



Verslag ♦ Ingxelo ♦ Report

Office of the Director: Financial Services
8 May 2012

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5/1/1/1 – 2012/13
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ITEM 3.1 OF THE AGENDA OF A SPECIAL COUNCIL MEETING TO BE HELD ON 31 MAY 2012

ONDERWERP:	A: GOEDKEURING VAN DIE 2012-2017 GEÏNTEGREERDE ONTWIKKELINGSPLAN
	B: GOEDKEURING VAN DIE MEERJARIGE KAPITAAL- EN BEDRYFS-BEGROTINGS VIR 2012/2013, 2013/2014 EN 2014/2015
SUBJECT:	A: APPROVAL OF THE 2012-2017 INTEGRATED DEVELOPMENT PLAN
	B: APPROVAL OF THE MULTI YEAR CAPITAL AND OPERATING BUDGETS FOR 2012/2013, 2013/2014 AND 2014/2015

A: APPROVAL OF THE 2012-2017 INTEGRATED DEVELOPMENT PLAN

1. BACKGROUND

1.1 The Integrated Development Plan (IDP) is the Municipality's principal five year strategic plan that deals with the most critical development needs of the municipal area (external focus) as well as the most critical governance needs of the organisation (internal focus).

The IDP –

- is adopted by the council within one year after a municipal election and remains in force for the council's elected term (a period of five years);
- is drafted and reviewed annually in consultation with the local community as well as interested organs of state and other role players;
- guides and informs all planning and development, and all decisions with regard to planning, management and development;
- forms the framework and basis for the municipality's medium term expenditure framework, annual budgets and performance management system; and
- seeks to promote integration by balancing the economic, ecological and social pillars of sustainability without compromising the institutional capacity required in the implementation, and by co-ordinating actions across sectors and spheres of government.

1.2 The document submitted is the new five year IDP for the period 1 July 2012 to 30 June 2017. It is the third generation IDP. Important milestones in the compilation process were the following:

- The adoption of the Process Plan and time schedule that guided the planning and drafting of this IDP by Council on 25 August 2011.
- The completion of a study by Prof Larry Zietsman (a statistics expert) in conjunction with a local town planning firm CK Rumboll and Partners to determine population figures per town.
- The completion of a client satisfaction survey by Ekko marketing consultants to determine satisfaction levels with respect to the different municipal services.
- Two very important strategy workshops that were held: One involving all councillors, top management of the Municipality and external stakeholders on 1 November 2011 and another involving the Mayoral Committee as well as all directors and division heads of the Municipality a week later on 8 November 2011.

- The workshops with ward committees (extended to include people from the sectors which ward committee members represent) between 27 February and 5 March 2012 to finalise the area plans.
- The workshop on local economic development that was held on 21 March 2012. The program for the day focused on job creation in Swartland and guest speakers included min Alan Winde (MEC Economic Development and Tourism), mr John Peters (IEDS Director) and ms Rene Whiteman (DBSA). Inputs from the workshop and indaba are included in the Strategy in Chapter 7 of this document.
- The IDP document and Area Plans were tabled at the Mayoral Committee meeting on 20 March 2012 and at the Council meeting on 29 March 2012 for consideration.

2. THE IDP AND AREA PLANS

2.1 Five area plans were compiled as part of the IDP process. The area plans that form attachments to this IDP should be regarded as part and parcel of this plan. It is therefore important to note that the area plans contain information used in defining the Municipality's long term strategy, but that is not duplicated in the IDP. Area-based planning is an initiative that complements the IDP process by focusing and zooming in on communities.

2.2 The following five area plans were compiled:

North Moorreesburg and Koringberg (wards 1 and 2)
 East Riebeeck West and Riebeeck Kasteel (wards 3 and 12)
 West Darling and Yzerfontein (wards 5 and 6)
 South Abbotsdale, Chatsworth, Riverlands and Kalbaskraal (wards 4 and 7)
 Central Malmesbury (wards 8, 9, 10 and 11 (and small portions of wards 4, 7 and 12)

3. LEGISLATION

3.1 The main Act that regulates integrated development planning is the Municipal Systems Act (Act 32 of 2000) and more specifically Chapter 5.

3.2 In terms of section 25 of this Act a municipal council must, within a prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality which-

- (a) links, integrates and co-ordinates plans and takes into account proposals for the development of the municipality;
- (b) aligns the resources and capacity of the municipality with the implementation of the plan;
- (c) forms the policy framework and general basis on which annual budgets must be based;
- (d) complies with the provisions of this chapter; and
- (e) is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation.

3.3 Section 26 describes the core components of an IDP.

3.4 Section 35 deals with the status of an IDP. In terms of this section an IDP adopted by the council -

- (a) 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 the municipality;
- (b) binds the municipality in the exercise of its executive authority, except to the extent of any inconsistency between an IDP and national or provincial legislation, in which case such legislation prevails; and
- (c) binds all other persons to the extent that those parts of the IDP that impose duties or affect the rights of those persons have been passed as a by-law.

4. COMMENTS AND INPUT

- 4.1. The draft plan was placed on the website on 30 March 2012 and advertised in the local press on 3 and 4 April 2012 for public comment and input. In accordance with legal conditions it was sent to the National Treasurer, Provincial Treasurer, the Provincial Department of Local Government and the District Municipality on 30 March 2012.
- 4.2. An information meeting was held on Thursday, 19 April 2012 during which feedback and input with respect to the draft IDP and the annual budget were given.
- 4.3. The opportunity for public comment and input closed on Friday, 4 May 2012. No comments with respect to the IDP were received.
- 4.4. Clr Philander (on behalf of the ANC caucus) visited the Strategic Manager on 2 May 2012 and confirmed the proposed amendments to the Area Plans per email dated 3 May. These proposals must be referred back to the various wards, because any amendments must be an inclusive process and can only be changed by the ward committee. (The proposed amendments are attached as Attachment A). Comments with respect to the budget are detailed under division B in the report.

B: APPROVAL OF THE MULTI-YEAR CAPITAL AND OPERATING BUDGETS FOR 2012/2013, 2013/2014 AND 2014/2015

1. LEGAL FRAMEWORK

- 1.1 The approval of the budget must be evaluated in accordance with the legal framework and therefore the following conditions must specifically be taken into account:
- 1.2 Article 16(2) : MFMA
"... the Mayor of the municipality must table the annual budget at a Council meeting at least 90 days before the start of the financial year." – This was done on 29 March 2012.
- 1.3 Article 24(1) : MFMA
"The municipal Council must consider approval of the annual budget at least 30 days before the start of the relevant financial year." which must be done by 31 May 2012 at the latest.
- 1.4 Article 160(2)(b) (c): Constitution
"The following functions may not be delegated by a Municipal Council:
... the approval of budgets and tariffs."
- 1.5 Article 160(3)(a) Constitution
"A majority of the members of a Municipal Council must be present before a vote may be taken on any matter."

2. COMMENTS RECEIVED

The only comments received on the budget, were from Mr Raiel le Roux (per letter dated 4 May 2012) – Annexure B, and the chairperson of Yzerfontein Residents' Association (YRA) via letter dated 3 May 2012 – Annexure C. The areas of concern addressed in these letters, are as follows:

<p>2.1 <u>Issues raised</u></p> <p>(a) <u>Mr le Roux (4/5/12)</u></p> <p>(1) Striving for a model municipality and the costs thereof.</p>	<p><u>Comment: Municipal Manager</u></p> <p>The answer is affirmed that <u>it already is</u>. It is not a label, which we hang around our own necks, but its given to us by other spheres of Government, in that the success of some of our processes, are held up as "best practise". The most recent example of this is the CLEAN audit received and that the Municipal Manager was requested to do a submission thereof during the Premier's Co-ordinating Forum held on 28 February 2012.</p>
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<p>2) Municipal Police Service's future and cost thereof.</p>	<ul style="list-style-type: none"> • The observations in the letter, with specific reference to the financial impact thereof, are very relevant. The Provincial MEC has been requested in writing on three occasions to help the Swartland Municipality with the process of downscaling, as well as asking for external financial support. A written reply is still awaited. • The Executive Mayor has already explained fully the cost of the Municipal Police Services in his budget speech of 29 March 2012 – paragraph 5(e) – and the “loss” of about R13,8 mil. The Executive Mayor undertook that the Swartland Municipality would consult the community with respect to any downscaling of the service. • In the IDP – Chapter 7 – paragraph 7.1.2, a PROCESS has been indicated to create a special unit with greater focus on by-law enforcement, if the service is downscaled. • Not filling vacancies in order not to compromise any downscaling in the future was explained during the Portfolios Committee Meeting held on 9 May 2012. <p><u>Important:</u> It must also be stated that the downscaling of service must not be seen as safety not being of importance, but against the background that the service is an unfunded mandate and is not financially sustainable for a municipality the size of Swartland.</p>
<p>(3) RDP houses and free services for destitute households vs job creation and training</p>	<ul style="list-style-type: none"> • Comprehensive information is provided in terms of the Budget with respect to the subsidising of indigent households. At present the subsidy amounts to R366,15 (VAT included) per household. • Swartland Municipality's concern that indigent households are growing faster than the growth of the grant from the national fiscus was tabled during the MinMay (“Ministers, Mayors”) meeting on 29 November 2011 with the interaction of the National Treasury. • In the Swartland area 83,5% of low cost housing occupants are indigent. At present (2011/2012) the “equitable share” grants have a surplus of about R1,9 mil, after approximately (it varies) 4900 indigent households were subsidised. With an increase of 2% in indigent households and the building of new RDP houses according to the “housing pipeline”, and the inadequate adjustment of the national grant the shortfall during the 2015/2016 financial year will amount to R8,422 mil. • In agreement with mr le Roux more work will have to be created and the training will have to fit the need.
<p>(4) Job creation and differentiated tax</p>	<ul style="list-style-type: none"> • Many of the aspects to which mr le Roux referred are of common concern to Swartland Municipality. It is a fact that the burden carried by 6 million taxpayers gets heavier in order to support the 15 million who are dependent on the state – in a country where 60 million live. • The outcome of the workshop held on 21 March 2012 as well as the launch of the Provincial EDP received attention in certain of the processes which must arise from of the IDP. • <u>Important:</u> What are interesting are the conflicting opinions with respect to differentiated property rates and taxes between mr le Roux and the Yzerfontein Ratepayers Association. Mr le Roux advocates lower taxes and tariffs for the commercial sector, in order to support the latter in respect to creating jobs, whilst the Yzerfontein Ratepayers Association advocates that the commercial sector pays more tax in relation to property rates and taxes.
<p>(5) Excessive salaries for municipal officials</p>	<p>The same opinion is held by the Yzerfontein Resident's Association and comment will be made together with the latter.</p>
<p>(6) Inflation and year-on-year increases</p>	<p>Swartland Municipality agrees 100% with mr le Roux. The biggest “culprit” over the last four years has been ESKOM over which Swartland Municipality has no control.</p>

	<p>The other contributing factors are</p> <ul style="list-style-type: none"> ➤ Unfunded mandates ➤ National collective agreements <p>ESKOM areas where electricity cannot be used as a mechanism to collect debts.</p>
<p>(b) Yzerfontein Resident's Association (3 May 2012)</p> <p>(1) Unfunded mandates</p>	<p>This matter was also raised by the Yzerfontein Resident's Association last year, which led to the Council decision of 5 May 2011 that the Municipal Manager was authorised to obtain a legal opinion regarding this matter with the aim of declaring a dispute in accordance with the IGRFA (Intergovernmental Relations Framework Act). The purpose of taking this route was declared and confirmed by the Executive Mayor from the platform against province, after which a request was made to withhold the action in order not to jeopardize the award of the additional library subsidy to the amount of R3,195 mil. During the Executive Mayor's Committee Meeting of 11 August 2011 it was decided not to go ahead with obtaining legal opinion and declaration of dispute because Swartland Municipality had received the additional R3,195 mil over and above the "Conditional Provincial Grant" of R615 000.</p> <p>It was also undertaken to arrange a discussion with the National Treasury (NT) in order to illustrate the impact of unfunded mandates on municipalities. The above mentioned must be seen against the background that NT has the perception that municipalities do not struggle financially, because in general municipalities struggle to spend their grants. This is unfortunately not applicable to the Swartland Municipality, but Swartland, as well as the Western Cape is prejudiced, because of the incompetence of other municipalities. The undertaking with respect to discussions with the NT was followed up on 29 November 2011 during which the Municipal Managers of Swartland and Teewaterkloof made presentations on (1) unfunded mandates and (2) the effect of not being able to use electricity as a method of debt collection in ESKOM distribution areas.</p> <p>The result was that NT undertook to address the two above mentioned matters at national level.</p> <p>With reference to the proposal made by Swartland Municipality on 28 February 2012 during the PCF, there was a follow-up discussion – at the request of the Premier – arranged for 26 April 2012, with SALGA's PEC and the Auditor General (OG). One of the five aspects on which the OG will focus during the coming audit is the "Financial sustainability" of municipalities, with reference to the Swartland and West Coast District Municipality's request with respect to unfunded mandates.</p> <p><u>During the above mentioned discussion the following were presented:</u></p> <ul style="list-style-type: none"> • "Municipality's act unlawful • It is in contradiction of the Constitution". • It is a FORBIDDEN activity ito section 164 of the MFMA.
<p>(2) Electricity tariffs</p>	<p>The residential electricity tariffs for Mossel Bay must be interpreted correctly.</p> <p>The tariff 1A with a basic is only for users under 400kWh per month averaged over 4 months and excludes the subsidised users who are on tariff 1C. Most of the average and high usage residential clients are therefore on tariff 1 B, which has no basic. The tariff 1A therefore recovers the fixed costs of low occasional users such as holiday houses by means of a basic tariff, which is not applicable to houses occupied on a full time basis.</p> <p>Furthermore there are only 5058 residential users in the Swartland Municipality on tariff 1, which has a basic tariff.</p>

According to an investigation by Mubesco, Swartland Municipality's residential tariffs for large households are already 7,41% higher than the average for the Western Cape, and there is little room for increase.

The following are electricity tariffs for Mossel Bay by way of explanation:

2 ELECTRICITY TARIFF CHARGES

2.1 SCALE 1 - DOMESTIC SUPPLY, CHURCHES, SCHOOLS AND CRECHES

2.1.1 Tariff 1.A (TWO PART TARIFF) (S, SE, SE, SA and ST)

45 a fixed monthly charge per meter (irrespective of the ampere capacity of supply)

50 an energy charge:

0-20 kWh: Free	R176,01 + VAT	R176,01 + VAT
> 20 kWh:	R6,89	R6,89
	R9,747 + VAT	R9,747 + VAT

Block 0 (0-20 kWh): R9,99 + VAT
 Block 1 (21-50 kWh): R9,77 + VAT
 Block 2 (51-100 kWh): R9,59 + VAT
 Block 3 (101-150 kWh): R9,39 + VAT
 Block 4 (151-200 kWh): R9,27 + VAT

2.1.2 Tariff 1.B (ONE PART TARIFF) (S1, S1, S2 and S6)

Energy charge:

0-20 kWh: R6,00	R1,614 + VAT	R6,00 + VAT
> 20 kWh:		R9,77 + VAT
		R1,09 + VAT
		R1,27 + VAT
		R1,27 + VAT

Block 0 (0-20 kWh): R9,99 + VAT
 Block 1 (21-50 kWh): R9,77 + VAT
 Block 2 (51-100 kWh): R1,09 + VAT
 Block 3 (101-150 kWh): R1,27 + VAT
 Block 4 (151-200 kWh): R1,27 + VAT

2.1.3 Tariff 1.C (Prepaid tariffs for indigent households) (S3, S3, S4, T3 and T6)

Energy charge:

0-50 kWh: R6,00	R6,00	R6,00 + VAT
> 50 kWh:	R9,74 + VAT	R9,74 + VAT

Block 0 (0-20 kWh): R6,00 + VAT
 Block 1 (21-50 kWh): R6,00 + VAT
 Block 2 (51-100 kWh): R1,09 + VAT
 Block 3 (101-150 kWh): R1,27 + VAT
 Block 4 (151-200 kWh): R1,27 + VAT

(3) Differentiated property rates and taxes

In brief this deals with YRA's comment on the unreasonableness of residential property rates and taxes versus businesses. Further that the R15 000 rebate on property valuation on residential property permitted since 2004, is no longer in proportion with what the valuation in 2012 should be.

Swartland Municipality is busy at present with an investigation into the restructuring of the application of categories of property rates and taxes, which may possibly replace the destitute subsidy and rather include all income groups. This investigation will be attended to in 2012, for possible implementation in 2013. With the appeal process not having been completed, the final valuation of the valuation roll is not yet known and it is not possible at present to look at changes to rates differential between business and residential.

The concession by the Council to begin with differentiated tariffs in 2012 and a rebate of R200 000 for residential owners older than 64 years, is already evidence that the Swartland Municipality is prepared to refine its tax structure. What the R15 000 rebate means can be compared with the value of money in 2004 as opposed to now in 2012, but the opposite also holds true, if property rates and taxes were calculated on the same basis, the tariff would also work out differently. The R15 000 rebate will also be investigated with the possible new property rates and taxes structure.

The increased income from property rates and taxes of 14,5% as against the 6% increase for businesses and 4% for residential must not be viewed in the same light. With a general valuation there are many variables and corrections are not necessarily taken into account, but also appropriated to strengthen the income base and endeavoured to decrease dependence on economic and trade services.

(4) Provision of water, sewerage and refuse removal

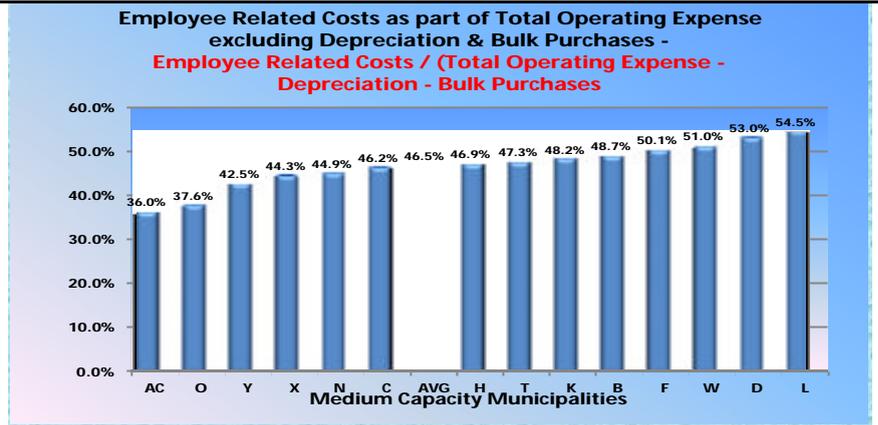
See Afrikaans.

(5) Traffic circles

The introduction of traffic circles throughout the whole Swartland municipal area is an aspect which must be investigated in order to optimise traffic flow. Although traffic circles are beneficial, there are also negative aspects attached, in that traffic flows continuously and is not brought to a standstill from time to time, such as with stop streets and robots.

	<p>The traffic circle at the entrance to the town was discussed during the Ward 5 ward committee meeting held on 24 April 2012 and the advice of traffic engineers must first be obtained in order to choose the most efficient option. With the latter as background and the fact that the building of a circle is not in the 90-day budget for completion during the 2012/2013 financial year, it cannot therefore be addressed. Furthermore a commitment cannot be made until the traffic specialist has completed the investigation. At the time of the rezoning of the property during August 2010 where Spar is accommodated, there was a further condition that the amount of R360 000 must be a contribution to upgrading the intersection, which amount is "conserved" in the capital replacement fund. With regard to the development of mr Dennis Katz's land, the amount for this purpose will have to be offset against the land which will be bst (which mr Katz must give up) for realigning the road in order to make provision for a traffic circle.</p>
(6) Public toilet facilities	<p>The Yzerfontein Resident's Association mentioned last year, as part of their comment, that the harbour operated at a loss. This financial year has been no different, and there is no justification for the capital outlay for additional toilets at the harbour for the fishing industry, because the capital investment also has a depreciation effect.</p> <p>The erection of public toilets for tourists/holidaymakers is a function of the municipality and this must be investigated. It has really the same effect as above, but above all it must be managed. It is however important that the investigation is done to determine siting, cost estimates and going through an EIA process, which also has an operating cost implication. If the latter EIA process is completed, the expense must compete with other projects that need funding.</p>
(7) Tarring of Volstruis Avenue	<p>There is much sympathy with respect to the request and it was also suggested last year (2011/2012). The decision was made during May 2011 that the need was noted and that Volstruis Avenue must be considered against the other infrastructure needs, in the 2012/2013 financial year and thereafter. The status quo with respect to this matter remains unchanged.</p>
(8) Municipal store and Workshop	<p>Agree 100% with the sentiment expressed. Planning has already been done. There are not really enough capital funds to carry this out, due to other more urgent infrastructure projects.</p>
(9) CCTV Monitoring System	<p>That note is taken that this aspect has already been addressed in the 2013/2014 financial year and that R40 000 has been provided for it.</p>
(10) Appropriate budgeting for maintenance	<p>This request has been noted and will be prioritised by the relevant Directorates to whose divisions it is applicable and the necessary maintenance and upgrading will be done within the available budget.</p>
YRA requests that urgent attention is given to the maintenance, upgrading of traffic signs, information boards, street names, painting of curbstones, maintenance of the Community Hall, weed control and open spaces.	

<p>(11) Possible privatisation of the caravan park</p>	<ul style="list-style-type: none"> • This matter as well the harbour were also reported in the 2010/2011 financial year and it was decided on 5 May 2011 that the Management Team must investigate the availability of funds from the operating budget during the current financial year (with a view to savings) or the procurement of external funds in order to do a complete investigation with respect to privatisation. The latter option was followed and there was correspondence with the Provincial Department of Economic Affairs and Tourism. The latter put Swartland Municipality in contact with a unit housed in NT (National Treasury) who can help with such investigations. The discussion with representatives of the National Treasury took place earlier this year and feedback is awaited. The rationale behind waiting for external funds is not to utilise Swartland ratepayers funds for this purpose whilst the caravan park is operating at a profit. There were discussions during the past financial year, as well as a site inspection, with the same person who manages both the Buffelsbaai and Glentana caravan parks. The feedback from the relevant person was that there is not much scope for the private sector. <u>This</u> view was expressed against the background that capital investment will be required, in order to comply with certain grading requirements, which in turn will lead to higher tariffs. The occupancy rate of 60% leaves little scope for the private sector to take over the management of the caravan park and to make a profit. Feedback from the National Treasury was received in the meantime and the project is registered as a PPP. • Swartland Municipality was informed by NT in a letter dated 6 February 2012 – <u>and only received on 6 May 2012</u> – that the project is registered as a potential PPP with reference no. M078. Swartland Municipality was in the process of getting in touch with the Project Advisor, mr Lindokuhle Hlatshwayo during the writing of this report.
<p>(12) <u>Personnel costs or salaries of municipal officials, so-called by mr le Roux</u></p>	<ul style="list-style-type: none"> • Both the Yzerfontein Resident's Association and mr le Roux expressed their concern (and disquiet) with respect to the high salaries of municipal – actually state officials. Both are also concerned that this matter is not meaningfully negotiated at national level and that the unions and SALGA hold the employers hostage, and set unrealistic goals, which make the future of municipalities unsustainable. • Swartland Municipality shares the sentiment expressed. Time and again SALGA National exceeds – the mandate which was obtained and given in the Western Cape - without first getting a "fresh" mandate. The affordability to municipalities – actually the ratepayers in reality – is never taken into account. At present more than 50% of the 278 municipalities in South Africa are already technically bankrupt. There are even municipalities in the Western Cape, which cannot meet their obligations at the end of the month. In order to put Swartland Municipality's personnel expenses in context with other authorities in the Western Cape it is important to look at the following diagram.



- Of the 15 authorities' statistics, the Swartland Municipality's 50% does not compare favourably with the average of 45%. The higher percentage than average can be attributed to the fact that Swartland Municipality has a police service. The Executive Mayor also referred to this in his 90-day budget speech and undertook to test the public's reaction.
- It is also a fact that the private sector is always cheaper and will always be so compared with the public sector. It is rather ironic, because the private sector, which focuses on a profit, still makes a profit out of the service provided. The challenge is that the services, (particularly the services, which are not a CORE function of the municipality) must be identified in order to investigate the privatisation route. The mandate with respect to this must be to deliver the service on the same level, with savings for the Municipality. With respect to the municipal functions (as laid down by the CONSTITUTION and the Structures Act) the so-called article 78 investigation must be done as prescribed by the Systems Act. This investigation is expensive and we will once again have to knock on the door of the National Treasury.
- The additional unfunded mandate for the financing of the Thusong Centres is a challenge. With reference to this, one must refer to the recent success of the High Court ruling relating to mines and mine license holders, and think innovatively in respect of making them contribute to the operation of the MPCC (Multi-Purpose Community Centre) in respect of their "social and labour plan" responsibilities. By doing this the funds will be used for the purpose for which they are meant, and we will ensure that they reach the right places.
- That with reference to a mandate for salary increases, the Executive Mayor took a strong view, together with supporting documentation as evidence, during the mandate meeting of SALGA held on 10 May 2012, that with respect to the coming financial year, there should no salary increases. For budgeting purposes only a 5% increase was provided for.

3. DOCUMENTATION

3.1 Attached hereto find the Capital and Operating budget for 2012/2013 as prepared by the CFO, and the multi-year operating and capital budgets for 2013/2014, 2014/2015 **Annexure D**

3.2 BUDGETS AND MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK 2012/2013 REFORMS

Attached hereto find the prescribed budget reforms as prescribed by MFMA Circular No 58 in accordance with the regulations **Annexure E**

3.3 **OUTSTANDING DEBTORS**

Attached hereto find the outstanding debtors as of 29 February 2012 before month-end levy, after month-end 29 February 2012, outstanding future debtors included and the provision for contribution to bad debtors.....**Annexure F**

3.4 **INVESTMENTS & EXTERNAL LOAN REGISTER**

Attached hereto find the external loans and investments as on 29 February 2012**Annexure G**

3.5 **COMMENTS BY CONSULTANTS**

The report of MUBESKO is available at the office of the Director: Financial Services or on the website at www.swartland.org.za.

3.6 **PROPERTY RATES POLICY**

Section 5 of the Municipal Property Rates Act determines that a municipal council must annually review, and, if necessary, amend its rates' policy. Any amendments to a rates' policy must accompany the municipality's annual budget when it is tabled in the council in terms of section 16(2) of the Municipal Finance Management Act..... **Annexure H**

Provided, under separate cover, is a copy of council's rates policy in both Afrikaans and English. Words, figures or portions in same that are struck through refer to words, figures or portions in the policy which are proposed for deletion, whereas underlined words, figures or portions refer to proposed insertions/additions to the policy. Footnotes were added for explanatory purposes.

The proposed changes do not effect the delegations system adopted by Council in respect of the policy (at its May 2011 meeting), and has therefore not been attached to the policy document.

The proposed amendments were advertised for public comments by Wednesday, 23 May 2012. Seeing that this agenda was finalised before the closing date, any comments and/or objections received will be tabled in the council meeting, for consideration by council.

Section 6 of the Municipal Property Rates Act furthermore determines that a municipality must adopt by-laws to give effect to the implementation of its rates policy. Due to the fact that the property rates policy and the property rates by-law read exactly the same, the same changes that are to be made to the policy, are to be incorporated into council's property rates by-law. A separate report on the changes to be effected to council's property by-law is tabled in the agenda of the ordinary council meeting to be held on date.

Along with the above policy document, notice was given of council's intention to adopt a fee in terms of section 53(2) of the Municipal Property Rates Act, Act 6 of 2004, relating to a request for reasons i.r.o. decisions taken by the municipal valuator, as follows and with effect from 1 July 2012:

An amount of R200,00 plus 14% VAT

Should any objections be received at the closing date (23 May 2012) as regards the proposed fee, it will be dealt with at the council meeting.

4. **COMMENT: DIRECTOR: FINANCIAL SERVICES**

4.1 That note is taken that the Budget Management Committee met on Monday, 14 May 2012 and made recommendations to the Executive Mayor's Committee, which considered the 30-day budget on 16 May 2012 for recommendation to the Council.

4.2 That the Executive Mayor's Committee approves in principle the presentation of the multi-year capital and operating budgets for 2012/2013, 2013/2014 and 2014/2015 to the Council, and that the following is recommended:

RESOLVED UNANIMOUSLY**A: 2012-2017 INTEGRATED DEVELOPMENT PLAN**

- (a) That 2012-2017 IDP for the Swartland is approved in terms of article 25(1) of the Municipal Systems Act, Act 32 of 2000, subject to the following amendments and additions as recommended by the Executive Mayoral Committee on 16 May 2012 –
- p 71, that the amount of GAP housing units in Chatsworth be amended from 11 to 12;
 - p 77 [under par 6.2 – opportunities], that the tourism opportunities in respect of Dasseneiland be added, as well as the renewable energy initiatives that is investigated/planned for the West Coast;
 - p 84, that the LED-process of the West Coast District Municipality be included in the IDP;
- (b) That the prescribed statutory process, which must be carried out in terms of the Systems Act, is complied with, after the acceptance of the IDP.

B: APPROVAL OF THE MULTI-YEAR CAPITAL AND OPERATING BUDGETS FOR 2012/13, 2013/2014 AND 2014/2015

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

		<u>Historic:</u>		<u>Present:</u>	
(1)	Capital Budget	:	2011/2012	R 96 348 657	R
	Adjusted Capital Budget	:	2011/2012	R	R 99 610 838
	Capital Budget	:	2012/2013	R	R 86 848 463
	Capital Budget	:	2013/2014	R	R 74 563 107
	Capital Budget	:	2014/2015	R	R 48 388 450
(2)	Operating Budget	:			
	Total Income	:	2011/2012	R 371 354 225	R
	Adjusted Income Budget	:	2011/2012	R	R 373 478 841
		:	2012/2013	R	R 413 711 316
		:	2013/2014	R	R 439 452 787
		:	2014/2015	R	R 483 004 434
	Expenses	:	2011/2012	R 416 987 466	R
	Adjusted Expenses Budget	:	2011/2012	R	R 422 570 311
		:	2012/2013	R	R 439 237 837
		:	2013/2014	R	R 475 845 037
		:	2014/2015	R	R 516 435 660
	Surplus/Difference (unbundling)	:			
	i.t.o. GRAP	:	2011/2012	R 45 633 241	R
	Adjusted Budget	:	2011/2012	R	-R 49 091 471
		:	2012/2013	R	-R 25 526 520
		:	2013/2014	R	-R 36 392 249
		:	2014/2015	R	-R 33 431 227

- (b) That note is taken of the public participation meeting held on 19 April 2012 and the contents of the letters received from the YRA and mr le Roux, as well as the comments from the Municipal Manager (written), as detailed in this report and that the various aspects will be dealt with as follows:

A: with respect to area plans

1. That the comment from clr Philander with respect to the area plans is very detailed and that the comments must be referred back to the various ward committees, because any amendments must be considered by the ward committees.

B: with respect to the budget1. Swartland Municipal Police Services

- 1.1 That note is taken that although the safety of the residents is of high priority to the COUNCIL, the financial impact of keeping the SMPS in the present 24 hour format is a cause for concern. The concern is financial sustainability and that the Executive Mayor promised in his 90-day budget speech that Swartland Municipality would consult the community.
- 1.2 That as a result of the above mentioned consideration the Municipal Manager and the Director: Safety Services are requested to approach the filling of vacancies conservatively in order not to compromise the Municipality in the long term.

2. Increase in indigent households and unfunded mandates

- 2.1 Note is taken that NT, with reference to a submission during the MinMay Meeting on 29 November 2011 with respect to the financial sustainability of municipalities, undertook to discuss as a matter of urgency (1) unfunded mandates and (2) the distribution of electricity by ESKOM in municipal areas.
- 2.2 That the Municipal Manager is requested to enquire after the progress with respect to this matter via PT and the Local Government (Western Cape).

3. Job creation and greater focus on "LED"

- 3.1 That note is taken of the Swartland Municipality's commitment to LED and the process to get a "special purpose vehicle" by calling for tenders (80/20 basis).
- 3.2 That it is also noted that the LED item has been increased from R150 000 to R450 000, in order to make provision for this, which will be financed from the reallocation of the "unconditional grant"
- 3.3 That note is further taken that membership on the Provincial EDP was taken up by Swartland Municipality and that cllr C H H Hunsinger was nominated to service on the Board.

4. Traffic circle

- 4.1 That the comment given by the Municipal Manager, as stated above, is confirmed.

5. Public toilet facilities

- 5.1. That the siting of toilet facilities, the cost of (a) erection, (b) management, (c) the completion of an EIA process, must be determined first before a decision can be taken to go ahead with the project, and the feedback reported to the Executive Mayor's Committee for consideration and/or decision making with respect to future financing.

6. Tarring of Volstruis Avenue

- 6.1 That the comment from the Municipal Manager is upheld and that the tarring of Volstruis Avenue is in competition with other capital projects for consideration during the 2013/2014 financial year and thereafter.

7. Monitoring system

- 7.1 That it is noted that the matter has already been addressed in the 2013/2014 financial year and that R40 000 has been provided for this.

8. Possible privatisation of the caravan park

8.1 That it is noted that NT's PPP unit has registered the request as M078 and that the Swartland Municipality was informed of this on 8 May 2012. (Discussions with the project advisor, Mr Hlatshwayo will now take place to set the "terms of reference").

9. Differentiated taxation

9.1 That the status quo with respect to property rates and taxes and rebates will be maintained in the 2012/2013 financial year as approved in principle by Council on 29 March 2012, but that the Director: Financial Services is tasked with investigating the structure in totality for the 2013/2014 financial year, with specific reference to tariff modelling.

- (c) That the Council notes the tariff increase in terms of electricity of 13,5% as prescribed by ESKOM and approved by NERSA. That the Council approves the average electricity increase of 11,03%, with the exception of certain tariffs attached hereto;
- (d) That the capital and operating budgets with respect to the 2012/2013 financial year are approved in accordance with articles 16 and 17 of the MFMA, including -
- taxation;
 - tariffs;
 - projections of cash flow (now part of the Budget formatting);
 - budget related policy documents:
 - (i) Credit control
 - (ii) Tariff policy– without amendments
 - (iii) Property rates and taxes policy, with respect to which approval is given to implement the proposed changes as indicated in the policy document which is circulated under separate cover
 - Details with respect to investments;
- (e) That note is taken that the Director: Financial Services complies with the conditions of the budget documentation with respect to reporting to the Provincial and National Treasuries;
- (f) That the Council notes that the operating budget does not include figures in terms of fixed and real capital contributions in order to allow the Director: Financial services to calculate the tariffs with reference to service accounts;
- (g) That, as a result of insufficient funds, no provision can be made for the amortisation shortfall with reference to the overlapping of the payment of loans to external banks and the life span of assets;
- (h) That note is taken of the continued increase in personnel costs of 5%, as proposed by the National Treasurer in Circular 58. That it is also noted that there has only been provision made for a 5% for salary adjustments in the 2012/2013 financial year, hence the mandate from the Executive Mayor (during SALGA Western Cape's mandate meeting of 10 May 2012) that no salary increases should be considered for the coming year in an attempt to keep any increases equal to or under the inflation rate;
- (i) That note is taken that feedback with respect to collective salary negotiations are awaited, and that any adjustments, with reference to adjustments of article 57 appointments, will only be considered later, pending feedback of negotiations at national level;
- (j) That note is taken that unaffordable tariffs and rates accounts places a further burden on bad debts (outstanding debtors), which leads to a negative cash flow with the result that creditors and salaries cannot be paid. The negative impact can further result in the Council no longer being in a position to honour its responsibilities with respect to service delivery. The average increase on a household for 2012/2013 will be about 10,29%;
- (k) It is **with great concern** that the shortfall in the operating budget, as a result of unbundling assets, is noted and that income received from the payment of service accounts no longer covers the Council's

expenses. The operating shortfall for the coming financial years will be as follows: (2012/201 – R 25 526 520; 2013/2014 – R 36 392 249; 2014/2015 – R 33 431 227). The concern with respect to the provision for depreciation was discussed during the LGMTEC 2 meeting held on 9 February 2012, as well as during the LGMTEC 3 meeting held on 25 April 2012;

- (l) That any person, whether or not a pensioner, will qualify for a rebate on property rates and taxes payable with respect to residential property with a property valuation of up to R200 000,00 (excluding Jakkalsfontein, Grottoabaai and farmers who already receive a 25% discount), with the understanding that -
 - (i) the person is the registered owner of the relevant residential property and personally resides there;
 - (ii) that the person must be older than 64 years and will qualify for the full rebate if he/she turns 65 in the relevant Council's financial year, namely 1 July to 30 June;
 - (iii) If a person already qualifies for a rebate of an amount equal to 40% on property rates and taxes in terms of the Council decision (item 8.13 dated 24 November 2011 refers) he/she may not apply for both benefits, but will only qualify for the most advantageous of the two scenarios.
- (m) That the following fee is approved in terms of article 53(2) of the Municipal Property Rates and Taxes Act, Act 6 of 2004 (only published in English) with reference to a request for the reasons for decisions taken by the municipal evaluator, as of 1 July 2012:

An amount of R200,00 plus 14% VAT
- (n) That note is taken of the comments by PT on the IDP and the 90 days budget, as well as of the comments by Swartland Municipality as requested by PT in Circular 21/2012.