



**MINUTES OF A SPECIAL MEETING OF THE SWARTLAND MUNICIPAL COUNCIL, HELD IN THE MALMESBURY BANQUETING HALL ON WEDNESDAY, 23 FEBRUARY 2011 AT 15:15**

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**PRESENT:**

Speaker, ald A Johnson  
Executive Mayor, ald T van Essen  
Deputy Executive Mayor, clr M S I Goliath

Atkins, A J (DA)	Sneewe, A M (ANC)
Cleophas, J H (DA)	Solomons, C W (ANC)
Du Plooy, R J (DA)	Stanley, B J (DA)
Geel, B W (ACDP)	Stemele, O M (ANC)
Loxton, J (DA)	Van der Westhuizen, R F (DA)
Rust, N J A (DA)	Van Wyk, J D (DA)
Sedeman, A C (OD)	Wilskut, W (DA)

**OFFICIALS:**

Municipal Manager, mr J J Scholtz  
Director: Safety and Security Services, mr P A C Humphreys  
Director: Electrical Engineering Services, mr R du Toit  
Director: Financial Services, mr K C Cooper  
Director: Corporate Services, ms M S Terblanche  
Director: Development services, mr J T Steenkamp  
Director: Civil Engineering Services, mr A J Botha  
Manager: Administration and Records, ms N Brand

**1. OPENING**

The Speaker opened the meeting.

**2. APOLOGIES**

Apologies received from clrs C Fortuin, N E Nqokoto and E Schoor.

**3. SUBMISSIONS/DEPUTATIONS/COMMUNICATIONS BY OFFICIALS**

None

**4. MATTERS FOR CONSIDERATION**

**4.1 APPROVAL OF THE DRAFT 2010/2011 IDP YEAR PLAN (2/1/4/4/1 MY)**

In accordance with the Local Government Act: Municipal Systems, 2000 the Integrated Development Plan (IDP) must be revised annually to take into account changed circumstances and the results of the Municipality's performance evaluation.

The Draft IDP Year Plan was tabled by the Executive Mayor, ald T van Essen and put to the vote by the Speaker, and approved (in the absence of three councillors) with twelve DA councillors, one ACDP councillor and one OD councillor in favour and three ANC councillors against.

RESOLUTION/...

4.1/...

**RESOLUTION**

(proposed by ald T van Essen, seconded by clr R J du Plooy)

That the 2011/2012 IDP Year Plan, including the ward plans for the various wards is approved in principle, subject to further consultation and refinement during March and April 2011 by means of a public participation process, after which it will be tabled for final approval on 5 May 2011.

**4.2 APPROVAL OF THE DRAFT MULTI-YEAR CAPITAL AND OPERATING BUDGETS FOR 2011/2012, 2012/2013 AND 2013/2014 (5/1/1/1-2011/12, 5/1/1/2-2011/12, 5/1/4)**

The multi-year draft Capital and Operating Budgets for 2011/2012, 2012/2013 and 2013/2014 were submitted to the Executive Mayor's Committee on 16 February 2011 and were presented to the Council for consideration.

The approval of the draft budget must be evaluated in accordance with various legal considerations, but must comply specifically at this stage with the "90 day principle" in terms of article 16(2) of the MFMA.

Ald T van Essen, in his budget speech (attached in full to these minutes as Attachment A), highlighted certain aspects, which are a cause for concern. Emphasis was laid on the announcement by Eskom of 26,7% increase in electricity and rising personnel costs, which are just some of the factors contributing to the fact that the Council cannot sustain a 6% increase in tariffs in accordance with statutory requirements.

The draft multi-year capital and operating budgets were tabled and approved (in the absence of three councillors) with twelve DA councillors, one ACDP councillor and one OD councillor in favour and three ANC councillors against.

**RESOLUTION**

(proposed by ald T van Essen, seconded by clr R J du Plooy)

- (a) That the Council approves the draft multi-year capital and operating budgets in principle, **respectively in amounts of and sources of income:**

			Historical:	Present:
(1) Capital budget	:	2010/2011	R 86 603 200	R
Adjusted Capital Budget:		2010/2011	R	R 90 225 769
Capital Budget	:	2011/2012	R	R 95 597 534
Capital Budget	:	2012/2013	R	R 95 886 879
Capital Budget	:	2013/2014	R	R 53 661 421
(2) Operating Budget	:			
Total Income :		2010/2011	R 351 006 809	R
Adjusted Income budget	:	2010/2011	R	R 370 539 046
	:	2011/2012	R	R 370 345 957
	:	2012/2013	R	R 407 804 580
	:	2013/2014	R	R 462 678 036
Expenses	:	2010/2011	R 322 500 045	R
Adjusted Expenses Budget	:	2010/2011	R	R 373 067 703
	:	2011/2012	R	R 418 659 678
	:	2012/2013	R	R 451 477 579
	:	2013/2014	R	R 506 577 049
Surplus/Difference(un-bundled)				
i.t.o. GRAP	:	2010/2011	R 28 506 764	R
Adjusted Budget	:	2010/2011	R	-R 2 528 657
	:	2011/2012	R	-R 48 313 721
	:	2012/2013	R	-R 43 672 999
	:	2013/2014	R	-R 43 899 013

- (b) That the budgeted amounts are not finally approved pending the public meetings, but that an attempt is at least made, not to deviate from the proposed effect of tariff increases on households;

4.2/...

- (c) That it is noted that NERSA imposed drastic amendments on the Council in terms of tariff structures of households with effect from 1 July 2011. NERSA implemented progressive block tariffs on households, namely Tariff 1 (households), Tariff 5 (20 amp households), Tariff 7 (prepaid low cost housing) and Tariff 12 (prepaid relatively affluent households). That the Council takes note of the tariff increase in respect of electricity of 26,71% as prescribed by Eskom and approved by NERSA. It is recommended that the Council increases the electricity tariff by 22%, with the exception of certain tariffs as attached. That the Council also takes note of the anticipated increases over the next two financial years of 21,95% for 2012/2013 and 21,95% for 2013/2014. The unforeseen increases in the previous financial year and the expected increases will definitely have a great impact on the debtors' accounts, with the result that debtors will not be able to pay their service accounts. Furthermore NERSA must be informed that users are no longer in a financial position to pay the unaffordable increase in electricity tariffs. It is also recommended that the approved tariff for 2011/2012 is sent to NERSA for final approval. If the Council applies the rising block tariff proposed by NERSA this will cause a further R12 million shortfall on the operating budget, which the Council cannot afford. NERSA must also be informed that users are no longer in a position to pay unaffordable increases in electricity tariffs. An example of the effect of tariff increases on an service account over a period of 5 years will be provided to NERSA in order to emphasise the effect on the municipal account, as well as the unaffordability thereof, which will ultimately lead to poor service delivery and unhappiness in the community.
- (d) That the draft capital and operating budgets with respect to 2011/2012 financial year are approved in principle in accordance with articles 16 and 17 of the MFMA, including -
- Taxation (see paragraphs [m] and [n]);
  - Tariffs;
  - Cash flow projections (now part of the budget format);
  - Budget related policy documents:
    - (i) Credit Management – (May 2011 Council Meeting)
    - (ii) Tariff Policy – (May 2011 Council Meeting)
    - (iii) Property Rates and Taxes Policy – (May 2011 Council Meeting)
  - Details with respect to Investments – (attached)
  - Allowances and benefits for officials and personnel with special reference to management team packages – (May 2011 Council Meeting);
- (e) That note is taken of the public consultative process with the community and the ward committee members scheduled for 7, 8, 9, 14, 15 and 16 March 2011;
- (f) That the Director: Financial Services complies with the conditions of the budget documentation with respect to reporting to the Provincial and National Treasuries;
- (g) That the Council notes that the operating budget does not include figures in terms of fixed and real capital amounts in order to allow the Director: Financial Services to calculate the tariffs with respect to service accounts;
- (h) That, as a result of insufficient funds, no provision could be made for the amortisation shortfall with respect to overlapping of amortisation of loans to external banks and the life span of assets;
- (g) That note is taken of the increasing rise in personnel costs (6,5% for 2011/2012 and 7% for 2012/2013 and an expected increase of 7% for 2013/2014);
- (h) That note is taken that the unaffordable tariffs and taxation place an extra burden on bad debt (outstanding debts), which leads to a negative cash flow which may mean that creditors and salaries cannot be paid. The negative impact may also mean that the Council is no longer in a position to carry out its duties in terms of service delivery;

4.2/...

- (i) That **serious** note is taken of the shortfall in the operating budget as a result of the un-bundling of assets, and that the income received from payment of service accounts no longer covers the expenses of the Council. The operating shortfall for the coming financial years will be as follows: (2010/2011 – R55 840 840; 2011/2012 – R67 272 429; 2012/2013 – R66 252 574; 2013/2014 – R63 926 131). The concern with respect to the provision for depreciation was discussed at the LGMTEC 2 meeting held on 10 February 2011 and will again be discussed during the LGMTEC 3 meeting to be held in March;
- (j) That note is taken that a FINANCIAL RECOVERY PLAN could not be tabled in August 2010, due to the effect of the un-bundling of assets in accordance with GRAP17, but that in spite of the provincial and national discussions on the effect of depreciation, and including the above mentioned uncertainty, the Management Team is requested to present a draft stabilisation and sustainability plan during the first quarter of the new financial year (2011/2012);
- (i) That the property rates and taxes are increased by 6,93% (0,005988 c/R) for 2011/2012 and that the rebate with respect to Jakkalsfontein, Grottoabaai, farmers and pensioners based on the proposed standard rate, remains unchanged;
- (j) That the Director: Financial Services is instructed, in conjunction with the Management Team, to investigate differential rates between residential and commercial property, together with the guidelines and phasing in of rates over a specific period.

**SIGNED  
SPEAKER**