

EXTRACT COUNCIL MINUTES: 31 MAY 2022

UNANIMOUSLY RESOLVED

Item A79/31/05/2022

1. that Council adopts the 5th Generation Final Integrated Development Plan of Swellendam Municipality for the period 2022/23 to 2026/27 which includes the readoption of the Swellendam Spatial Development Framework (SDF).
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Item number A79. 31.05.2022

FINAL INTEGRATED DEVELOPMENT PLAN (IDP) OF SWELLENDAM MUNICIPALITY FOR THE PERIOD 2022/23 TO 2026/27

Report of the IDP Administrator: Mrs D Jonas

Department

Municipal Manager

Section

Integrated Development Planning

File number

12/2/3/33

PURPOSE OF THE REPORT

The purpose of this report is to obtain Council approval for the adoption of the 5th Generation Final Integrated Development Plan of Swellendam Municipality for the period 2022/23 to 2026/27 which includes the re-adoption of the Swellendam Spatial Development Framework (SDF).

FACTS AND BACKGROUND

Integrated Development Planning

The 5th Generation Integrated Development Plan (IDP) is the Municipality's principal strategic planning document. IDP in conjunction with the Swellendam Spatial Development Plan is the Municipality's principal 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 –

1. 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);
2. is drafted and reviewed annually in consultation with the local community as well as interested organs of state and other role players;
3. guides and informs all planning and development, and all decisions with regard to planning, management and development;
4. forms the framework and basis for the municipality's medium-term expenditure framework, annual budgets and performance management system; and
5. 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 coordinating actions across sectors and spheres of government. Municipalities are encouraged and supported by both national and provincial governments to develop realistic and credible IDP's.

The IDP, for the period 2022/23 to 2026/27 has been developed in accordance with the core components as prescribed in Section 26 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000):

1. Municipal council's vision for the long-term development of the municipality with specific emphasis on the municipality's most critical development and internal transformation needs.
2. Assessment of the existing level of development in the municipality, which must include an identification of communities that do not have access to basic municipal services
3. Council's development priorities and objectives for its elected term, including its local economic development aims and its internal transformation needs.
4. Council's development strategies must be aligned with any national or provincial sectoral plans and planning requirements binding on the municipality in terms of legislation.
5. Spatial development framework which must include the provision of basic guidelines for a land use management system for the municipality.
6. Council's operational strategies.
7. Applicable disaster management plans.
8. Financial plan, which must include a budget projection for at least the next three years.
9. Key performance indicators and performance targets.

The draft IDP will be distributed as a separate addendum.

DISCUSSIONS

In terms of Section 25(1) of the Municipal Systems Act 32 of 2000 (MSA) each 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 (Integrated Development Plan).

An inaugural meeting held on Thursday, 11 November 2021 and the Council of Swellendam Municipality formally constituted. The newly elected Council has approved a five-year amended Process Plan that will guide the drafting of the 5-year Integrated Development Plan (IDP) for 2022-2027. As per Section 27(2) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) the District IDP Framework Plan binds both the district municipality and local municipalities in the Overberg and must at least –

- a) identify the plans and planning requirements binding in terms of national and provincial legislation on the district municipality and local municipalities;
- b) identify the matters to be included in the IDP's of the district municipality and local municipalities that require alignment;
- c) specify the principles to be applied and coordinate the approach to be adopted in respect of those matters; and
- d) determine procedures –
 - (i) for consultation between the district municipality and local municipalities during the process of drafting their respective IDP's; and
 - (ii) to effect essential amendments to the framework.

Section 25 (3) of the MSA does allow the municipal council to adopt the IDP Process of the preceding council. However, should the incoming councils be unhappy with the priorities set out by the current council, in this case, municipal councils are advised to consider the existing adopted IDP and resolve to initiate or not to initiate an amendment procedure as guided by the MSA and the Municipal Performance and Planning Regulations (2001).

In terms of Chapter 5 Section 26 of the Municipal Systems Act (2000), the Overberg District Municipality (ODM) prepared and adopted a five-year IDP Framework Plan. The District IDP Framework Plan (also applies to the 5th Generation IDP) and Process Plan, workshopped with the B-Municipalities on 11 July 2016 in order to ensure alignment of planning activities. The 5-year IDP process plan and Time Schedule were adopted by the preceding council on 25 August 2021 and the amended 2022-2027 IDP Process Plan and Time Schedule were approved by the newly

elected council on 02 December 2021 and can be viewed on the Swellendam Municipality's website swellendam.gov.za.

The resubmission of annexures: 2022-2027 IDP Process Plan, 2022-2023 IDP Time Schedule and District IDP Framework to Council's on 31 March 2022 complies in terms of Chapter 5 Section 26 of the Municipal Systems Act (2000). The District IDP Framework was adopted by Council on 28 March 2022 and can be viewed on the Overberg District Municipality's website www.odm.org.za

In terms of section 34 of the Municipal Systems Act (Act 32 of 2000) a municipal council -

- (a) must review its integrated development plan -
 - (i) annually in accordance with an assessment of its performance measurements in terms of section 41, and
 - (ii) to the extent that changing circumstances so demand; and
- (b) may amend its integrated development plan in accordance with a prescribed process.
 - (i) Submitting a memorandum setting out the reasons for the proposal and should be aligned with the framework adopted in terms of MSA Sec. 27;
 - (ii) The amendment to the IDP must be adopted by a decision taken by the municipal Council (Council resolution);
 - (iii) Reasonable notice must be given to the members of Council about the proposed amendment and it has to be published for public comment for a period of at least 21 days.

In addition to the amendment process, Districts and B-municipalities have to consider the following:

- (i) District Municipality must
 - Consult with its local municipalities; and
 - Consider all comments provided to it by the B-municipalities before a final decision is made
- (ii) B-municipality must
 - Consult its District Municipality;
 - Take all comments submitted to it by the district municipality into account before a final decision was made.

LEGAL IMPLICATIONS

1. Municipal Systems Act 32 of 2000
2. Local Government Municipal Systems Act – Chapter 5
3. Section 20 of the Spatial Planning and Land Use Management Act, 2013 (Act 16 of 2013)
4. Section 10 of the Western Cape Land Use Planning Act, 2014 (Act 3 of 2014)
5. Section 10(2) of the Swellendam Municipal By-Law on Municipal Land Use Planning, 2020; Municipal Finance Management Act 56 of 2003
6. Municipal Planning and Performance Management Regulations, 2001
7. Municipal Budget and Reporting Regulations, 2009

FINANCIAL IMPLICATIONS

Summary of the 2022-2027 IDP: 2 000 booklet copies

PERSONNEL IMPLICATIONS

None

COMMUNICATION IMPLICATIONS

None

COMMENT FROM DEPARTMENTS

Director: Corporate Services

None

Director: Community Services

None

Director: Financial Services

None

Director: Infrastructure Services

None

Comment from Municipal Manager

The recommendation is supported.

ATTACHMENTS

Annexure A: Overberg District IDP Framework

Annexure B: 2022 – 2027 IDP Process Plan and 2022-2023 Time Schedule

Annexure C: Swellendam Spatial Development Framework (SDF)

Annexure D: MFMA Circular 88

Link Provided

RECOMMENDED

1. that Council adopts the 5th Generation Final Integrated Development Plan of Swellendam Municipality for the period 2022/23 to 2026/27 which includes the readoption of the Swellendam Spatial Development Framework (SDF).

EXTRACT COUNCIL MINUTES: 31 MAY 2022

RESOLVED

Item A86/31/05/2022

- 1) That the annual Budget for the 2022/2023 MTREF for the different votes is approved and adopted as set out by the following tables included in the budget document:
 - 1.1 Table A1 – Budget
 - 1.2 Table A2 – Budget financial performance.
 - 1.3 Table A3 – Budget financial performance (municipal vote)
 - 1.4 Table A4 – Budget financial performance by revenue source and expenditure
 - 1.5 Table A5 – Budget Capital expenditure
 - 1.6 Table A6 – Budget financial position
 - 1.7 Table A7 – Budgeted Cash flow
 - 1.8 Table A8 – Cash budget reserves / accumulated surplus
 - 1.9 Table A9 – Asset Management
 - 1.10 Table A10 – Consolidated basic services delivery management.
- 2) That in terms of section 78A of the Local Government Municipal Systems Act, 32 of 2000 and section 24 of the Local Government Municipal Property act, 6 of 2004, approved and adopted with effect from 1 July 2022 the tariffs, for property rates, electricity, water, sewerage, solid waste, and other services charges as set out in Part B of which a copy is attached.
- 3) That the following policies as amended be approved with effect from 1 July 2022 and placed on the municipal website and be available at various municipal buildings. The policies are attached under Part C:
 - Property Rates Policy
 - Customer Care, Credit Control and Debt Collection Policy.
 - Bad debt written off Policy
 - Irregular Expenditure Policy
 - Tariff Policy
 - Finance and Reserve Policy
 - Budget Implementation on monitoring Policy
 - Supply Chain Management and Preferential Procurement Policy
 - Asset Management Policy
 - Petty Cash Policy
 - Indigent Policy
 - Borrowing Policy
 - Banking Cash Management and Investment Policy
 - Blacklisting Policy
 - Cost containment Policy
- 4) That council approved the taking up of an external loan facility for the amount of R16,2 million over the MTREF.
- 5) That council take note of the other budget documents under Part D.
- 6) That council approve the procurement plan under Part D.

- 7) That council note that the total cost for the capital projects is included in the budget and the funding sources are available.
- 8) That council note that the projected cost covering the future operational cost on the capital projects are included in the budget.

Item number A86. 31.05.2022

ANNUAL BUDGET FOR THE 2022/2023 TO 2024/2025 FINANCIAL YEARS

Report of the Director Financial Services: Me E. Wasserman

Department Financial Services

Section Financial Services

File number 5/1/1/26

PURPOSE OF REPORT

In terms of the Municipal Finance Management Act, 56 of 2003, (MFMA), Section 16, the mayor must table the annual budget at a Council Meeting at least ninety (90) days before the start of the budget year.

Immediately after an annual budget is tabled the budget must be made public per chapter 4 of the Municipal Systems Act to invite the local community to submit written representations on the draft budget.

The purpose of the report is to consider the public inputs and approved the final budget at least thirty (30) days before the start of the new budget year.

FACTS AND BACKGROUND

National Treasury issued MFMA Circular 112 and 115 to guide the compilation of the 2022/2023 medium-term revenue and expenditure framework (MTREF). The final budget circular is part of the annexures.

The 2022 national budget emphasized that the economic outlook remains highly uncertain and complex. The economic effects of the pandemic are far-reaching and affect every town in South Africa.

It is projected that South African's economic recovery will be slower than many of the developing country's peers which is further influenced by the unreliable electricity supply and weak public investments.

These economic challenges will continue to exert pressure on municipal revenue generation and collection levels.

Over the next three years, the municipality will have to adjust to significant changes in expenditure plans.

This higher than inflation growth of allocations to local government is due to additional allocations over the medium term, where it is projected that the equitable share will grow by 10.3 percent whilst conditional grants will grow by 5.3 percent.

The Swellendam Municipality is under pressure to generate additional revenues to provide for the growth in basic services, considering that the municipality has a very small revenue basis, which is mostly residential, the economic landscape, Covid-19 pandemic, increasing cost in key drivers, and the declining ability of the residents to pay for services. The payment rate has increasingly become under pressure with drops to below 95%

The main municipal challenges and risk are:

- Small revenue base mostly residential
- Ageing Infrastructure
- Roads – R31m to reseal and upgrade roads, R9m per annum to maintain roads
- Water Treatment Works and catchment need upgrading – main pipeline from catchment to Water Treatment Works
- Additional water supply source– municipality dependant on ground water
- Waste Water Works must be upgraded – Barrydale and Swellendam
- Barrydale upgrade of sewerage network to waterborne
- Waste minimization strategies and landfill sites
- Insufficient resources for repairs and maintenance
- Unlock investment opportunities and economic growth
- Growth in informal settlements – No basic services and uncontrolled growth
- Labour brokering – agricultural sector
- Environmental pollution and compliance

Considering the challenges, new ways need to be explored to become more efficient with fewer resources to generate sufficient cash to maintain, renew and expand on infrastructure.

DISCUSSION

The public participation closed on 6 May 2022 and the main inputs received relevant to the budget are categorized as follows:

1) Inputs Ward 3

The inputs received are:

- Request to review the date of penalties on accounts and engagements on arrears.
- Water quality at Buffelsjagrivier.

Penalties and engagements on arrear accounts are governed in the municipality credit control policy. Penalties are only levied after the municipal account are in arrears more than 30 days.

The municipality budget does make provision to improve the water quality at Buffelsjagrivier. The matter is currently monitored by the Executive Mayor and Infrastructure services.

2) Inputs Ward 6

The inputs received are:

- People cannot afford to pay. Consider increase the indigent criteria from 2* old age pay to R4500.
- Blocking of pre-paid electricity and timing be reconsidered.

- Infrastructure levy proposed for residents are R20 pm and R15 pm for indigents.

For indigent households the income perk cannot be adjusted higher than the old age pay as this is legislative. However it is proposed to increase the poor household category to 4* old age pay which will provide some relieve.

Consider the impact on tariffs the recommendation is that the infrastructure fee for maintenance remain at R10 pm for households, businesses and agricultural. For the 2022/2023 financial year the revenue will be utilized for roads maintenance.

3) AfriForum Swellendam Branch

The inputs received are:

- Objection against the infrastructure fee
- Public Participation exercise not effective
- Lower tariff increases
- Optimized expenditure levels at procurement

The municipality have a very small revenue base and the same cost increases applicable to residents are also applicable to the municipality. In fact, cost for service delivery items which are imported increase way above the inflation targets of 4.8%. The municipality have therefore no choice but to increase tariffs, failure to it will further impact on the municipal budget and services.

Therefor the municipality will not be in a position to limit tariff increases to inflation targets. Should this be considered, it is important to highlight the impact on the municipality financial position:

- The Eskom bulk account to the amount of R2,9 million will not be paid.
- The municipality will not be able to pay statutory payments payment increases such as on medical, pension, vat, etc
- Negative impact on service delivery – lessor funds will be available for repair and maintenance of infrastructure.
- Proposed capital projects from borrowing will have to be cut as no funding will be available to pay for finance charges and redemption of borrowings.
- Negative impact on the cash-flow forecast. This will result in the total depletion of the Capital Replacement Reserve. The municipality in the future will be dependent on government grants.
- Negative impact on financial ratios such as cost coverage which will decline to below 0.5% towards a negative figure.
- The budget will not be funded over the medium term. This will result that NT will refer the budget back to the Council until funded or may withhold grants if the budget is not reconsidered.
- To recover the revenue loss, the municipality has to consider double up the tariffs in the future budget to put the municipality in the same financial position.

The infrastructure maintenance fee is introduced due to the municipality small revenue base and to have a uniform fee which can supplement revenue to do more on road maintenance. The revenue generated from this fee will be ringfenced and only used for roads maintenance projects.

The municipality disagree that the public participation is not effective. Various budget ward meetings were held with good interaction. The fact that residents are not reading the IDP and budget policies is more education which must be provided. The documents were submitted when requested by residents.

The municipality has introduced more cost containment measures to optimized expenditure. The financial department is also in a process to restructure the SCM unit to do more strategic sourcing.

4) Other Inputs received

- Speed calming measures – various wards
- Road maintenance and potholes repair
- Baboon proofbins
- Signs

As a result of the various request for speed calming measures, was the capital budget amended to provide for such projects. Communication will be forward to each ward to identify the high-risk areas for speed calming measures.

The introduction of the infrastructure maintenance fee is to supplement the operational budget to do more on road maintenance. This will relief the pressure on road maintenance.

The baboon proofbins are incorporated in the budget with the improvement of signs.

5) Policies.

During the public participation process, the financial policies were considered and discussed at a meeting held on 12 May 2022. The policies are included under Part C. The main adjustment to the policies are:

5.1 Bad Debt writes off policy

- a) Adding a new category under specific conditions (4.2) for Nula Bona and non-registered estates (g).

5.2 Banking, Cash Management and Investment

- a) Amend payments to creditors (6) to be aligned to MFMA and made provisions for micro and SMME contractor's payments;
- b) Remove the payment by cheques from the policy (6.9)

5.3 Rates Policy

- a) Removal of definition and categories for state-owned under paragraph 8.
- b) Amendment of criteria for determining categories under paragraph 8.

5.4 Supply Chain Management Policy

- a) Delete definitions for the stipulated minimum threshold and designated areas.
- b) Amend cosmetics in documents and numbering.
- c) Update gateway reviews to be in line with the infrastructure SCM framework and policy under paragraphs 87 – 93.
- d) Update ranges of procurement under paragraph 124.
- e) Amend Preferential Procurement to be in line with the new envisage procurement regulations under part 11.

5.5 Tariff Policy

- a) The whole tariff policy was amended to be aligned to council tariff structure.

5.5 Indigent Policy

- a) Amend South African households residing in a designated area to be approved by council as an informal settlement will qualify for Indigent Subsidy until such time the area is formalized or individual accounts can be opened. Services applicable to these areas if available are:
 - Water standpipes
 - Chemical Toilets
 - 20 Ampere pre-paid electricity
 - Communal refuse removal
- b) Amend criteria for poor households to 4 * old pay pension and increase 500 kWh electricity to 600 kWh.
- c) Amend pensioners rebate to include the following:
 - This category will receive the following per month as qualified above:
 - 25% of the basic levy for water for one service point per month;
 - 25% of the basic levy for sewerage for one service point per month;
 - 25% of the basic levy for refuse for one service point per month;
 - The first R250 000 of a property value will be exempted from property tax which include the amount in section 17(1)(h) of the Municipal Property Rates act (act 6 of 2004)

5.6 New Policies

- a) Blacklisting Policy
- b) Cost Containment Policy

6. 2022-2023 Final Budget

The budget document is attached as Part A and reflects all the budget schedules.

The priorities of the 2022/2023 medium-term revenue and expenditure framework (MTREF) are:

- The movement towards cost-reflective tariffs.
- Provision for asset renewal, upgrades, and maintenance.

- Credibility and funded budget.
- Alignment of the budget to IDP.
- Cost containment.
- mSCOA implementation.

Furthermore, we must also ensure that the capital budget reflects consistent efforts to address the backlogs in basic services and the renewal of the infrastructure of existing network services.

The main Capital allocations for the next financial year include:

- R14,6 million for water services
- R27,5 million for roads and stormwater
- R11,2 million for sewerage services
- R1,9 million for government and administration
- R3,1 million for community and public services
- R1,5 million for waste management.

The capital budget will be funded as follows:

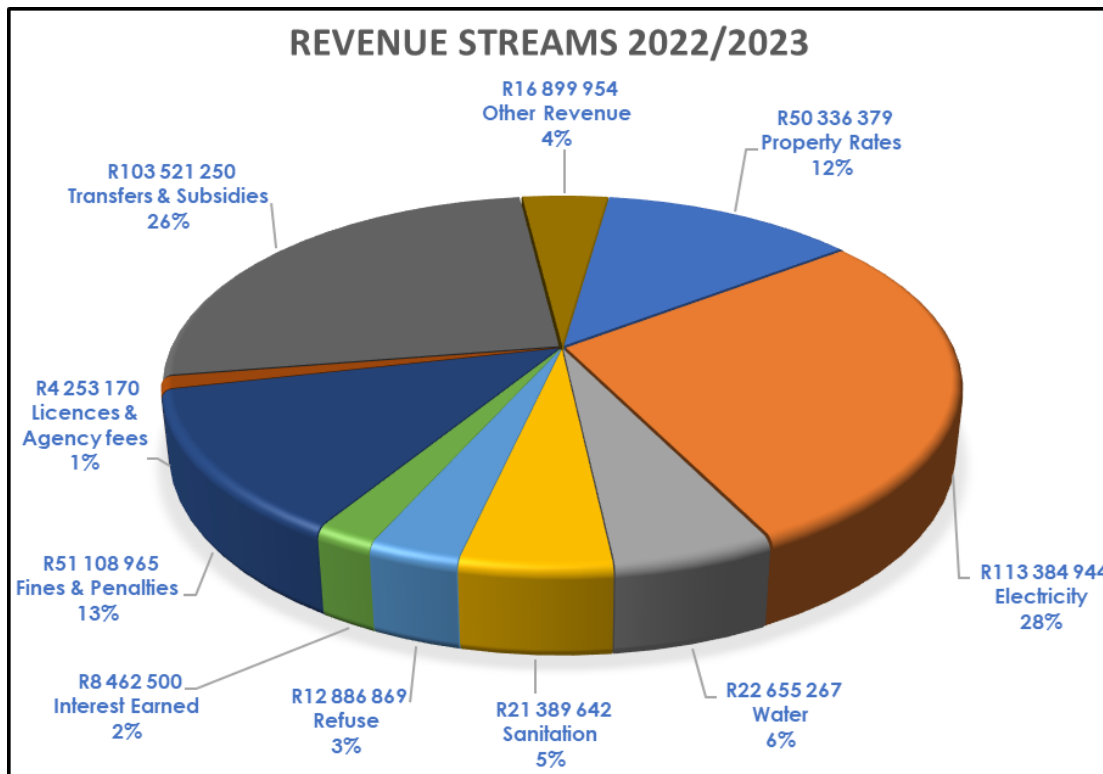
Description	2022/2023	2023/2024	2024/2025
Grants Total CAPEX	R 59 893 412	R 24 543 506	R 20 052 559
Municipal Infrastructure Grant	R 10 743 261	R 11 060 480	R 11 397 796
Water Services Grant	R 5 597 390		
Integrated National Electrification Programme		R 3 478 260	R 3 634 783
Human Settlement Grant	R 29 410 000		
Borrowing	R 9 150 260	R 5 457 750	R 1 252 175
Capital Replacement Grant	R 4 977 500	R 4 547 020	R 3 767 805
Municipal Replacement Grant (Libraries)	R 15 000		

The main capital projects for the year are:

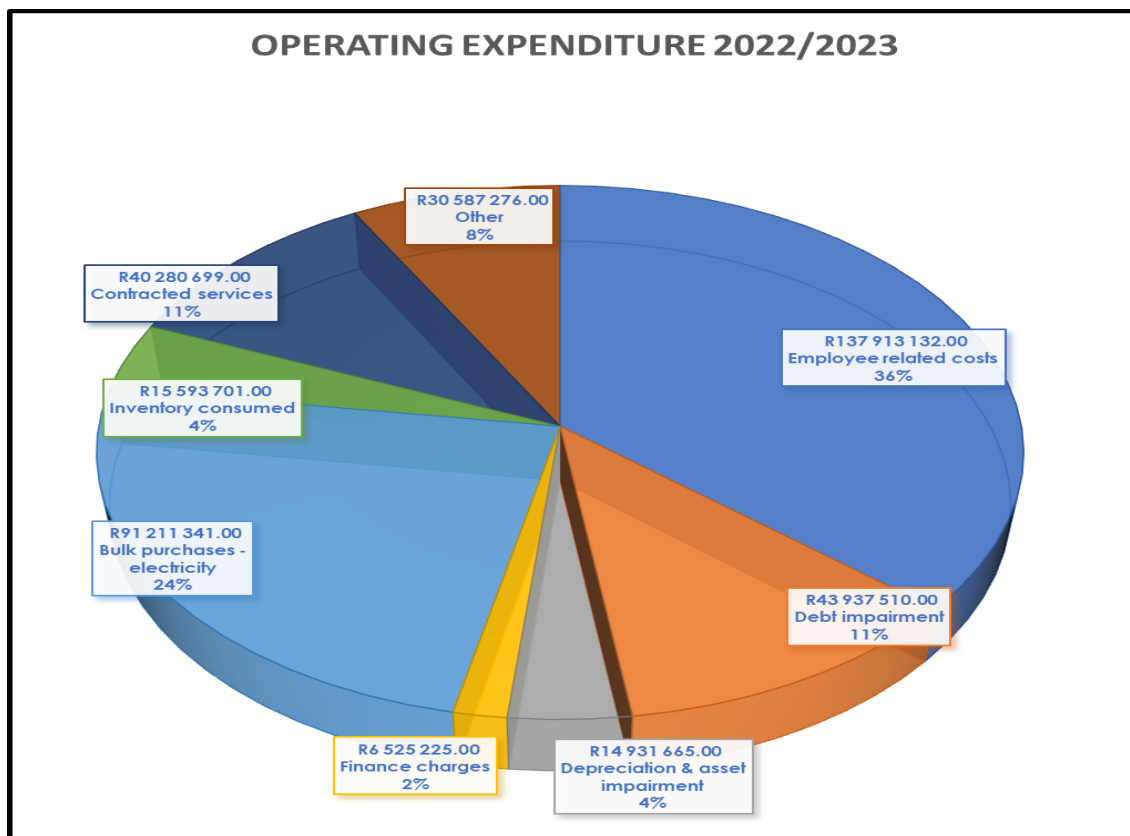
- Smitsville upgrading of roads for the amount of R5,2 million;
- Upgrade water supply line Railton for the amount of R6,7 million;
- Upgrade Barrydale bulk water supply for the amount of R5,6 million;
- Rehabilitation of Andrew Whyte Street for the amount of R1,5 million;
- Water and sewer reticulation and roads for the 950 houses project to the amount of R32,8 million;
- Sewer upgrade in Railton (street front sewers) to the amount of R0,8 million;
- Upgrade Resiebaanstraat for the amount of R0,4 million;
- Infanta Slipway Beach and Groyne for the amount of R0,5 million;
- Rehabilitation of section Bontebok Street for the amount of R0,7 million;

The annual budget provides for total operating revenue of R404,9 million for 2022/2023, R398,5 million for 2023/2024, and R432,3 million for the 2024/2025 financial year.

The main revenue services are graphically presented below:



The total expenditure budget amounts to R1,2 billion over the MTREF of which R 380,9 million will be spent in 2022/2023, R 404,9 million in 2023/2024, and R436,2 million in the 2024/2025 financial year.



For the next financial year, the municipality will spend on the operational budget as follows:

- R 177,7 million for engineering services
- R 109,2 million for community services
- R 45,8 million for corporate services
- R 38 million for financial services
- R 10 million for council and municipal manager

Coming to the essence of the annual budget, after considering all inputs and proposed expenditures, the proposed tariff adjustments to fund the annual budget are:

- An average increase in property rates at 8%;
- An average increase in sewerage tariffs at 6%;
- An average increase in water tariffs of between 6-12%;
- An average increase in refuse of 7.8%;
- An average increase in electricity of 7.47%;
- Introduction of infrastructure maintenance fee applicable to residents, business, agricultural etc of R10 per month.

The average impact on the municipal accounts is:

- Middle Range is 7.4% or +- R312 pm
- Affordable Range is 7.3% or +- R182 pm
- Indigent / Poor Range is 7.5% or +- R56 pm

The complete tariff list is included under Part B.

7. Other budget related documents

Other related budget documents are included under Part D and include the MFMA Circulars, procurement plan etc.

Documentation to be distributed as separate addendums.

LEGAL IMPLICATIONS

Finance Management Act 56, 2003 and regulations.
Municipal Systems Act 32, 2000 and regulations.
Municipal Property rates Act 6, 2004 and regulations.

FINANCIAL IMPLICATIONS

None

PERSONNEL IMPLICATIONS

None

COMMUNICATION IMPLICATIONS

None

COMMENTS FROM DEPARTMENTS

Director: Corporate Services

The budget is supported.

Director: Community Services

The budget is supported.

Director: Financial Services

The budget is supported.

Director: Infrastructure Services

The budget is supported.

Municipal Manager

RECOMMENDED

It is recommended that:

- 1) That the annual Budget for the 2022/2023 MTREF for the different votes is approved and adopted as set out by the following tables included in the budget document:
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 - Asset Management Policy
 - Petty Cash Policy
 - Indigent Policy
 - Borrowing Policy
 - Banking Cash Management and Investment Policy
 - Blacklisting Policy
 - Cost containment Policy
- 4) That council approved the taking up of an external loan facility for the amount of R16,2 million over the MTREF.
- 5) That council take note of the other budget documents under Part D.
- 6) That council approve the procurement plan under Part D.
- 7) That council note that the total cost for the capital projects is included in the budget and the funding sources are available.
- 8) That council note that the projected cost covering the future operational cost on the capital projects are included in the budget.