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STELLENBOSCH MUNICIPALITY

*A caring and sustainable budget – striking a
balance post pandemic*

EXECUTIVE MAYOR: Adv. Gesie van Deventer

PROPOSING THE ITEM ON TABLING THE BUDGET

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

Good afternoon ladies and gentlemen,

Introduction

It is with great pleasure that I motivate to and enlighten Council on the final budget for 2021/2022 financial year. We have considered all inputs and comments we received from the greater Stellenbosch community, from the public participation process and other stakeholder engagements during April and throughout the past year.

Speaker, it has indeed been a challenging year. COVID-19 has forced us to go back to the drawing board and carefully consider each and every item on our budget, ensuring that we strike a balance between sustainability and care as we move closer to a post pandemic world.

Despite the anguish and devastation caused by the global pandemic, our human spirit has rallied. As the vaccine rollout progresses, a return to normality is within our grasp.

Christopher Reeves said: "Once **you choose hope, everything is possible**".

The pandemic is estimated to have caused a 7.2 % reduction in National GDP growth during 2020. The projected GDP growth for 2021 is 3.3%, reducing it to an average of 1.9 % in 2022 and 2023. GDP is only expected to recover to pre-pandemic levels in 2023. The outlook remains highly uncertain, and the economic effects of the pandemic have far fetching results. It is important to note that although the growth rates are likely to improve, with removal of restrictions, based on current projections, the output is only expected to return to pre-pandemic levels, hopefully by 2024.

The impact of the virus on our budget cannot be ignored. Stats SA figures reflect the far-reaching impact of the pandemic on our economy:

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

Loss of revenue at every level and the shrinking economy has therefore forced us to be extremely conservative in our planning. As I said when I tabled the draft budget in March, we must tighten our belts! This budget must be and is a strictly needs driven budget. There is no room for "nice to haves". We must focus solely on the needs of our residents. Our focus for the next financial year will be on infrastructure investment, maintenance and ensuring a solid base on which to build our economy, creating opportunities for economic recovery as well as investment possible. Another important step in this process is setting tariffs as low as possible to assist our residents and businesses affected by covid to recover from the disastrous economic effects of COVID.

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

This budget was drawn up in line with guidelines set by political leadership and reflects our determination to reduce poverty, create jobs, expand our economy, and build and maintain our infrastructure and better service delivery.

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

We are going back to basics, now using zero based costing to ensure we avoid unnecessary and wasteful expenditure, focussing on service delivery and applying the budget to projects that matter most and benefit our residents. There is now not space for luxuries, only necessities can be addressed.

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

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

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

Speaker, the IDP informs the budget and the Service Delivery and Budget Implementation Plan (SDBIP). The SDBIP with performance indicators with smart targets are developed to ensure that progress in achieving the objectives as set out in the IDP are achieved.

Speaker, the Tabled MTREF Budget Report clearly spells out the legislative requirements this budget is governed by. The capital and operating budget was compiled compliant with these legislative requirements, also taking the budget circulars guidelines received National Treasury into consideration.

Total Expenditure Budget Overview

Speaker, our tabled 2021/2022 capital budget expenditure rounded amounts to R 406 million and our operating budget expenditure amounts to R 2,018 billion. Our total budgeted expenditure therefore amounts to R 2,424 billion compared to our current budget of R 2, 285 billion. This amount is estimated to increase to R 2, 468 billion and R2, 567 billion respectively for the two outer years of the MTREF.

Capital Budget Expenditure

The tabled capital budget decreased from R454 million in 2020/2021 to R406 million in 2021/2022. This is in part due to the completion of several major capital infrastructure projects.

The MTREF proposes capital expenditure of R 384,5 million and R 381,5 million for the two outer financial years. A comprehensive list of all our capital programme needs is attached as Appendix 1, Section N to the Tabled 2021/2022 MTREF Budget Report.

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

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

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

I cannot help but be reminded of the parable in the Bible that tells of the house built on rock versus the house built on sand. With no solid foundation, any other projects and plans cannot succeed. Therefore, we want to build infrastructure, which is our foundation to kickstart our economic recovery. This is reflected in some of the following examples of what we have budgeted for the next three-year budget cycle:

Water:

Bulk Water Supply Pipeline and Reservoir James Town	28 000 000
Dwarsrivier Bulk Supply Augmentation and Network Upgrades	7 518 000
Bulkwater Supply for new developments in WC024	4 000 000
New Reservoir and Pipeline Vlottenburg	104 000 000
Bulk Sewer Outfall Jamestown	6 400 000
Water Pipe Replacement	12 000 000
Franschhoek Sewer Network Upgrade	12 000 000
Bulk Sewer Upgrade for Dwarsrivier Area	6 000 000

Upgrade of WWTW Pniel and Decommissioning of Franschhoek	48 000 000
Upgrade of WWTW Wemmershoek	90 000 000
Upgrade of WWTW Klapmuts	16 000 000
Sewer Pipe Replacement Dorp Street	20 000 000
Bulk Water Supply Klapmuts	20 000 000

Sanitation:

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

Speaker, electricity is an absolute necessity for all our residents to live in safety and dignity and for economic growth. Load shedding has a devastating effect on all our communities and our economy. We have decided enough is enough and intend to rid our Municipality over time of the disastrous effect of load shedding. We have already done the preliminary research and have also signed an MOU with the Stellenbosch University and CSIR. We shall be responsible but continue steadfast with this process. As leader of this council, I am determined to make this a reality. The first rooftop solar installations will be rolled out later this year, and methane mining will start early in 2022. We shall do this systematically to not cripple our budget, but we shall do it!

As we step up this process, we also need to ensure that our existing electrical infrastructure is sufficient and well maintained to continue to provide essential services. It is also vital as we continue to rebuild our economy after the pandemic. We are therefore making the following provisions over the next 3 years:

11 kV Network Cable Replacement	6 000 000
Kwarentyn Sub Cables	5 700 000
Infrastructure improvement Franschhoek	4 500 000
Stellenbosch Switchgear	14 334 268
Bien Donne new substation	37 200 000

Electricity Network Pniel	10 000 000
General System improvements Stellenbosch	13 534 126
La Terra Substation	8 798 839
Upgrade of electrical network	36 571 200

Human Settlements:

Housing opportunities is a top priority for many residents. It provides, safety and security and creates an asset that allows greater economic freedom. Housing remains a challenge however, as the resources and allocations from National and Provincial Government remains limited and the backlog tremendous. The following has been budgeted for housing projects over the next 3 years to create more housing opportunities:

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

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

An additional R6,3 million has been added for the Longlands housing project, a project that is of critical importance to the residents, who have been waiting for a long time.

We are also busy with various projects to assist our backyarder dwellers. I am acutely aware of the plight of our backyard dwellers who mostly do not qualify for BNG (RDP) houses, but have nowhere to go. On this council agenda there is two items reflecting our commitment to assist them. As and when necessary, I shall come back to Council to assist with budget adjustments to accomplish this. I want to reassure all backyarders who have been waiting patiently for many years for houses or rental accommodation, that I am committed to take all measures possible to assist them.

Safety and Security:

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

Ad hoc provision of street lighting and lighting of public spaces	6 993 375
Rapid Response vehicle for Fire and Rescue Services	2 500 000
Vehicle Fleet Law Enforcement	2 750 000
Neighbourhood Watch Safety Equipment	1 050 000
Bicycle Lock Up Facilities	400 000
Fencing around various parks and gardens	200 000
Installation and upgrade of CCTV/ LPR Cameras in WC024	3 000 000

An additional R750 000 was added to the vehicle fleet, bringing the budget up to R2,75 million. This was done so that we can acquire a much-needed Law Enforcement Disaster Vehicle.

We have also made R400 000 provision in our operating expenditure for the equipping of reservists in the next financial year. The Auxiliary Law Enforcement Policy was approved in 2020 and while COVID has delayed its rollout, we are now ready for the first steps. We are making provision for equipment and training for 20 Auxiliary Officers for the new financial year. We are placing more feet on the ground, increasing visible policing to increase the safety and security of our residents.

Upgrades:

Although housing opportunities remain a challenge, as a municipality we are committed to improve the living conditions for our residents. That is why we are making provisions in the budget to improve the living conditions for residents, making sure that they can live in dignity and addressing inequality over the next 3 years for our residents in informal settlements. This includes the upgrading of units which is not of good quality as was built by previous dispensations

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

Roads and Traffic:

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

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

Cleaner Communities and Environment:

Clean, healthy, and environmentally sustainable towns are a priority as we plan for the future and well-being of our beautiful valley. We are continuing our work to expand our landfill site and have recently opened our new Material Recovery Facility. As this is a first for Stellenbosch, and state of the art, we are exceptionally proud of this facility, which will also provide jobs for 40

unemployed residents. To continue this essential service and related services, for the next three years, we have budgeted as follows:

Expansion of the landfill site (new cells)	22 000 000
Formalized skip areas in Franschhoek and Kayamandi	500 000
Skips (5,5kl)	600 000
Street Refuse Bins	1 000 000
Transfer Station Stellenbosch planning and design	7 000 000

We have an enormous responsibility towards our environment and should think differently about waste management and apply more environmentally sound and safe solutions. **Reduce, reuse and recycle** will be our focus over the next few years in an effort to further our goal as a green valley and to become part of the green economy. Over the next three years we will invest in the following:

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

Speaker, these initiatives also tie in with our already mentioned and exciting plans to rid the greater Stellenbosch of the effects of load shedding. As we continue to explore alternative energy resources like waste to energy and landfill gas to energy, we will have also budgeted over the next three years for alternative energy sources including the installation of solar panels. As we make progress in our mission to eradicate load shedding, we will be closely watched by other municipalities and stakeholders on the progress we make. As we progress, we shall make more and more budget available to realise this goal. Load shedding has a crippling effect on our economy, and we are determined to be the first Municipality in SA to get rid of this economic evil.

Sport Facilities and Parks:

Creating opportunities for especially the youth through sport and recreation is very important. Sport has the ability to unite, uplift and create opportunities in a unique and positive way. Through the course of the next three years, we are

investing in the upgrading of various sport facilities, equipment as well as maintaining existing facilities.

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

Transport:

A large number of residents have no choice but to rely on public transport. Although roads are mostly a provincial mandate, it is also important to reduce congestion on our roads. To work towards better and safer transport opportunities for our people over the next 3 years, we have budgeted for public transport as follows:

Comprehensive Integrated Transport Master Plan	2 200 000
Redesigning of Bergzicht Public Transport facility	4 000 000
Pedestrian and Cycle paths, design and phased implementation	500 000
Jamestown Transport Network	3 000,000
Non-motorized Transport Implementation	3 000 000
Taxi Rank: Franschhoek	100 000
Taxi Rank Klapmuts	500 000
Stellenbosch NMT : Jamestown – side walks	1 000 000

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

conducive to economic recovery and growth. And we are ready for this challenge!

Capital Budget Funding

Our capital budget is funded from the following funding sources –

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

Operating Budget Expenditure

The proposed operating budget expenditure sees an increase in annual operating expenditure from R1, 831 billion in 2020/2021 to R2, 018 billion in 2021/2022. This 10.18 % increase is primarily due to increases in several expenditure categories, our operating expenditure for the 2022/2023 to 2023/2024 outer financial years will increase respectively to R 2, 083 billion (3.25 %) in 2022/2023 and R 2, 186 billion (4.94 %) in 2023/2024.

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

- Employee related costs;
- Remuneration of Councillors
- Depreciation and impairment
- Finance Charges
- Bulk electricity and water purchases
- Other expenditure

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

Operating Budget Revenue

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

The overall proposed revenue budget increase was limited to 9.14% resulting in annual operating revenue increasing from R1, 931 billion in 2020/2021 to R2 125 billion in 2021/2022. Taking cognisance of the economic conditions and

the severe impact of COVID on employment levels and levels of disposable income, it was important to keep services affordable by critically looking at the costs associated with providing the service.

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

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

Electricity Tariffs increase with 14.59% (This is an increase imposed by NERSA.)

- **Water Tariffs increase with 5.5% (last year the increase was 6.00%)**
- **Sanitation Tariffs increase with 6% (last year 6.50%)**
- **Refuse Removal tariff will increase with 12% (last year 16.50%).**
We have made every effort to lower these tariffs and we will continue to do so by making use of our new MRF, so that we can pass the savings on to our residents.
- **Property rates:** As we had an increase in revenue of 6,11% due to new property registrations, property improvements and increased valuations, our overall revenue is expected to increase by 6.11%. This makes it possible for us to decrease property rates tariff by 17.17% for residential property, 17.28% for agricultural property and 20.93% for business property. This will compensate for the substantial rise in Property values all over the Municipality. Stellenbosch is a sought-after destination and property values are increasing at a rapid rate, but we need to assist our residents post-Covid to be able to afford dignified living conditions. In layman's terms, we cannot tax our residents out of their houses and force them to sell it as taxes becomes unaffordable – therefore we shall decrease our tariffs to make it affordable.

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

Speaker, the rates for refuse removal has been reduced from last year's 16,5% to 12%. We are continuing the work on rehabilitating our landfill site and have

also just opened our new Material Recovery Facility, helping us to reduce the costs of refuse removal.

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

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

Financial Support to Indigent Households

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

Indigent households in 2021/2022 will receive:

- 100 units of free electricity per month;
- 6 kilolitres of free water per month,
- free refuse removal services,
- free sanitation services.

This indigent subsidy will be credited to the customer's account during the monthly billing run. The indigent subsidy is funded through our equitable share allocation. It is important to note that it is expected from indigent households only to pay for electricity consumption above 100 units of electricity per month and only for water consumption above 6 kilolitres of water per month.

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

We also grant a rebate to senior citizens and disabled persons based on the different monthly household income levels. This is reflected and determined according to the schedule below. The income bands and rebates for the effective financial period of the Rates Policy are as follows:

Gross Monthly Household Income				% Rebate
Income bands				
Up to			8 000	100%
From	8 001	To	10 000	75%
From	10 001	To	12 000	50%
From	12 001	To	15 000	25%

Conclusion

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

As the Executive Mayor, it is my strategic vision that we can through a continuous strategy achieve economic prosperity, dignity and equality, as it is set out in our constitution. This is a work in progress, but we must never give up on the dreams of our communities. We are prepared to take this challenge until we have fulfilled our mission of rooting out inequality. It is not an easy task, but as **Madiba said: "It always seems impossible until it is done"**.

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

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

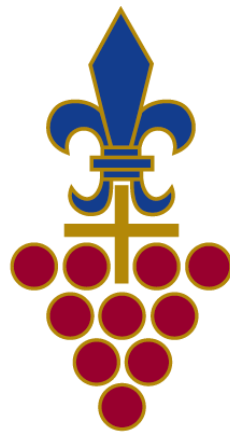
As we move forward, we will continue to invest in the future, opportunities and prosperity of all our residents in this beautiful valley. And once this covid storm has passed, we shall be able to say:

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

The Municipality's strategic objectives are aligned to the national and the provincial priorities as articulated by the national outcomes and provincial strategic objectives. The budget assumptions are realistically based on available information and the projected cash flow budget is credible and sustainable over the MTREF. Our draft budget is fully funded.

Speaker, with these remarks, I herewith present Stellenbosch's **2021/2024** Medium Term Revenue and Expenditure Framework Budget Report with its recommendations to Council for consideration and approval as is set out in item 8.3 on page 519 with recommendations a to j.

[ENDS]



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