflectiveness of the 4 trading services, i.e. electricity, water, sanitation and refuse. According National Treasury, these services should at least be cost reflective. In theory, trading services are services which can, in principle, run as separate businesses, because tariffs can be set in such a way as to yield a trading surplus. A key feature of trading services is that they can be provided by private enterprises. Consumers receive a direct quid pro quo for tariffs paid. Water, sanitation, electricity and refuse removal are the most important trading services.

Water and electricity are further classified as economic services. These services are normally seen as services which should operate at a surplus.

For the purpose of this section the revenue of A4 will be used as this is the revenue generated from the service less all subsidies provide by the Municipality. In addition to this, A2 provide the expenditure information less the National Treasury allocation for each of the trading services as it is already exempted on the revenue side. The reasoning behind this theory is that theoretically for cost reflectiveness the revenue generated from the service should be able to cover the full cost of the service before transfers. This may become crucial going forward given the low economic growth, under-collection of tax revenue and shifts in Governments priorities.

¹ Eskom standard tariff submission.

² MFMA Budget Circular 94

Decisions about accepting profits or losses on services can only be made by looking at all services together, and ensuring that in balance the Municipality will fully recover costs. Tariff revenue losses will be made on some services. These must be balanced against tariff revenue profits on other services, as well as other income sources such as assessment rates and subsidies. Getting the balance right is one of the most difficult parts of tariff setting.

From the cost reflectiveness analysis in Table 8, that the trading services in the Municipality are making sufficient revenue to cover the cost of providing these services. It is only sanitation in the current financial year that illustrates that the revenue is not sufficient to cover the cost. However, the budgeted revenue for sanitation in the 2019/20 financial year seems to recover as the Municipality projections shows that the Municipality's revenue will cover the cost of the service by 121 per cent.

Table 7: Cost Reflectiveness of Trading Services

	2015/16	2016/17	2017/18	2018/19	2019/20
Revenue:					
Service charges - electricity revenue	465 608	513 225	523 068	558 984	639 886
Service charges - water revenue	135 812	159 539	197 306	190 542	201 975
Service charges - sanitation revenue	71 050	81 352	91 619	97 078	113 503
Service charges - refuse revenue	38 231	41 059	50 008	61 168	69 225
Expenditure:					
Energy sources	454 990	410 592	419 364	430 300	450 275
Water management	106 209	97 703	89 809	136 062	161 896
Waste water management	107 392	100 535	110 889	139 126	127 649
Waste management	62 161	58 831	56 599	81 861	88 534
LGES Allocation:					
Electricity	19 032	21 037	23 606	26 235	29 153
Water	28 680	31 808	36 170	40 323	44 949
Sanitation	23 120	25 264	28 039	30 784	33 768
Refuse	19 381	21 178	23 505	25 805	28 307
Surplus/Deficit					
Electricity	29 650	123 670	127 310	154 919	218 764
Water	58 283	93 645	143 667	94 803	85 027
Sanitation	(13 221)	6 081	8 770	(11 264)	19 623
Refuse	(4 549)	3 406	16 914	5 112	8 998
% Cost Coverage					
Electricity	107%	132%	132%	138%	152%
Water	175%	242%	368%	199%	173%
Sanitation	84%	108%	111%	90%	121%
Refuse	89%	109%	151%	109%	115%

3.4.2 Intergovernmental Revenue:

The division of nationally raised revenue involves a substantial redistribution of resources from the wealthiest areas to the lower income communities in the country. Local government receives approximately 9.1 per cent of intergovernmental transfers. The combined intergovernmental transfers to City of Cape Town include: an unconditional component of the transfers, i.e. the equitable share and the conditional component of the transfers, among others the urban settlements development grant, public transport network grant. The combined intergovernmental transfers to Stellenbosch Municipality include: an unconditional

component of the transfers, i.e. the equitable share and the conditional component of the transfers, among others the Expanded Public Works Program, Municipality Infrastructure Grant, Integrated National Electrification Program.

Local Government Equitable Share Allocation

The Basic Services component provides for an allocation for every poor household to enable municipalities to fund the cost of free basic services (including maintenance costs). As the new formula utilises an affordability threshold of R2300 household income per month, which is based on twice the state Old Age Pension. A subsidy of R275 per month is allocated for providing free basic services to each household below the affordability threshold, defined as R2 300 household income per month in 2011. However, the allocation per basket of service for indigent support has increased annually based on the increase per service example National Treasury based the increase of electricity based on the NERSA approved increase, while sanitation and refuse received the upper level of inflation. In the 2018/19 financial year, the threshold which has remained the same until this year has been increased to R3 530 per household for the 2019/20 financial year. The Municipality will be receiving R408.61 per basket of goods for each indigent household.

The package of free basic services is comprised of energy, water, sanitation and refuse removal. The subsidy amount provided is above the national average cost for municipalities to provide these services and therefore creates a margin that will enable municipalities with above average costs on individual services to have sufficient funds provided through the LGES to cover the provision of basic services to poor households. The Basic Services allocation of R408.61 is however based on the efficient provision of trading services, inclusive of the 10 per cent allocation for maintenance. National Treasury's threshold for indigent households is R3 530 per household, should the Municipality's threshold be higher than this, the basket of goods provided to all those above this threshold should be funded by the municipal council. This is due to municipalities threshold varying from that of National Treasury. Should the Municipality be unable to finance these additions, the Municipality is then encouraged to review its indigent policy to be able to sustain and finance the operations and maintenance of these basic services.

NERSA's approval of the Eskom tariff increases was announced after the publication of the Division of Revenue Bill and as such there is a discrepancy between the electricity increase used in the calculation for the cost of service for the basic component. However, NT has advised that municipalities are able to offset the lower allocation for electricity from previous years' allocations. As it has come to light that municipalities have experienced slower growth in their population than which has previously been forecasted.

Stellenbosch Municipality will be receiving the following for the basic component of the LGES allocation illustrated in Table 9 below based on the monthly figures

Table 8: Free Basic Service Allocations

Service	National Guidelines	FBS	NT allocation per service	Total allocation for basic service component	2016 Community Survey data: Indigent HH	Indigent HH as per Annual Report	Stellenbosch Municipality's indigents as per A10
Energy	50 kWh	100 kWh	R87.48	R29 152 669	27 772	6 453	6 000
Water	6 kl	6 kl	R134.78	R44 948 604			6 000
Sanitation	15 l/day	Free based on a 250 m ² erf;	R101.32	R33 768 152			6 000
Refuse	1 collection per week	1 collection per week	R84.94	R28 307 246			6 000

According to the NT allocation of the formula, based on the revised estimates based on the Community Survey findings, Stellenbosch Municipality has 27 772 indigent households which is 51 per cent of total households in the municipal area. The number of indigent households increased from an estimate of 26 786 households in 2018/19 allocation, which is an average estimate growth rate of 3.68 per cent per annum. For the 2017 financial year the municipal threshold for indigents was R6 000, with 6 453³ households being classified as indigent, which is substantially lower than what the Municipality is funded for.

Opportunities

The 2017/18 Annual Report highlights that the Stellenbosch Municipality has made progress towards achieving the vision of becoming a 'Valley of Opportunity and Innovation' within the ambit of the values of accountability, transparency, transformation and innovation.

Given the recent water crisis, the Municipality has developed a comprehensive Water Conservation and Water Demand Management strategy, which includes a 10-year financial plan. Relevant initiatives entail the water pipe replacement program, indigent domestic leak repair and meter replacement programme, water meter audit and in-house water services operation and maintenance.

The sustainability of electricity provisioning is a potential risk which needs to be carefully monitored and mitigated. The extension of the pre-paid electricity meters programme has been prioritised. The Municipality has alluded to exploring renewable energy in terms of the Annual Report drawing attention to the increased affordability of renewable energy sources – the further development of the Municipal Strategic Focus Area 2 (A Green and Sustainable Valley) is encouraged.

3.5 SPATIAL ALIGNMENT, RESPONSIVENESS AND PERFORMANCE

In general, the 2012 SDF and 2017 amendments did not adequately take the WCBS into consideration and as such there is a need for the current amendment process of the SDF to adequately take into account the WCBS. Prior to the amended SDF being adopted, the WCBS must also be taken into account in evaluating any development proposals. An intergovernmental steering committee (IGSC) was established for the compilation of the new SDF. CapeNature was invited to the initial engagements but not thereafter. The IGSC approach is preferable as it allows for engagements between the various departments and

³ Annual report 2017, pg 234

input prior to the compilation of the SDF, as opposed to the cases where a consultant compiles the SDF in isolation which is only released for comment after the first draft is already compiled. The IGSC also has positive side benefits such as improved inter-governmental co-operation on related matters and specific projects. The new SDF is currently within a comment period, however CapeNature have not yet had a chance to review the document, but CapeNature will submit comment prior to the closing date.

Areas earmarked for development (non - CBA areas) and Conservation areas (CBAs) must be identified in the latest SDF. It is also recommended that the Municipality assign correct spatial planning categories (Core 1 and/or the highest conservation priority) to Critical Biodiversity Areas (CBAs) and (Core 2) Ecological Support Areas (ESAs) in the SDF review.

The Municipality is hereby reminded that, as set out in the Circular DEA&DP 0015/2016 which dealt with "Integrating the Municipal Spatial Development Framework with the Integrated Development Plan", any amendment to an SDF (including an urban edge amendment) must follow an IDP amendment process.

It is acknowledged that the Municipality has conducted a very thorough process to prepare a CEF in line with the draft DCOG guideline. What remains to be done is for the findings and conclusions of this exercise to be integrated into the draft MSDF and its report. The DEA&DP is willing to assist the Municipality in this regard as this will assist with similar work with other municipalities. The inclusion of the CEF along with other final material changes to the MSDF report may require that the MSDF be re-advertised for the stipulated period in terms of the MSDF being adopted in terms of an amendment to the IDP. It is understood therefore that the MSDF adoption will not take place in May 2019.

3.6 RESPONSIVENESS: MAIN POINTS AND RISKS/FINDINGS

- Bulk infrastructure development and investment extends basic services to those it has not yet reached, as well as ensures that continued quality services can be provided to those already receiving them. This has a concomitant effect on the consumer's willingness to pay for services, has the potential to increase the revenue base of the Municipality and improves the quality of life of its citizens.
- The investment in LED and thorough implementation of the municipalities LED strategies will have positive externalities for the local economy as well as for the region. Collaboration through partnerships between the public and private sector as well as academia could enhance the effectiveness of the strategies employed and have a greater collective impact on the outcome of the strategies and maximise benefits to society.
- The potential benefits of capital investments in infrastructure are restricted if the assets are not properly refurbished and maintained. The renewal, replacement or rehabilitation infrastructure on a regular basis is vital to extend its useful life. Currently, the required investment in the maintenance of existing infrastructure is more than the budgeted allocations. In addition to capital funding issues, the increased roll out of infrastructure to eliminate backlogs and to service demographic and economic growth also impacts on the Municipality's operating expenditure budget.
- The Municipality is again reminded that, as set out in the Circular DEA&DP 0015/2016 which dealt with "Integrating the Municipal Spatial Development Framework with the

Integrated Development Plan", any amendment to an SDF (including an urban edge amendment) must follow an IDP amendment process.

- Strengthening of monitoring capacity of SCM staff in order to provide consistent oversight to end-user departments; and
- Utilise the procurement as a lever to positively impact socio-economic challenges.

SECTION 4: FINANCIAL SUSTAINABILITY

4.1 REVIEW OF THE PREVIOUS YEAR'S BUDGET

Part 4.1(1): The Financial Health and Performance – year ended 30 June 2018

The assessment of the financial health and performance is an integrated process involving a review of the Municipality's audited annual financial statements and audit report using selected financial ratios/norms. The results of the financial ratios/norms are used to support financial decisions and to identify factors which may influence the financial stability of the Municipality. It is also to enable timely corrective actions where service delivery may be at risk. The assessment is according to the selected key financial ratios/norms as per National Treasury MFMA Circular No. 71, as submitted by the Municipality.

The Financial Performance as per the Audited Annual Financial Statements

Table 9: Financial ratios and norms

Financial ratios		Norms	2016 Audited	2017 Audited	2018 Audited	Comments
Asset Management						
1.	Capital Expenditure to Total Expenditure	10 – 20%	21.7%	24.9%	24.4%	The ratio has fluctuated over the three-year period and exceeds the NT norm. This translates to higher levels of spending on infrastructure and acceleration in service delivery, but could also hold financial sustainability risks if the infrastructure does not include both economic (i.e. revenue generating) and social type infrastructure.
2.	Repairs and Maintenance as a % of Property, Plant and Equipment, Investment Property (Carrying Value)	8%	1.2%	1.2%	0.8%	The ratio results appear to have deteriorated over the three-year period, and have remained significantly below the National Treasury norm. This indicates that insufficient expenditure is being incurred on repairs and maintenance to the extent that it could impact on the useful lives of assets resulting in impairment of assets. The Municipality is urged to monitor the repairs and maintenance of assets and align to the NT norm.
Debtors Management						
3.	Bad Debts Written-off as % of Provision for Bad Debt	100%	37.8%	53.4%	23.2%	The ratio results have fluctuated over the three-year period, and have remained below the National Treasury norm. The NT norm requires bad debts provided for in the prior year to be written off in the following year. The Municipality is urged to align its accounting processes with the NT norm.

Financial ratios		Norms	2016 Audited	2017 Audited	2018 Audited	Comments
4.	Net debtors days	≤ 30 days	42 days	38 days	35 days	The ratio results have improved over the three-year period; however, they remain outside the National Treasury norm. The improvement is noted and vigorous application of credit policies would see a further improvement and alignment to the NT norm.
5.	Collection Rate	95%	90.1%	85.1%	91.9%	The ratio has remained outside the National Treasury norm for the review period. Credit control of the Municipality requires attention and corrective measures should be implemented to achieve the NT norm.
Liability Management						
6.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6 – 8%	2.5%	2.4%	2.4%	The ratio results are well within the NT norm indicating the Municipality having capacity to service additional debt.
7.	Debt (Total Borrowings)/Revenue	<45%	14.0%	12.4%	11.3%	The ratio results are significantly below the National Treasury norm. the Municipality has sufficient capacity to assume additional debt, also factoring in the results of the ratio above. An optimal funding mix should be determined by the Municipality to leverage off its strong financial position.
Efficiency Management						
8.	Net Operating Surplus Margin	≥ 0%	21.7%	14.2%	13.2%	The ratio has deteriorated over the three-year period, but has remained within the National Treasury norm. the Municipality is generating significant surpluses which increases its reserves. This is underpinned by significant under-expenditure. This appears to have been factored into the budget, which still forecasts surpluses. Surplus could be utilised to contribute towards its capital funding requirements.
Revenue Management						
9.	Revenue Growth (%) - Excluding capital grants	= CPI CPI	19.6% 6.4%	-0.1% 5.3%	12.4% 4.7%	The ratio results have fluctuated over the three-year period. The 2018 ratio result exceeds the CPI rate, and is indicative of real growth.
Expenditure Management						
10.	Creditors Payment Period (Trade Creditors)	30 days	53 days	66 days	57 days	The ratio results have remained outside the National Treasury norm.

Financial ratios		Norms	2016 Audited	2017 Audited	2018 Audited	Comments
11.	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%	1.4%	0.2%	2.2%	The ratio has remained outside the National Treasury norm. It is critical that the underlying causes are determined and processes be put in place to address these instances.
12.	Contracted Services % of Total Operating Expenditure	2 – 5%	3.9%	11.3%	9.1%	The ratio results have fluctuated over the three-year period, and have remained outside the National Treasury norm. It is critical for the Municipality to analyse this expensed to determine how the NT norm can be achieved.
Grant Dependency						
13.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	N/A	90.5%	98.8%	91.0%	The ratio reflects the municipalities efforts towards self-sufficiency, which is influenced by transfers and subsidies.
Budget Implementation						
14.	Capital Expenditure Budget Implementation Indicator	95 - 100%	79.6%	85%	86.8%	The ratio results have remained below the norm. This indicates that the Municipality may have challenges in implementation of capital projects. Underlying causes must be analysed and factored into the budget.
15.	Operating Expenditure Budget Implementation Indicator	95 – 100%	98.0%	90.7%	85.5%	The ratio results have deteriorated over the three-year period, and are outside the norm. This is the result of significant under-expenditure, which the Municipality should note when finalising the budget.

Summary and recommendations

- The ratios reflect that municipality is not investing sufficiently on repairs and maintenance of assets, which could impact on the useful lives of assets.
- Irregular expenditure has spiked and controls must be put in place to ensure underlying causes are addressed.
- Debtors management can be improved as per the findings above.
- The Municipality is urged to consider the benefits of gearing given the strength of its financial position.
- Budget implementation strategies must be focussed on the achieve budgets and deviations should be factored into the budget.

4.2 REVIEW OF THE NEW (2019/20) MTREF

4.2.1 Expected Outcome for Current Financial Year

Table 10: Audited and Budget Performance of the Municipality from 2016/17 – 2018/19

Description	2016/17				2017/18				2018/19			
	Adjusted Budget	Audited Outcome	Difference	Diff %	Adjusted Budget	Audited Outcome	Difference	Diff %	Original Budget	Adjusted Budget	Difference	Diff %
Financial Performance												
Property rates	288 270	290 028	1 753	0.6%	313 011	309 989	(3 022)	-1.0%	329 307	344 307	15 000	4.6%
Service charges	725 721	795 176	69 456	9.6%	841 408	862 001	20 594	2.4%	937 772	907 772	(30 000)	-3.2%
Investment revenue	45 377	56 219	10 841	23.9%	48 999	55 110	6 111	12.5%	45 501	45 501	-	0.0%
Transfers recognised - operational	140 151	122 568	(17 586)	-12.5%	143 935	133 057	(10 878)	-7.6%	144 700	164 974	20 274	14.0%
Other own revenue	162 567	163 504	937	0.6%	170 187	172 278	2 092	1.2%	172 266	169 766	(2 500)	-1.5%
Total Revenue (excluding capital transfers and contributions)	1 362 094	1 427 495	65 401	4.8%	1 517 539	1 532 435	14 897	1.0%	1 629 546	1 632 320	2 774	0.2%
Employee costs	406 470	409 575	3 097	0.8%	494 889	444 579	(50 310)	-10.2%	566 808	548 997	(17 811)	-3.1%
Remuneration of councillors	17 021	16 094	(927)	-5.5%	17 462	17 308	(154)	-0.9%	18 693	18 823	130	0.7%
Depreciation & asset impairment	165 200	149 139	(16 060)	-9.7%	195 881	157 550	(38 331)	-19.6%	198 819	198 819	-	0.0%
Finance charges	20 222	19 627	(595)	-2.9%	18 077	18 775	699	3.9%	26 477	20 477	(6 000)	-22.7%
Materials and bulk purchases	344 317	347 828	3 511	1.0%	385 607	329 682	(55 925)	-14.5%	415 190	415 890	700	0.2%
Transfers and grants	8 370	6 933	(1 442)	-17.2%	6 314	6 261	(53)	-0.8%	9 102	9 102	-	0.0%
Other expenditure	489 228	365 516	(123 712)	-25.3%	457 027	372 180	(84 847)	-18.6%	481 242	506 997	25 755	5.4%
Total Expenditure	1 450 845	1 314 712	(136 133)	-9.4%	1 575 255	1 346 334	(228 921)	-14.5%	1 716 330	1 719 104	2 774	0.2%
Surplus/(Deficit)	(88 752)	112 783	201 534	-227.1%	(57 717)	186 101	243 818	-422.4%	(86 784)	(86 784)	0	0.0%
Transfers recognised - capital	128 404	105 184	(23 217)	-18.1%	98 513	77 477	(21 036)	-21.4%	91 804	106 074	14 270	15.5%
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	39 650	217 967	178 317	449.7%	40 797	263 579	222 782	546.1%	5 020	19 290	14 270	284.3%
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	39 650	217 967	178 317	449.7%	40 797	263 579	222 782	546.1%	5 020	19 290	14 270	284.3%
Capital expenditure & funds sources												
Capital expenditure	482 580	410 203	(72 377)	-15.0%	499 855	433 682	(66 173)	-13.2%	528 041	563 550	35 509	6.7%
Transfers recognised - capital	118 370	87 452	(30 925)	-26.1%	92 661	80 137	(12 523)	-13.5%	91 804	106 074	14 270	15.5%
Public contributions & donations	13 174	6 876	(6 298)	-47.8%	8 414	280	(8 134)	-96.7%	-	-	-	-
Borrowing	-	4 581	4 581	0.0%	-	-	-	0.0%	160 000	160 000	-	0.0%
Internally generated funds	351 020	311 294	(39 735)	-11.3%	398 781	353 265	(45 516)	-11.4%	276 237	297 476	21 239	7.7%
Total sources of capital funds	482 580	410 203	(72 377)	-15.0%	499 855	433 682	(66 173)	-13.2%	528 041	563 550	35 509	6.7%

Source: 2019/20 MTREF Budget and 2016/17 and 2017/18 Annual Financial Statements

Findings:

In aggregate the Municipality performed well with the implementation of the operating budget for the audited years however underperformances are noted for transfers recognised and with fiscal constraints to persisting it raises risks of retention and or reduction of grant allocations.

The operating expenditure in aggregate for 2017/18 reflected underperformances of 14.5 per cent which is below the national budget norm of 95 per cent and the major underspending was due to the following expenditure items:

- employee related cost (R50.31 million or 10.2%) and in the current year the Municipality adjusted the budget by R17.81 million.

- depreciation (R38.33 million or 19.6 %) as well as other expenditure (R84.85 million or 18.6 %). Although depreciation is a non-cash item, this expenditure item is a measurement of the rate of asset consumption and important element of the lifecycle asset management and hence should be based on an updated, GRAP compliant and complete asset register.

The spending of the capital budget remains a concern even though in the 2017/18 financial year it improved slightly in comparison to the 2016/17 financial period as the Municipality achieved an underspending of 13.2 per cent or R66.17 million in the audited outcome of the 2017/18 financial year.

In view of the above findings it is recommended that the Municipality consider current and past spending trends which set the baseline and therefor have an impact on future budgetary provisions.

4.2.2 Expected Outcome of the NEW MTREF Budget

Table 11: Budget overview

Description	2015/16	2016/17	2017/18	Current Year 2018/19		2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Total Revenue (excluding capital transfers and contributions)	1 309 606	1 427 495	1 532 435	1 629 546	1 632 320	1 778 647	1 899 207	2 025 525
Total Expenditure	1 259 761	1 314 712	1 346 334	1 716 330	1 719 104	1 808 247	1 925 262	2 048 352
Surplus/(Deficit)	49 845	112 783	186 101	(86 784)	(86 784)	(29 600)	(26 055)	(22 827)
<i>Depreciation & asset impairment</i>	149 552	149 139	157 550	198 819	198 819	206 956	215 430	224 255
Capital expenditure & funds sources								
Capital expenditure	348 019	410 203	433 682	528 041	563 550	553 562	413 093	425 913
Transfers recognised - capital	103 326	87 452	80 137	91 804	106 074	191 088	91 448	96 699
Public contributions & donations	-	6 876	280	-	-	-	-	-
Borrowing	42 566	4 581	-	160 000	160 000	160 000	120 000	100 000
Internally generated funds	202 127	311 294	353 265	276 237	297 476	202 474	201 645	229 214
Total sources of capital funds	348 019	410 203	433 682	528 041	563 550	553 562	413 093	425 913
Cash flows								
Cash/cash equivalents at the year end	128 187	299 431	23 062	423 733	433 363	374 833	366 653	342 347

Source: 2019/20 MTREF Budget

Findings and Recommendations

The Municipality has tabled a deficit budget that is improving over the MTREF and it should be noted that it is not an indication that the budget is unfunded. The deficit is mainly caused by non-cash expenditure item namely depreciation which is partly cash-backed.

Deprecation is a proxy for the measurement of the rate of asset consumption and although a non-cash item it should still be factored into tariff setting and revenue projection in order to replace, renew or upgrade infrastructure when the useful life thereof has been exhausted.

In view of slow economic growth, increase service demands, a weakened economic outlook that will exert pressure on disposable income of consumers, climate change as well as fiscal constraints to persist over the medium term the Municipality is urged to continue to apply fiscal discipline and practice prudent financial management in order to ensure long term financial sustainability and maximum citizen impact.

The expansion of the revenue base should be a key financial lever in the long term financial plan as the Municipality is already increasing all the main services and property rates above inflation to recoup costs which could lead to the municipal bill eventually becoming unaffordable over an extended period of high increases.

Review of the Budget Assumptions

Purpose: The assessment is based on the budget assumptions as per page 67-68 of the budget document of the Municipality. The budget assumptions are reviewed for completeness, credibility and reasonableness as it forms the basis upon which the new MTREF is prepared.

Table 12: Budget Assumptions

No.	Description of the Budget Assumptions
1.	The forecasted CPIX is estimated at 5.2% for 2019/20, 5.4% for 2020/21 and 5.4% for the 2021/22 financial years.
2.	The 2019/20 budget was prepared on a projected collection rate of 96 per cent of annual billing.
3.	The following principles and tariff increases, based on the cost reflectiveness of the tariffs are proposed: <ul style="list-style-type: none"> ● Property Rates = 6.5%. ● Electricity = 13.8% (with a free 50 kWh per month to indigent households only, to be taken from the Equitable share). ● Water = 6.5% (with 6 kilolitres plus the basic levy for water free of charge to indigent households). ● Refuse = 16.5% (free for indigent households) ● Wastewater = 6 (free for indigent households)
4.	Cost containment measures were provided for in the budget documentation.
5.	Employment related costs for the entire MTREF period were budgeted at an annual increase of 7% (exclusive of annual notch increases). The notch increment is budgeted at 2.4% over the MTREF.
6.	Bulk electricity purchases are projected to increase by 15.6% and Bulk water purchases are projected to increase by 8% in the 2019/20.
7.	Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate, household growth rate and the poor household change rate.
8.	The five strategic objectives the budget are linked to are as follow: <ul style="list-style-type: none"> ● Valley of possibility; ● Green and sustainable Valley; ● Safe Valley; ● Dignified Living ● Good Governance and Compliance.

Findings and Recommendations:

The overall budget assumptions are credible, reasonable and aligned to National Treasury guidelines however the following needs to be considered with the finalisation of the annual budget for adoption:

- The budget implication of the major future events like transit orientated development and the required capital outlay, growth potential, service demands on existing infrastructure, water requirements and population growth linked thereto must be factored into the budget planning.
- The Municipality should consider as a prudent measure to adjust the collection rate of water in view of the above inflationary tariff increases and the upward trajectory of long outstanding debtors and low year-to-date collection rate.
- In view of a restraint economic and fiscal outlook that framed the budget context and parameters of the Municipality a key consideration is to move towards a Whole of Society approach (WoSA) which enable the strengthening of coordination among key stakeholders including communities, business, intergovernmental organisations to achieve strategic and social economic goals. The utilisation of the budget is a key mechanism to consolidate for maximum citizen impact.

4.2.3 Adequacy of Revenue Management Framework

Table 13: Operating Revenue Budget

Description	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source									
Property Rates	270 379	290 028	309 989	329 307	344 307	344 307	356 122	382 456	408 452
Service charges - electricity revenue	465 608	513 225	523 068	548 984	558 984	558 984	639 886	692 917	749 031
Service charges - water revenue	135 812	159 539	197 306	225 542	190 542	190 542	201 975	217 103	231 085
Service charges - sanitation revenue	71 050	81 352	91 619	107 078	97 078	97 078	113 503	122 278	130 586
Service charges - refuse revenue	38 231	41 059	50 008	56 168	61 168	61 168	69 225	77 147	84 762
Service charges - other	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	18 599	16 906	14 992	17 766	17 766	17 766	18 831	19 961	21 159
Interest earned - external investments	49 713	56 219	55 110	45 501	45 501	45 501	44 171	36 730	36 330
Interest earned - outstanding debtors	5 714	6 451	6 849	10 576	10 576	10 576	11 270	12 096	12 983
Dividends received	-	-	-	-	-	-	-	-	-
Fines	92 604	102 817	114 767	102 132	102 132	102 132	108 260	113 673	119 357
Licences and permits	4 210	5 735	6 571	5 092	5 092	5 092	5 398	5 722	6 065
Agency services	5 576	6 400	2 365	2 690	2 690	2 690	2 852	3 023	3 204
Transfers recognised - operational	124 849	122 568	133 057	144 700	164 974	164 974	172 339	179 316	183 641
Other revenue	27 262	25 195	26 734	34 009	31 509	31 509	34 815	36 784	38 871
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	1 309 606	1 427 495	1 532 435	1 629 546	1 632 320	1 632 320	1 778 647	1 899 207	2 025 525

Source: 2019/20 MTREF Budget

The Municipality budgeted for an increase in operating revenue of 9 per cent which indicate real growth after discounted with inflation. Stellenbosch is highly dependent on revenue generated from service charges and property rates which amounts to 77.6 per cent of total operating revenue of which electricity (36%), property rates (20%) and water (11.4%) are the major sources. Although service charges indicate real growth from the previous financial year

it should be noted that pressure will be exerted on surplus margins due to bulk price pressures and a decline in consumption by consumers.

Property Rates revenue has been increased by 3.4 per cent with a tariff increase of 6.5 per cent indicating a decline in the rates revenue base in real terms after discounted for inflation. This is supported by the budget Schedules (SA12(a) and SA12(b)) indicating no increase in terms of the number of properties and the market value thereof from the current year and the 2019/20 budget year. As per the guidance of MFMA Circular 89 the budget narrative should outline the basis for the increase of rates tariff and rates base and how it aligns to revenue forecasts. MFMA Circular 93 requires municipalities to submit a copy of the approved current and supplementary General valuation roll in support of realistically anticipated property rates revenue projections.

Electricity revenue will be increasing by 10.3 per cent on average over the MTREF and the tariff increase for 2019/20 will amount to 13.8 per cent.

In view of declining consumption patterns due to amongst other price pressures caused by well above inflationary bulk purchase increases which cannot be fully transferred to the consumer, load shedding further compounded by a weak GDP and the expansion of the green energy utilisation and rapid emerging of renewable energy technology, will impact surplus margins adversely. Therefore, the sustainability of the service over the medium to long term should be monitored and incorporated as an integral element of the long term funding model as energy security has been identified as a catalytically intervention for sustainable development.

The distribution losses amount to 5.7 per cent in the most recent audit outcome which is below the national norm of between 7 and 10 per cent. Notwithstanding that the reported distribution losses is below the norm the value thereof is material hence it would be recommended that the Municipality put measures in place as part of the overall repairs and maintenance strategy to prevent any increases in further losses.

Water amounts to 11.4 per cent on average over the 2019/20 MTREF as a component in the operating revenue budget and increased year-on-year by 6 per cent which indicates a nominal real growth. The projected tariff increase of 6.5 per cent is above the upper limit of inflation. The inflated tariff increase is designed to cater for current and future replacement or refurbishment of basic water infrastructure.

For the current year the Municipality adjusted the water revenue budget downwards by a significant amount of R35 million which is mainly due to the implementation of restriction tariffs. The impact of the drought on water revenue lead to a reduction in demand in response to price elasticity and research shows that 90 per cent of businesses reported water saving actions have been implemented or planned. The risk of inadequate water supply and restriction tariffs may have permanently affected demand of especially water intensive industries and high consumption household which could result that after the lifting of restriction it will not necessary mean that consumers will go back to pre-drought consumption levels. Therefor the revenue projections are under pressure as a result of lower demand becoming the new norm hence the Municipality is urged to continue to apply fiscal discipline and tariff modelling linked to the long term financial plan is crucial in realising the desired levels of revenue as consolidation are needed for maximum citizen impact.

Water losses amounted to 21.7% for 2016/17 and 21.6% for the 2017/18 audit outcomes which is high against the backdrop of a decline in demand and revenue due to the prolonged effect of the drought this is an area that can assist the Municipality with addressing the sustainability of the service over the long term if managed effectively through appropriate strategies which might include reticulation leak repair, proactively planning of repairs and maintenance. The **outstanding debt for water** as at 28 February 2019 is currently the largest out of all the trading services accounting for 36.4 per cent of the total outstanding debt balance however of concern is the upward trajectory of the long overdue debtors (over 90 days) which increase by 9.8 per cent year-on-year. The current collection rate for the same period is less than 75 per cent due to restrictive tariffs therefore the Municipality must stringently apply its Credit Control and debt collection strategy and consider implementing water management devices to curb the upward spiralling of long outstanding debt.

The **sewerage** revenue amounts to 6.4 per cent on average over the 2019/20 MTREF in relation to the total operating revenue budget and shows an increase of 16.9 per cent resulting in positive real growth. The tariff increase of 6.0 per cent is above the CPIX projection. Sanitation services is classified as an economical service and currently the service does not break even, which therefore necessitates the above inflation tariff increase to be implemented in working towards a surplus being achieved to ensure the service is delivered in a sustainable manner.

Waste management amounts to 4 per cent on average over the MTREF of the operating budget and is projected to increase by 13.2 per cent.

The Municipality increased the **waste management** tariff by 16.5 per cent over 2019/20 budget year which is well above the CPIX projection of 5.2 per cent however the tariff does not lend itself to the financing of the expansion of the landfill site. The municipal is experiencing challenges in terms of landfill sites reaching capacity. Therefore, it is recommended in order to achieve sustainability over the medium to long term that the Municipality must continue with its strategic plan to move towards integrated waste management which will increase the recovery of waste material and thereby save municipal landfill airspace, promote the waste economy, reduce the environmental impacts of waste management and create jobs. It is recommended that a balance be strike by the Municipality between competing goals of the affordability, economic growth, the environment and the financial sustainability of the service over the medium to long term.

The Municipality is self-supporting with no significant reliance (9.7%) on operating grants and subsidies to fund its daily operations. However, for the 2017/18 financial year the Municipality reported underspending on some conditional grants which raises the risk of retention and or reduction of grant allocations hence the Municipality is recommended to put control measures in place to ensure full spending of grants and subsidies.

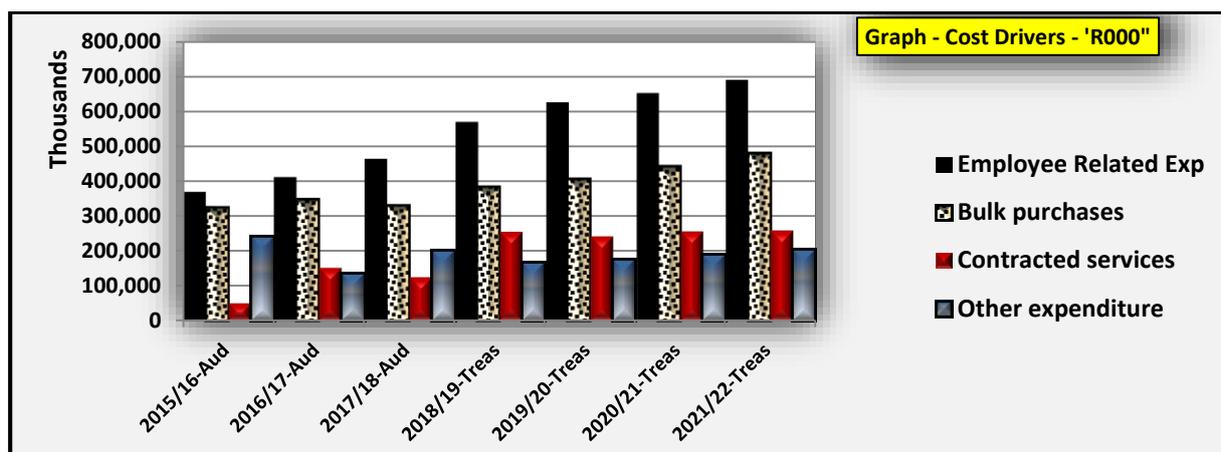
4.2.4 Adequacy of Expenditure Management Framework

Table 14: Operating Expenditure

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Employee related costs	2	367 463	409 575	444 579	566 808	548 997	548 997	603 268	628 564	665 252
Remuneration of councillors		15 844	16 094	17 308	18 693	18 823	18 823	19 936	21 115	22 363
Debt impairment	3	83 277	82 169	47 971	90 629	90 629	90 629	72 067	76 391	80 975
Depreciation & asset impairment	2	149 552	149 139	157 550	198 819	198 819	198 819	206 956	215 430	224 255
Finance charges		20 391	19 627	18 775	26 477	20 477	20 477	39 877	54 668	66 655
Bulk purchases	2	324 777	347 828	329 682	383 282	383 282	383 282	406 458	441 586	479 627
Other materials	8	-	-	-	31 909	32 609	32 609	34 990	36 919	39 020
Contracted services		49 621	149 158	123 010	220 297	251 074	251 074	237 957	251 947	254 544
Transfers and subsidies		6 216	6 933	6 261	9 102	9 102	9 102	10 049	10 628	11 242
Other expenditure	4, 5	242 620	134 189	201 199	170 316	165 293	165 293	176 689	188 014	204 417
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Expenditure		1 259 761	1 314 712	1 346 334	1 716 330	1 719 104	1 719 104	1 808 247	1 925 262	2 048 352

Source: 2019/20 MTREF Budget

The operating expenditure in aggregate is expected to grow by 6 per cent on average over the 2019/20 MTREF and Employee related costs (32.8%), bulk purchases (22.9%) and debt impairment (11.5%) are the main expenditure drivers.



Source: MTREF 2019/20 Budget

Employee related costs amount to 33.4 per cent of the operating budget in aggregate, and an increase of 9.9 per cent is recorded year-on-year which is above inflation and therefore will exert pressure on available resources. The wage bill is within National norms of 25 - 40 per cent as per MFMA Circular 71 however is edging towards the upper boundary of the norm.

In view of the current revenue projections and economic outlook, the Municipality is hereby encouraged to monitor employee related costs closely to ensure the expenditure item is within the affordable limits as increases should correspond with adequate revenue provisions as to not adversely impact the financial health of the Municipality. A key consideration is the prioritising of only critical vacancies, avoid excessive overtime and optimising existing staff complement by limiting use of consultants.

Finance charges show an average increase of 51.3 per cent over the MTREF and a year-on-year increase of 94.7 per cent between the 2018/19 and 2019/20 budget period. Total new borrowings to be taken up over the MTREF amount to R380 million which is needed for investment in income generating infrastructure. The Municipality provided for the maximum draw down however historical trends show that the Municipality delay drawing down on borrowings as the 2018/19 cash flow show no actual borrowing receipts for the month ending February 2019 and adjusted the finance charges budget downwards in the main adjustment budget. For the 2017/18 and 2016/17 financial years the Municipality has not taken up budgeted borrowings yet made provisions in the original budget for finance costs which had an upward pressure on tariffs. Therefore, it is recommended that the Municipality align calculation for finance charges on historical trends and cash projections as it can have an impact on the credibility of the operating budget.

Bulk purchases amount to 22.9 per cent of the operating budget in aggregate and show a year-on-year increase of 6 per cent. The pricing of bulk purchases is set externally however it is recommended that the Municipality be mindful of both electricity and water distribution losses and the impact it has on bulk purchases by ensuring adequate maintenance distribution infrastructure as well as putting control measures in place in terms of illegal connections and own municipal consumption of electricity and water.

Contracted services amount to R231.97 million and constitute an average of 12.9 per cent of operating expenditure which is above the NT norm of 2 - 5 per cent. Services outsourced amount to R77.47 million in 2019/20 and consultants and professional service R30.86 million for the same period. Provincial Treasury takes note of the efforts employed by the Municipality as set out in the budget documentation to bring down contractors cost such as building capacity in-house in terms of legal services and a drive to fill critical vacancies.

However, against the backdrop of employee related cost being the main cost driver, it would be recommended depending on the service delivery model, that the Municipality weigh the cost benefit of building capacity in-house versus the increasing budget allocation to the outsourcing of certain functions to contractors, when reviewing the employee strategy in the long term financial plan to avoid ongoing reliance on contractors.

Depreciation and asset impairment constitute an average of 11.2 per cent of operating expenditure. The asset base of the Municipality has increased by 5.3 per cent from 2018/19 to 2019/20, however depreciation has been increased by 4.1 per cent. In the most recent audit outcomes the Municipality showed significant underspending for this line item and although not a cash item it is considered a proxy for consumption of assets and should be considered with the setting of tariffs. It is therefore important that the Municipality sets realistic estimates for depreciation during the initial budget process which are based on the latest financial information available in the asset register and cognisance must be taken of current work-in-progress capital that will be commissioned and planned capital expenditure.

Repairs and maintenance as a percentage of the book value of property plant and equipment amounts to an average of 1.7 per cent over the MTREF which is well below the 8 per cent as recommended by National Treasury.

In terms of circular 55 the Municipality must provide a detail explanation on assurance that the budgeted amount is adequate to secure ongoing health of the Municipality's infrastructure, if repairs and maintenance is below the national norm of 8 per cent. It is recommended that the motivation should include a **risk based maintenance strategy** or system to proactively maintain

at the least critical service delivery infrastructure and in order to identify and prevent repeat or systemic failures, especially those that can result in high cost and or impact on core service delivery. An integrated asset management strategy is imperative and repairs and maintenance need to be prioritise in order to achieve service delivery objectives and prevent costly deterioration of the condition of infrastructure.

4.2.5 Adequacy of Capital Budget

Table 15: Capital Budget

Vote Description	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital Expenditure - Functional									
Governance and administration	14 590	43 259	10 770	21 165	23 872	23 872	105 835	28 940	29 240
Executive and council	36	37	33	2 915	2 965	2 965	35	40	40
Finance and administration	1 289	528	10 738	18 250	20 907	20 907	105 800	28 900	29 200
Internal audit	13 266	42 694	–	–	–	–	–	–	–
Community and public safety	31 903	29 035	73 699	113 981	121 573	121 573	61 300	26 677	26 909
Community and social services	1 845	1 963	17 739	6 134	6 901	6 901	2 880	1 525	1 205
Sport and recreation	6 701	6 395	10 987	7 925	10 859	10 859	30 550	6 950	4 350
Public safety	943	3 290	8 638	17 650	6 950	6 950	27 840	18 170	21 320
Housing	22 414	17 387	36 336	82 272	96 862	96 862	30	32	34
Health	–	–	–	–	–	–	–	–	–
Economic and environmental services	38 072	48 608	78 444	89 055	97 594	97 594	127 952	73 597	65 369
Planning and development	1 315	1 059	4 672	18 780	19 418	19 418	50 332	42 747	44 519
Road transport	34 651	46 053	72 092	68 025	75 926	75 926	77 620	30 850	20 850
Environmental protection	2 106	1 495	1 679	2 250	2 250	2 250	–	–	–
Trading services	263 406	287 826	269 391	303 820	320 492	320 492	258 475	283 879	304 395
Energy sources	36 721	43 024	53 473	84 900	80 114	80 114	27 340	28 200	24 950
Water management	60 139	51 625	125 642	66 850	74 405	74 405	80 000	113 500	132 750
Waste water management	163 926	180 818	82 201	140 585	150 919	150 919	114 400	113 234	112 350
Waste management	2 620	12 360	8 075	11 485	15 054	15 054	36 735	28 945	34 345
Other	48	1 474	1 379	20	20	20	–	–	–
Total Capital Expenditure - Functional	348 019	410 203	433 682	528 041	563 550	563 550	553 562	413 093	425 913
Funded by:									
National Government	86 977	74 883	55 942	40 107	40 107	40 107	62 526	45 636	49 309
Provincial Government	16 349	11 963	24 195	51 697	65 967	65 967	78 562	28 312	29 890
District Municipality	–	–	–	–	–	–	–	–	–
Other transfers and grants	–	607	–	–	–	–	50 000	17 500	17 500
Transfers recognised - capital	103 326	87 452	80 137	91 804	106 074	106 074	191 088	91 448	96 699
Public contributions & donations	–	6 876	280	–	–	–	–	–	–
Borrowing	42 566	4 581	–	160 000	160 000	160 000	160 000	120 000	100 000
Internally generated funds	202 127	311 294	353 265	276 237	297 476	297 476	202 474	201 645	229 214
Total Capital Funding	348 019	410 203	433 682	528 041	563 550	563 550	553 562	413 093	425 913

Source: MTRF 2019/20 Budget

Current capital spending amounts to 34.1 per cent (2017/18: 23.4%) of the adjustment budget which is in line with previous years' trends that spike during the last quarter of the financial year. The Municipality achieved an average capital spending of 85.8 per cent over the last four (4) financial years with the lowest percentage of 80 per cent being achieved in 2015/16 budget year.

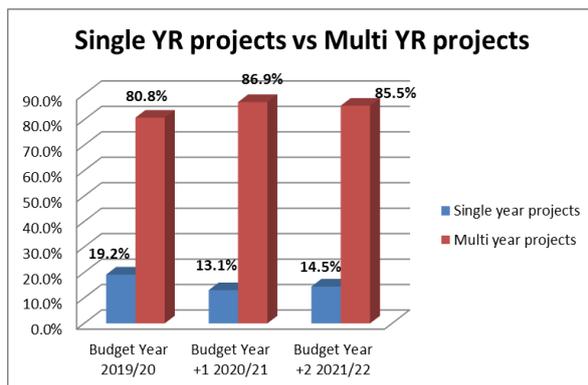
Capital spending remains a risk for Stellenbosch and has a spill-over effect on the long term capital funding model and the Municipality is encouraged to continuously monitor the implementation of strategies to address the management of the capital budget including applying project management principles.

The Municipality have budgeted for three projects namely that exceed R50 million namely:

- New Reservoir: Polkadraai: R50 million;
- Upgrade of the Waste Water Treatment Works: Pniel and decommissioning of Franschoek: R134.68 million; and
- Bulk Sewer Outfall: Jamestown: R66 million.

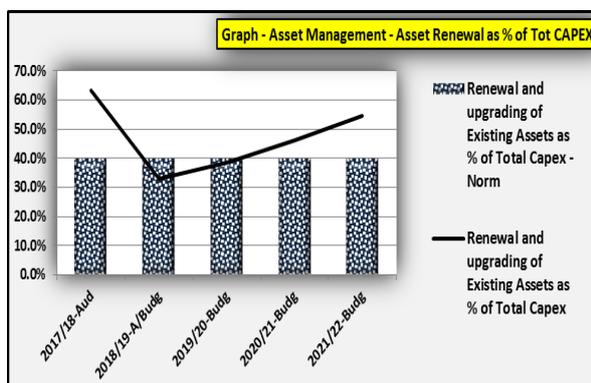
It is recommended that the Municipality consider that in terms of MFMA Section 19 and Municipal Budget Reporting (MBRR) Regulations 13, projects above a prescribed value set at R50 million, must be approved individually by Council. Council must consider and approve the total cost of the project covering all the financial years including the future operational costs and revenue and also the impact on tariffs, individually for these projects and not part of a consolidated capital program. This will aid the Municipality in avoiding audit findings. Due to nature and the financial implication of these projects it is further advised that the Municipality strictly apply project and contract management principles to avoid escalation of costs due to delays and scope creeping.

Figure 1: Single year projects vs multi-year projects



The Municipality does incorporate Section 16(3) of the MFMA into the budgeting process, which allows a municipality to appropriate large capital budgets for three financial years. Thus enabling municipalities to improve planning and initiate procurement processes earlier for capital projects in the two outer years of the MTREF.

Figure 2: Renewal assets and Upgrading assets

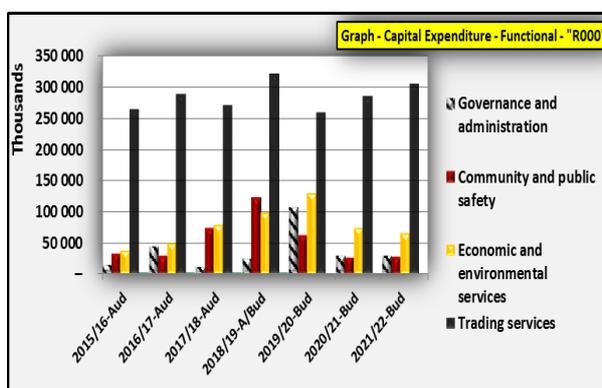


Stellenbosch allocate on average 38.6 per cent of the capital budget towards renewal and upgrading of existing assets which is marginally below the national guideline of 40 per cent. This measurement is important as it indicates the adequacy of the apportionment of the capital budget, purposed to secure the ongoing health of existing infrastructure.

In addition to the low levels of renewing and upgrading of assets, the Municipality further reported in budget related documentation the deterioration and ageing of infrastructure which coupled with the low levels of repairs and maintenance over the MTREF raises the possible risk in terms of the safeguarding of the asset base.

Source: Budget Funding Assessment Tool

Figure 3: Capital budget functional classification



Trading services constitute 46.7 per cent of the total capital budget and it is thus evident that the capital budget of Stellenbosch Municipality is largely vested in trading services, of which 44.3 per cent or R114.40 million thereof is appropriated for waste water management. The allocation for water amount to 14.5 per cent of the capital budget.

Capital Funding:

Grant funding amounts to an average of 26.5 per cent over the MTREF which shows that the Municipality is not grant dependent to fund the capital budget. The Municipality has spent 45 per cent of the grant funding to date and therefore runs the risk of having unspent grants at the end of the current financial year. The Municipality will also receive funding from the UIDG programme for the first time in the 2019/20 MTREF therefore it is imperative that municipality put measures in place to fully spend the budget of grant funded capital projects in order to avoid the risk of retention or reduced allocations in future years.

Capital spending funded from **Internally Generated Funds** will amount to R633.33 million over the MTREF and constitutes an average of 46.4 per cent of the total capital budget for the same period.

The Municipality intends to take up **borrowings** to an aggregate amount of R380 million over the 2019/20 MTREF. The gearing ratio of the Municipality will amount to 29.7 per cent (excluding conditional grants) in 2019/20 after taking up the planned borrowing which is below the national norm of 45 per cent and the limit as set in the borrowing, funding and reserve policy.

The Municipality is moving towards a good balanced capital funding mix and there is not an over reliance on CRR. The Municipality embarked on an aggressive uptake of borrowing over the MTREF which is an important element of the funding model and will ensure that the user pay for use of infrastructure over the life time of the asset whilst leveraging its healthy capital replacement reserve for smoothing over the medium to long term. A balanced funding mix is important given the changing nature of the infrastructure demands and the impact of it on the municipal bill. However, Provincial Treasury wants to hereby recommend when taking up large amount of borrowing that a concerted effort must be prioritise to expedite capital spending in order to avoid a delay with the realisation of returns on investment.

4.3 ESTABLISH THE LEVEL OF FUNDING THE BUDGET

Funding Measurement

4.3.1 Table A4 – Surplus/Deficit

The purpose of this measure is to assess the overall credibility of the budget in terms of surplus/deficit. Based on a comparison between the A4 (Financial Performance) and the A7 (Cash Flow Statement) (supporting Schedule SA30) the Municipality reported a surplus on the budgeted financial performance and a positive budgeted cash flow of the Municipality.

Revenue projections as extracted from A4 and A7 and depicted in the table below, reflect that the anticipated collection rate for Property rates and service charges averages 96.7 per cent and 97.5 per cent respectively over the MTREF, however the collection rate from other revenue is much lower at an average rate of 55.1 per cent over the MTREF. Based on the outcomes of the most recent audit the Municipality should review the collection rates as depicted below.

Table 16: Revenue Projections for municipal billing vs collections (A4 and A7)

REVENUE PROJECTIONS - MUNICIPAL INFORMATION FOR BILLING vs COLLECTIONS (A4 and A7)							
RATES	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	TABLE A4						
Rates Billing - Table A4	270 379	290 028	309 989	344 307	356 122	382 456	408 452
	TABLE A7						
Rates Collection - Table A7	269 310	284 494	307 976	331 135	341 877	370 982	396 199
	99.6%	98.1%	99.4%	96.2%	96.0%	97.0%	97.0%
SERVICE CHARGES	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	TABLE A4						
Service charges - electricity revenue - Billing Table A4	465 608	513 225	523 068	558 984	639 886	692 917	749 031
Service charges - water revenue - Billing Table A4	135 812	159 539	197 306	190 542	201 975	217 103	231 085
Service charges - sanitation revenue - Billing Table A4	71 050	81 352	91 619	97 078	113 503	122 278	130 586
Service charges - refuse revenue - Billing Table A4	38 231	41 059	50 008	61 168	69 225	77 147	84 762
	TABLE A7						
Service Charges Collection - Table A7	713 657	754 811	776 471	870 261	996 403	1 083 091	1 167 089
	100.4%	94.9%	90.1%	95.9%	97.2%	97.6%	97.6%
OTHER REVENUE	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	TABLE A4						
Rental of facilities and equipment - Billing Table A4	18 599	16 906	14 992	17 766	18 831	19 961	21 159
Fines, penalties and forfeits - Billing Table A4	92 604	102 817	114 767	102 132	108 260	113 673	119 357
Licences and permits - Billing Table A4	4 210	5 735	6 571	5 092	5 398	5 722	6 065
Agency services - Billing Table A4	5 576	6 400	2 365	2 690	2 852	3 023	3 204
Other revenue - Billing Table A4	27 262	25 195	26 734	31 509	34 815	36 784	38 871
	TABLE A7						
Other Revenue Collection - Table A7	63 010	48 040	61 380	77 677	93 620	98 793	104 260
	42.5%	30.6%	37.1%	48.8%	55.0%	55.1%	55.3%

Source: 2019/20 MTREF Budget

4.3.2 Table A6 – Financial Position

Purpose

To undertake an assessment of the overall credibility of the budget funding (Table A6) and to establish the working capital requirements.

The graph below depicts Ratio Analysis with Trends over the MTREF:

Table 17: Ratio Analysis over the MTREF

Financial Ratio	2016	2017	2018	2019	2020	2021	2022
Cash/cost coverage ratio (excl. unspent conditional grants)	5 months	6 months	4 months	3 months	3 months	3 months	2 months
Current ratio	2.75	2.12	2.19	2.49	2.23	2.09	1.93
Capital Cost (interest paid and redemption) as a % of Total Operating Expenditure	3%	2%	3%	2%	3%	4%	5%
Debt (total borrowings)/ revenue	14%	12%	11%	21%	27%	30%	32%

The analysis of Table A6 (Budgeted Financial Position) indicates that the Municipality has reported positive working capital that demonstrates that it has enough funds to meet its short-term liabilities over the MTREF period. The above graph demonstrates that the Municipality has budgeted to achieve a positive working capital over the MTREF period. Upon analysing the financial position of the Municipality, it is of a concern that the Municipality has not budgeted for unspent conditional grants over the MTREF period. The past trend analysis of the financial position reveals that the Municipality had unspent grants amounting to R236 million from 2015/16 to 2017/18 financial years. Emerging from the trend analysis, this appears to be unrealistic and the Municipality is advised to reconsider its projections on the Table A8 on the disclosure of the unspent grants since they affect the calculation of the working capital.

Cash and cash Equivalents

The Municipality continued to budget for a positive cash and cash equivalents throughout the MTREF financial years of R374 million; R366 million and R342 million for 2019/20, 2020/21 and 2021/22 respectively. Although the Municipality showed a decrease of its cash and cash equivalents over the MTREF budget, it still remains sustainable.

Current Ratio

The above graph shows a trend analysis of the municipal ratios over the 3 years MTREF period. The anticipated current ratio is reported to be 2.23; 2.09 and 1.93 for the 2019/20, 2020/21 and 2021/22 years respectively. This ratio indicates that the Municipality will adequate financial resources settle its short-term debts. This is also an indication that the Municipality is not exposed to any liquidity risk.

Cash Cover Ratio

The cost coverage ratio continues to be above the NT Norm of between 1 - 3 months. The Municipality reflects a budgeted cost coverage of 3 times for both 2019/20 and 2020/21 and 2 times for 2021/22. This indicates that the Municipality has sufficient cash resources to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue, during that month. This clearly shows that the Municipality's cash and cash equivalents are improving year-on-year over the MTREF period.

Debt (Total Borrowings) to total Operating Revenue

The ratio shows a deterioration from 27 per cent in the 2019/20 financial year to 32 per cent in the 2021/22 financial year. The ratio is within the National Treasury norm of 45 per cent. Notwithstanding that the Municipality has the capacity to take increase funding from borrowings a key consideration should be the cash flow requirements of the Municipality.

Cash Flow – Table A7: Capital Cost (Interest Paid and Redemption/Total Operating Expenditure)

The Municipality is operating within the capital cost of 3 per cent, 4 per cent and 5 per cent which are in line with the National Treasury Norm of 6 - 8 per cent over the 2019/20 MTREF. Therefore, indicating that the Municipality has capacity to take on additional financing from borrowings to invest in infrastructure projects. Both Tables has demonstrated that the cash receipts will exceed the cash payments and the net decrease in cash held will be absorbed by the cash reserves and investments held over the MTREF period.

Summary

- The Municipality's working capital will continue to increase over the MTREF.
- The current ratio, liquidity ratio and cash cover ratio are above the national norms indicating a healthy liquidity position.
- The Municipality has the ability to meet its short term obligations with its financial position.
- The debt ratio is also within the affordable national norm of 45 per cent over the entire MTREF period.

4.3.3 Table A7 - Cash

Purpose

- To undertake an assessment of the overall credibility of the budget funding (Table A7) and of the projected cash and cash equivalents over the MTREF.
- To assess funding of the budget in terms of Sections 18 & 19 of the Municipal Finance Management Act.

Table 18: Schedule SA10 High Level Outcome of Funding Compliance

WC024 Stellenbosch Supporting Table SA10 Funding measurement								
Description	MFMA section	Ref	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
			Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
High Level Outcome of Funding Compliance								
Total Operating Revenue			1 629 546	1 632 320	1 632 320	1 778 647	1 899 207	2 025 525
Total Operating Expenditure			1 716 330	1 719 104	1 719 104	1 808 247	1 925 262	2 048 352
Surplus/(Deficit) Budgeted Operating Statement			(86 784)	(86 784)	(86 784)	(29 600)	(26 055)	(22 827)
Surplus/(Deficit) Considering Reserves and Cash Backing			48 144	38 567	38 567	122 094	105 934	96 801
MTREF Funded (1) / Unfunded (0)		15	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded *		15	✓	✓	✓	✓	✓	✓

The Municipality reported a positive budgeted cash flow for the MTREF period as reflected in Table A7, over the MTREF period. This depicts that the Municipality has a good financial health and position and it has no threats to its going concern and liquidity.

The analysis of Table A8 and SA10 indicates that the Municipality has tabled a funded budget as reported a surplus of R122 million; R105 million and R96 million in 2019/20; 2020/21 and 2021/22 respectively. Although the Municipality has shown that it will realise a deficit when comparing the operating revenue and expenditure before capital transfers with an overall outcome of R29.6 million for 2019/20; R26 million for 2020/21 and R22.8 million for 2021/22, it has adequate cash reserves from the long term investments to fund the operating deficit.

The recalculation, by excluding the non-cash items such as depreciation, debt impairment and asset impairment yield a surplus from the operating revenue and expenditure. Therefore, the Municipality remains funded.

Summary

- The Municipality's budget is funded without any threats of going concern and sustainability over the MTREF.

Table 19: A8 - Application of Cash and Investments

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Cash and investments available											
Cash/cash equivalents at the year end	1	128 187	621 906	23 062	423 733	433 363	433 363	433 363	374 833	366 653	342 347
Other current investments > 90 days		480 000	-	505 765	-	(21 953)	(21 953)	(21 953)	-	-	-
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		608 187	621 906	528 827	423 733	411 410	411 410	411 410	374 833	366 653	342 347
Application of cash and investments											
Other Creditors		-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	(143 420)	(73 514)	(44 133)	(71 622)	(71 198)	(71 198)	(71 198)	(72 860)	(63 038)	(49 542)
Other provisions		46 140	47 597	-	38 050	34 880	34 880	31	38 574	9 164	9 707
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	177 900	208 299	240 380	409 161	409 161	409 161	409 161	287 025	314 593	285 382
Total Application of cash and investments:		80 620	182 382	196 246	375 589	372 843	372 843	337 994	252 739	260 719	245 546
Surplus(shortfall)		527 567	439 524	332 581	48 144	38 567	38 567	73 416	122 094	105 934	96 801

Source: 2019/20 MTREF Budget

The analysis of the A8 (Application of Cash and Investments) indicate that the Municipality is reporting a surplus over the MTREF period. In terms of the funding measurements as documented in SA10, the MTREF of Stellenbosch Municipality is funded. A budget surplus is achieved after taking into consideration reserves and cash backing.

Funding Measurement

Table 20: Schedule SA10 Funding Measurement

Description	MFMA section	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	128 187	299 431	23 062	423 733	433 363	433 363	433 363	374 833	366 653	342 347
Cash + investments at the yr end less applications - R'000	18(1)b	2	481 614	351 030	230 978	48 144	38 567	38 567	73 416	122 094	105 934	96 801
Cash year end/monthly employee/supplier payments	18(1)b	3	1.6	3.3	0.3	3.7	3.8	3.8	3.8	3.1	2.8	2.5
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	153 204	217 967	263 579	5 020	19 290	19 290	19 290	111 488	47 893	56 372
Service charge rev % change - macro CPIX target exclusive	18(1)a(2)	5	N.A.	4.6%	2.0%	2.1%	(7.2%)	(6.0%)	(6.0%)	4.3%	2.1%	1.5%
Cash receipts % of Ratepayer & Other revenue	18(1)a(2)	6	92.2%	87.1%	85.2%	90.1%	90.0%	90.0%	90.0%	91.7%	92.3%	92.4%
Debt impairment expense as a % of total billable revenue	18(1)a(2)	7	8.5%	7.6%	4.1%	7.2%	7.2%	7.2%	7.2%	5.2%	5.1%	5.0%
Capital payments % of capital expenditure	18(1)c(19)	8	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	20.4%	0.0%	0.0%	36.7%	35.0%	35.0%	35.0%	44.1%	37.3%	30.4%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	8.2%	(18.3%)	4.1%	0.0%	0.0%	0.0%	2.6%	0.5%	0.2%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	60.6%	(38.6%)	66.8%	0.0%	0.0%	0.0%	7.7%	6.8%	6.5%
R&M % of Property Plant & Equipment	20(1)(vi)	13	1.3%	1.3%	0.9%	1.8%	1.8%	1.8%	1.8%	1.7%	1.7%	1.8%
Asset renewal % of capital budget	20(1)(vi)	14	65.9%	39.8%	6.7%	7.0%	5.9%	5.9%	0.0%	5.3%	7.7%	8.6%

Source: Annual Budget Schedule SA10

Cash and Cash equivalents

A positive cash and cash equivalents has been reflected for each year over the MTREF.

Cash year end/monthly employees/suppliers payments (cash coverage)

The cash at year end versus employee and supplier payments is decreasing over the medium term from 3.1 times in 2019/20 to 2.5 times in 2021/22. The ratio indicates that the Municipality would be able to meet its fixed operating commitments from cash and short-term investments without collecting any additional revenue for up to three months.

Capital payments % of capital expenditure

This ratio assessed the extent to which budgeted capital expenditure will be spent during the budget year and the Municipality project a 100 per cent spending rate. Based on past trends, this seems unlikely to be achieved as the Municipality has on aggregate achieved 85.8 per cent since 2014/15 till 2017/18 audited years.

Long Term Receivables' % change

The Municipality projects that the long term receivables for 2018/19 to 2020/21 will remain constant at 0 per cent. They therefore do not anticipate to collect any long term arrear debt over the MTREF.

4.4 SUSTAINABILITY OVER 2019/20 MTREF

4.4.1 Service Delivery, Financial and Operational Sustainability and Asset Management

Main & Supporting Tables: A4, A5, A6, A7, A8 & A9; SA34(a), SA34(b), SA34(c), SA34(d) & SA35.

The municipalities' long-term financial viability depends largely on the extent to which improved and sustainable revenue capacity on the one hand and sound financial management of its resources on the other hand can be achieved. Failure to achieve proper multi-year financial planning can therefore largely hinder the sustainability of the Municipality.

Budgetary constraints and economic challenges meant that the Municipality had to apply a combination of cost-saving interventions and higher than headline CPI revenue increases to ensure a sustainable budget over the medium-term.

The above inflationary tariff increases in services such as solid waste could negatively impact the affordability of services in the long term which could affect revenue collectable. Taking this into consideration, coupled with the need for an improved asset management, the Municipality is advised to exercise prudence and to regularly review its long term financial plan policy to ensure that long term sustainability is achieved.

4.4.2 Forecasting and Multi-Year Budgeting

Main & Supporting Tables: **A4, A5, SA25 - SA30**

On assessment of supporting Tables SA25 to SA30 it is evident that Stellenbosch has taken into account seasonal fluctuations and that linear projection has not been used.

SECTION 5: KEY FINDINGS, RISKS AND RECOMMENDATIONS

This section outlines the main points and risks/recommendations based on the LG MTEC Assessment.

Public Value

- It is recommended that the Municipality make use of the latest Biodiversity Spatial Plan (BSP), as it is the best available science to identify Critical Biodiversity Areas (CBAs), in order to proactively plan and identify suitable sites for development.
- In general, the 2012 SDF and 2017 amendments did not adequately take the WCBSP into consideration and as such the WCBSP must be considered separately and at least on par with the SDF in evaluating any development proposals.

Economic Sustainability and Responsiveness

- Procurement Planning should be utilised as a strategic tool to drive local economic development (LED) with key linkages and partnerships within the Municipality that draws a nexus between its IDP, budget planning processes that are associated with procurement initiatives. Utilising procurement as a strategic enabler seeks to create an opportunity for role-players to not only engage on the key socio-economic challenges, but more importantly to share experiences which contribute to all stakeholders working together to uplift and grow our communities and grow the local economy.
- Bulk infrastructure development and investment extends basic services to those it has not yet reached, as well as ensures that continued quality services can be provided to those already receiving them. This has a concomitant effect on the consumer's willingness to pay for services, has the potential to increase the revenue base of the Municipality and improves the quality of life of its citizens.
- The investment in LED and thorough implementation of the municipalities LED strategies will have positive externalities for the local economy as well as for the region. Collaboration through partnerships between the public and private sector as well as academia could enhance the effectiveness of the strategies employed and have a greater collective impact on the outcome of the strategies and maximise benefits to society.
- The potential benefits of capital investments in infrastructure are restricted if the assets are not properly refurbished and maintained. The renewal, replacement or rehabilitation infrastructure on a regular basis is vital to extend its useful life. Currently, the required investment in the maintenance of existing infrastructure is more than the budgeted allocations. In addition to capital funding issues, the increased roll out of infrastructure to eliminate backlogs and to service demographic and economic growth also impacts on the Municipality's operating expenditure budget.
- Strengthening of monitoring capacity of SCM staff in order to provide consistent oversight to end-user departments; and
- Utilise the procurement as a lever to positively impact socio-economic challenges.

Credibility and Sustainability of the Budget

The tabled municipal Budget is credible, sustainable and funded however the following should be considered with the finalisation of the final budget for adoption:

- Against the background of an expected growing population result in an increase demand for services, maintenance and renewal requirements of critical service delivery infrastructure, constrained economic and fiscal outlook, prolonged impact of the drought, the Municipality should continue to focus on consolidation for maximum citizen impact and use its healthy financial position as leverage to remain financial sustainable over the long term. A key consideration should be moving towards a whole-of-society approach by strengthening of coordination among key stakeholders including communities, business, intergovernmental organisations to achieve strategic and social economic goals.
- The long outstanding debtors of water is on an upward trajectory and the current and most recent outcomes show a lower rate than the 96 per cent projected for 2019/20 budget year therefore as a prudent measure should be reviewed,
- Two of the trading services waste water and waste management are trading at a deficit whilst electricity and water are being utilised to cross-subsidise other services.
- From a revenue perspective trading services experience pricing pressures due to well above inflationary increase of bulk purchases, increased capital outlay and borrowings compounded by restrictive tariffs cause by the drought, expansion of green economy and renewable technologies which raise the risk of demand patterns being permanently affected. The aforementioned will have an adverse impact on the surplus margins therefor the sustainability of these trading services over the medium to long term should be monitored and incorporated as an integral element of the long term financial plan as sustainable development in the area hinges on sustainable service delivery.
- Repairs and maintenance remains low against national norms and standards. It should however be noted that it is recommended that the Municipality provide detail explanation on assurance that the budgeted allocations is adequate to secure ongoing health of infrastructure if below the set norm and supported by a risk based maintenance plan taking into consideration reactive versus planned maintenance, renewal of assets and the long term cost of the decline of asset on the operating budget if not adequately maintain.
- Contracted services are above the national threshold it is therefore it is recommended depending on the service delivery model, that the Municipality weigh the cost benefit of building capacity in-house versus the increasing budget allocation to the outsourcing of certain functions to contractors as an increase in this measurement can possibly expose the Municipality to the risks like ongoing over reliance on contractors.
- The current and historical implementation of the capital budget impacts on the credibility of the budget and measures should be put in place to expedite spending.
- The funding mix shows a good balance however municipality is urged to continue to maintain the capital replacement reserve for smoothing over the medium to long term given the changing nature of infrastructure demands and prudently monitor the

sustainability of thereof in line with limits set in the long term financial plan with due consideration of the affordability of municipal services to the consumer.

- The Municipality must make continuous improvements of its cash flow to maintain the positive financial position.
- The Municipality should maintain or improve on its current, liquidity and cash coverage ratios beyond the MTREF period to maintain its sustainability.