



Western Cape  
Government

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# ANNEXURE 1: MUNICIPAL FINANCIAL IMPACT ANALYSIS CAPE WINELANDS

The Financial Impact of Spatial Growth Patterns

Department of Environmental Affairs and Development Planning for  
the Cape Winelands District Municipality

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## 1) Introduction

The Cape Winelands District Municipality is in the process of drafting a new District Spatial Development Framework, with the intention of adopting the policy before the current LGMTEC cycle concludes. The Department of Environmental Affairs and Development Planning is providing assistance, including an investigation of the financial impact of spatial growth patterns within each Cape Winelands Local Municipality. The investigation involves quantifying the potential financial implications of two spatial growth scenarios, a business-as-usual scenario and a compact development or densification approach, using the Municipal Services Financial Model, developed by PDG for the Department of Local Government, and the Development Bank South Africa. The model is provided as a public resource to assist with planning of infrastructure services.

This study is intended for strategic use only. The results of the model are dependent on many inputs, including current and future infrastructure and service needs, default services costs, and other infrastructure and budget related information. Information for this study has been obtained from Municipal officials, through a questionnaire, STATSSA, Municipal Financial Statements, and other reliable sources. A number of assumptions are made where information is not readily available.

Similar studies have been conducted for the Western Cape Provincial Spatial Development Framework, 2014, the Mossel Bay Growth Study, as well as the Breede Valley Long Term Financial Plan, *inter alia*. The Municipal Financial Sustainability Study for the PSDF contained seven case studies - including the City of Cape Town, Stellenbosch, George, Saldanha Bay, Overstrand, Theewaterskloof and Beaufort West Municipalities.

## 2) Methodology

As indicated above the Municipal Services Financial Model projects the capital and operating requirement for infrastructure provision in a municipal area over a ten-year period.

The model allows users to define the level of service delivery and estimates the infrastructure costs to identified and future consumers in urban formal, urban informal and rural areas.

The model looks at seven functional groupings, namely: governance, administration, planning and development facilitation (GAPD); public services; housing; water services; electricity; roads and solid waste.

In the case of capital expenditure, the model considers expenditure on new infrastructure (bulk and connector as well as internal infrastructure financed through housing subsidies) and on the rehabilitation of existing infrastructure.

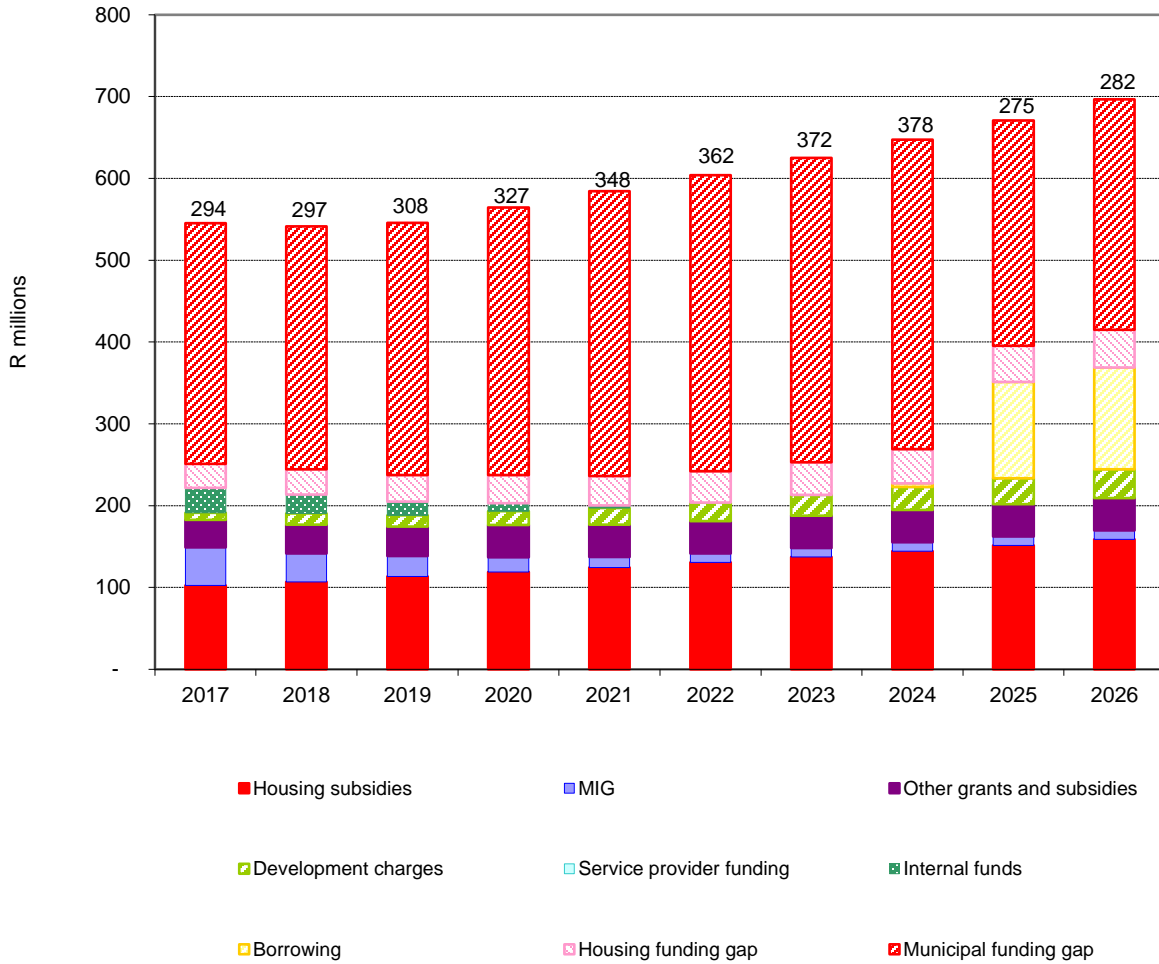
Data used in the model was obtained from a variety of sources. The primary source of information was a survey questionnaire, completed by municipal officials with knowledge and expertise in each of the functional groupings. Other credible information sources such as Statistics South Africa and National Treasury municipal budget and expenditure information have been used. Where data was unavailable, estimates have been used based on national datasets and experience in applying the model to other municipal contexts.

A 2016/17 base year was selected to coincide with CS2016, which is a prominent data source. The base year is the year in which data is entered.

3) Findings

a. Drakenstein Municipality – Business as usual

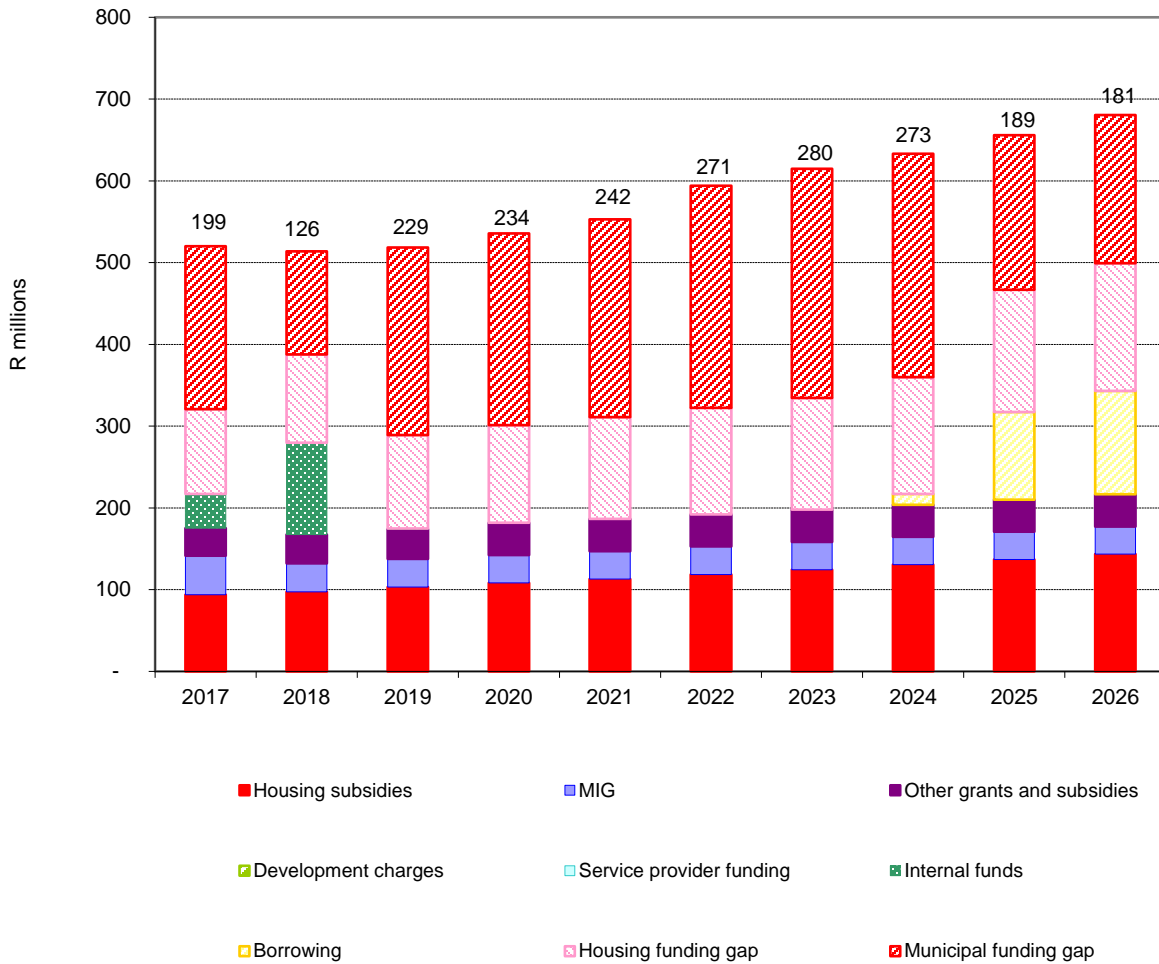
Capital funding gap



	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total	545	542	546	565	584	604	625	647	671	697
Funding gap	294	297	308	327	348	362	372	378	275	282

b. Drakenstein - Densification

Capital funding gap



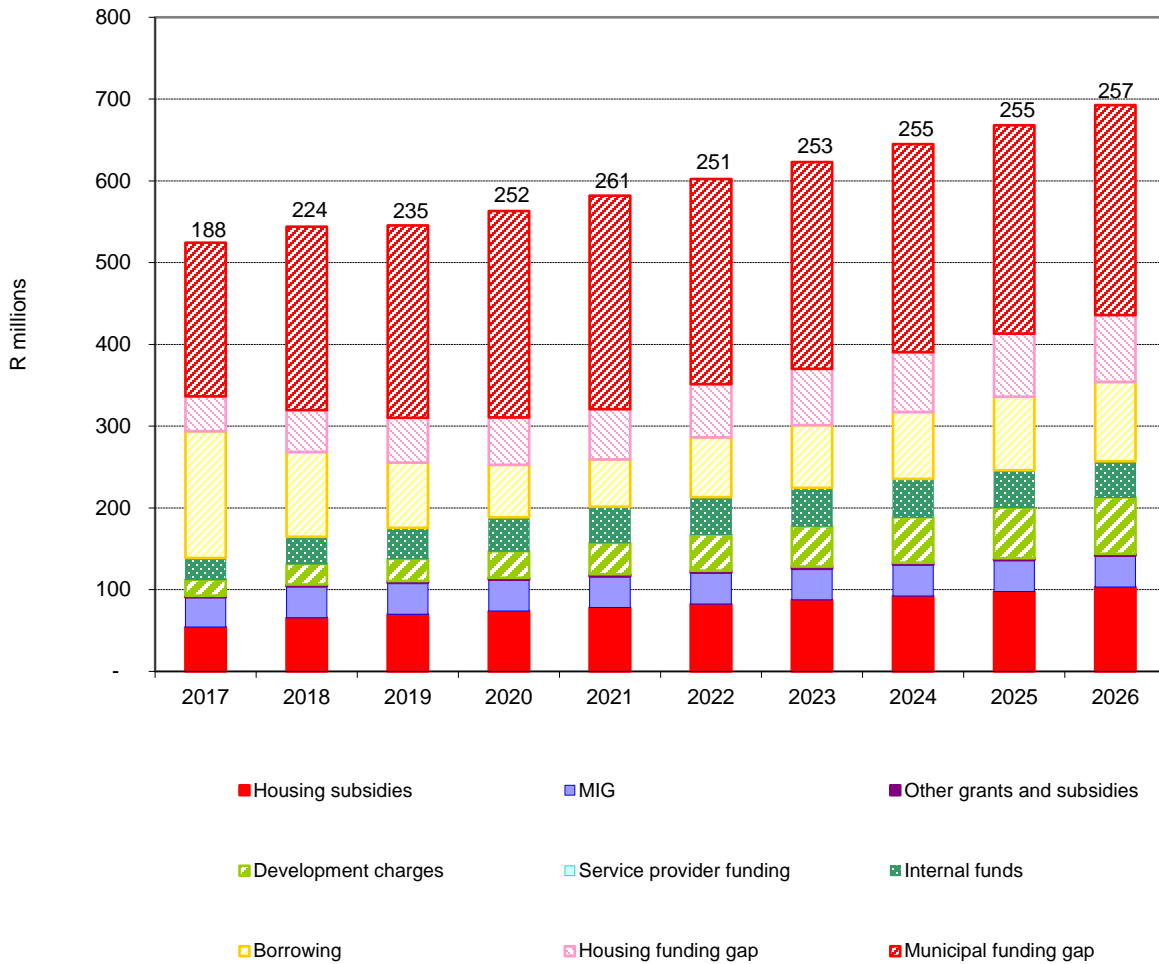
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total	520	514	519	536	553	594	615	633	656	680
Funding gap	199	126	229	234	242	271	280	273	189	181

## c. Drakenstein financial analysis

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Capital finance required – current development trend</b>	545	542	546	565	584	604	625	647	671	697
<b>Capital finance required – Compact development</b>	520	514	519	536	553	594	615	633	656	680
<b>Capital saving</b>	25	28	27	29	31	10	10	14	15	17
<b>Percentage capital saving</b>	4.6%	5.2%	4.9%	5.1	5.3%	1.7%	1.6%	2.2%	2.2%	2.4%
<b>Funding gap – current development trend</b>	294	297	308	327	348	362	372	378	275	282
<b>Funding gap – Compact development</b>	199	126	229	234	242	271	280	273	189	181
<b>Difference in required funding</b>	95	171	79	93	106	91	92	105	86	101
<b>Required funding saving</b>	32.3%	57.6%	25.6%	28.8%	30.5%	25.1%	24.8%	27.8%	31.3%	35.8%

d. Stellenbosch -Business as usual

Capital funding gap

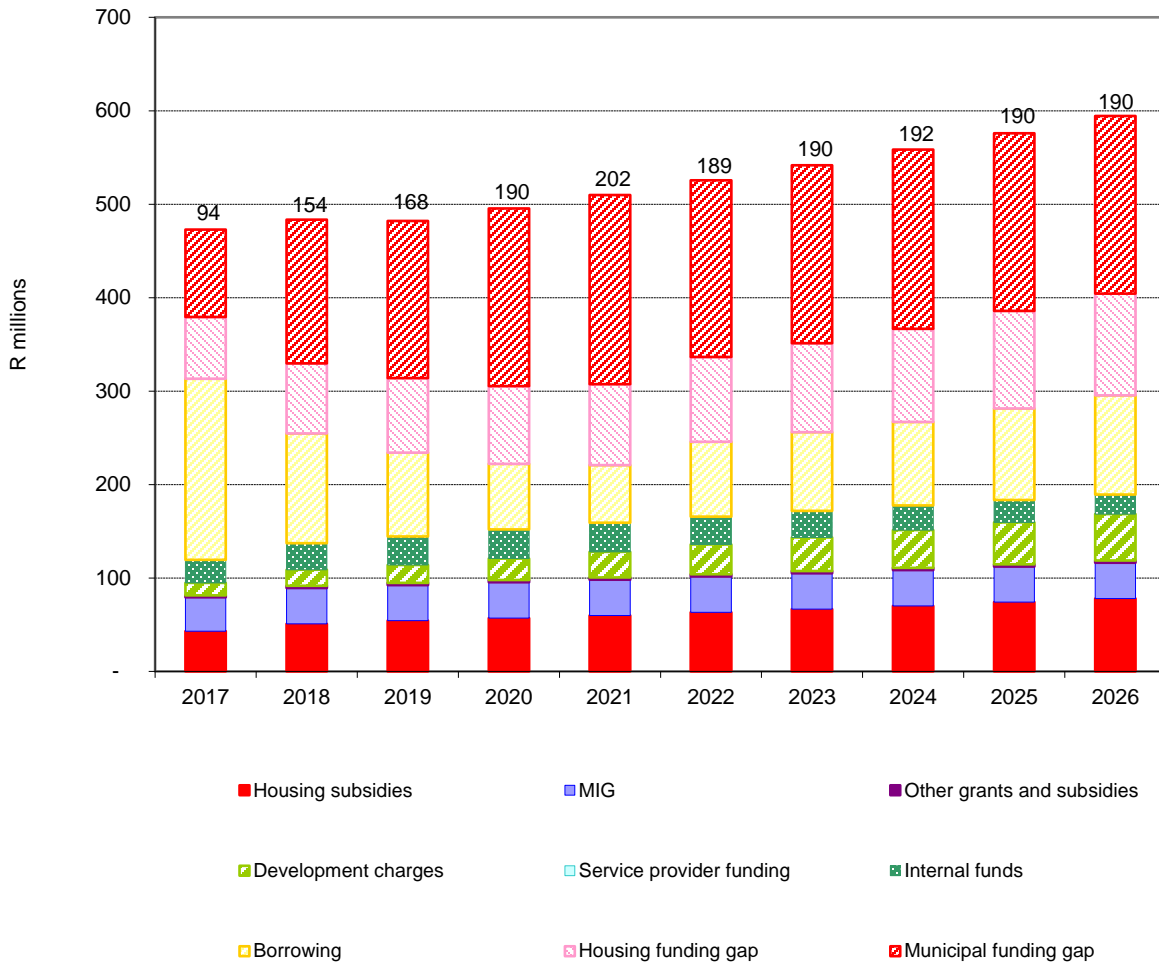


	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<i>Total</i>	524	544	545	563	582	602	623	645	668	693
<i>Funding gap</i>	188	224	235	252	261	251	253	255	255	257



e. Stellenbosch – Densification

Capital funding gap



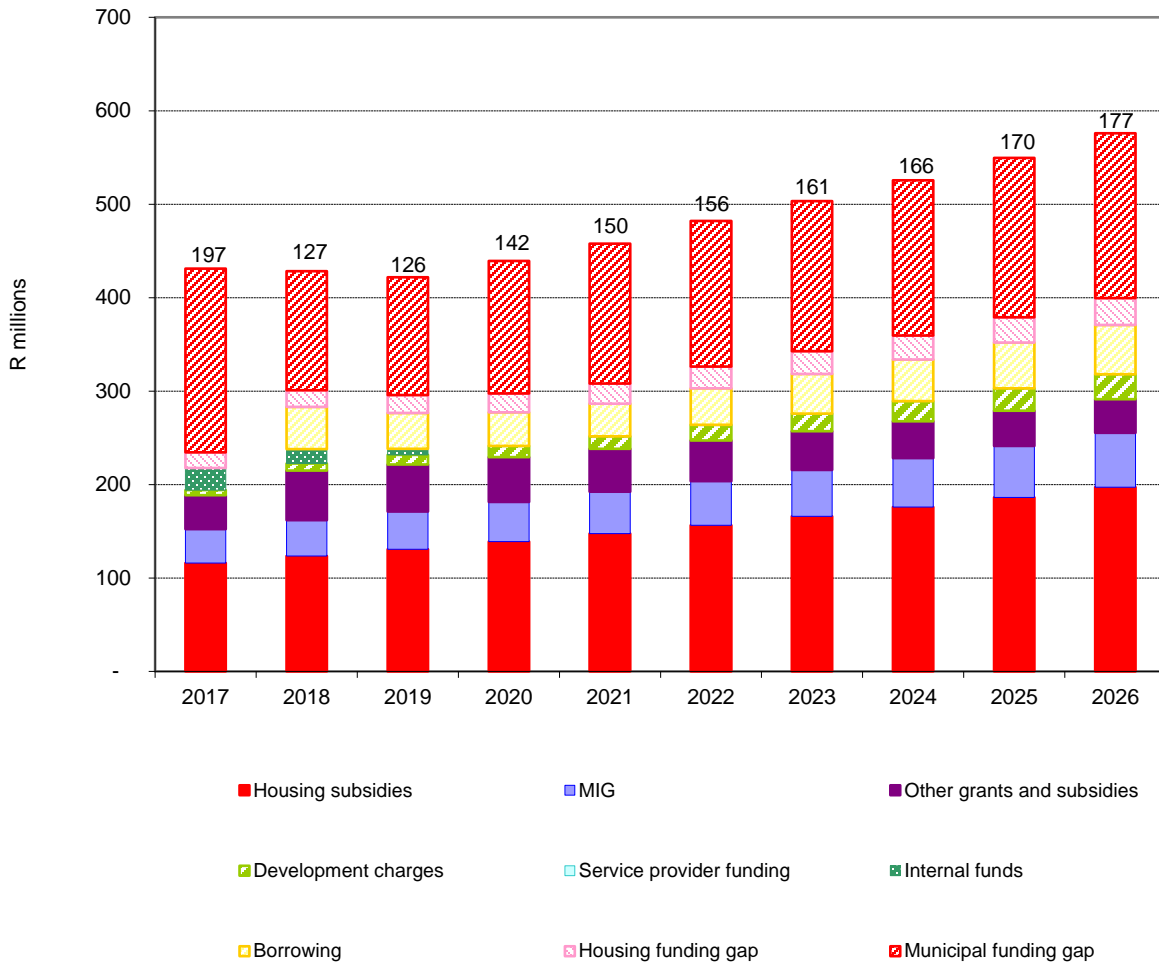
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total	473	483	482	496	510	526	542	558	576	594
Funding gap	94	154	168	190	202	189	190	192	190	190

## f. Stellenbosch financial analysis

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Capital finance required – current development trend	524	544	545	563	582	602	623	645	668	693
Capital finance required – Compact development	473	483	482	496	510	526	542	558	576	594
Capital saving	51	61	63	67	72	76	81	87	92	99
Percentage capital saving	9.7%	11.2%	11.6%	11.9	12.3%	12.6%	13%	13.5%	13.8%	14.3%
Funding gap – current development trend	188	224	235	252	261	251	253	255	255	257
Funding gap – Compact development	94	154	168	190	202	189	190	192	190	190
Difference in required funding	94	70	67	62	59	62	63	63	65	67
Required funding saving	50%	31.3%	28.5%	24.6%	22.6%	24.7%	24.9%	24.7%	25.5%	26.1%

g. Breede Valley – Business as usual

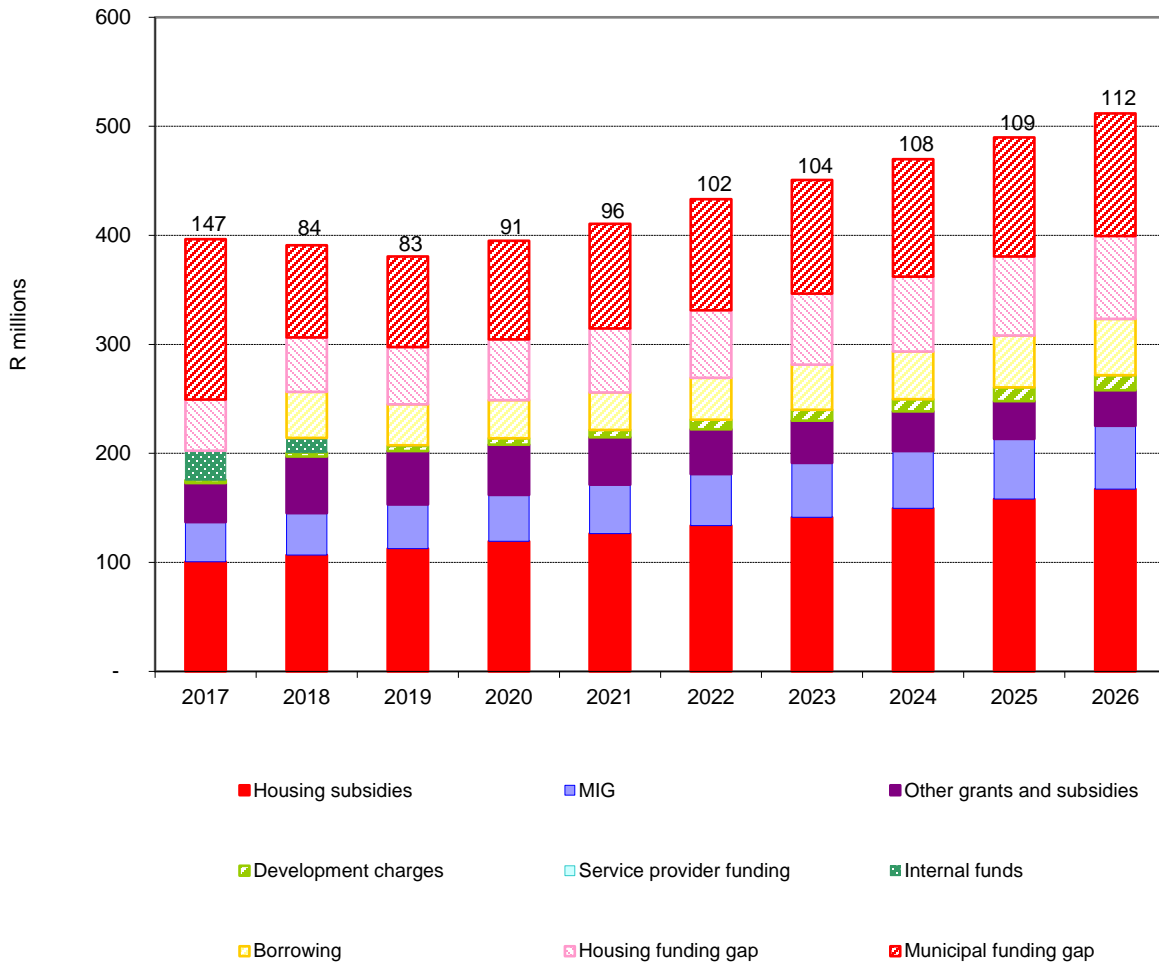
Capital funding gap



	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total	431	428	422	439	458	482	503	526	550	576
Funding gap	197	127	126	142	150	156	161	166	170	177

h. Breede valley – Densification

Capital funding gap



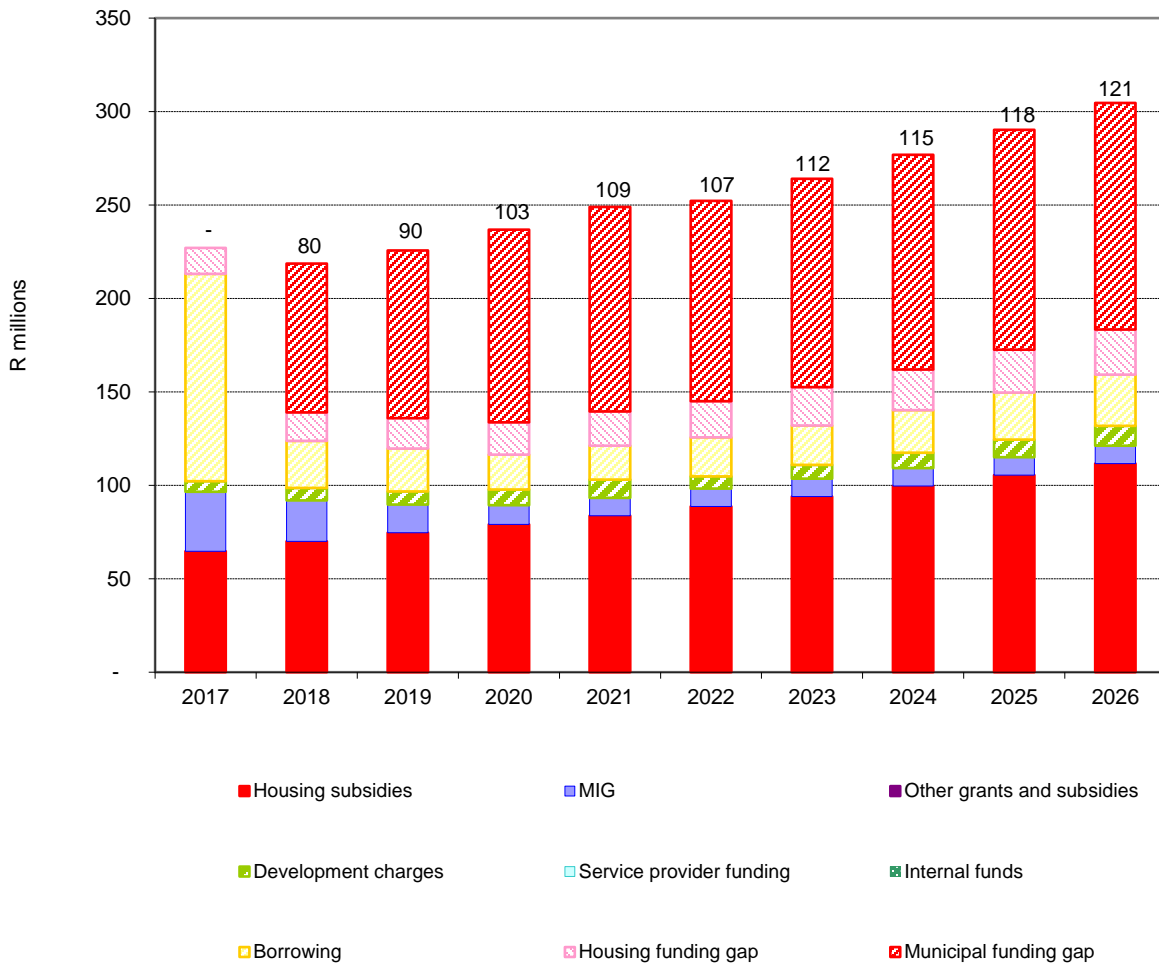
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total	396	391	381	395	410	433	451	470	490	512
Funding gap	147	84	83	91	96	102	104	108	109	112

## i. Breede Valley financial analysis

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Capital finance required – current development trend</b>	431	428	422	439	458	482	503	526	550	576
<b>Capital finance required – Compact development</b>	396	391	381	395	410	433	451	470	490	512
<b>Capital saving</b>	35	37	41	44	48	49	52	56	60	64
<b>Percentage capital saving</b>	8.1%	8.6%	9.7%	10%	10.5%	10.2%	10.3%	10.6%	10.9%	11.1%
<b>Funding gap – current development trend</b>	197	127	126	142	150	156	161	166	170	177
<b>Funding gap – Compact development</b>	147	84	83	91	96	102	104	108	109	112
<b>Difference in required funding</b>	50	43	43	51	54	54	57	58	61	65
<b>Required funding saving</b>	50%	31.3%	28.5%	24.6%	22.6%	24.7%	24.9%	24.7%	25.5%	26.1%

j. Langeberg – Business as usual

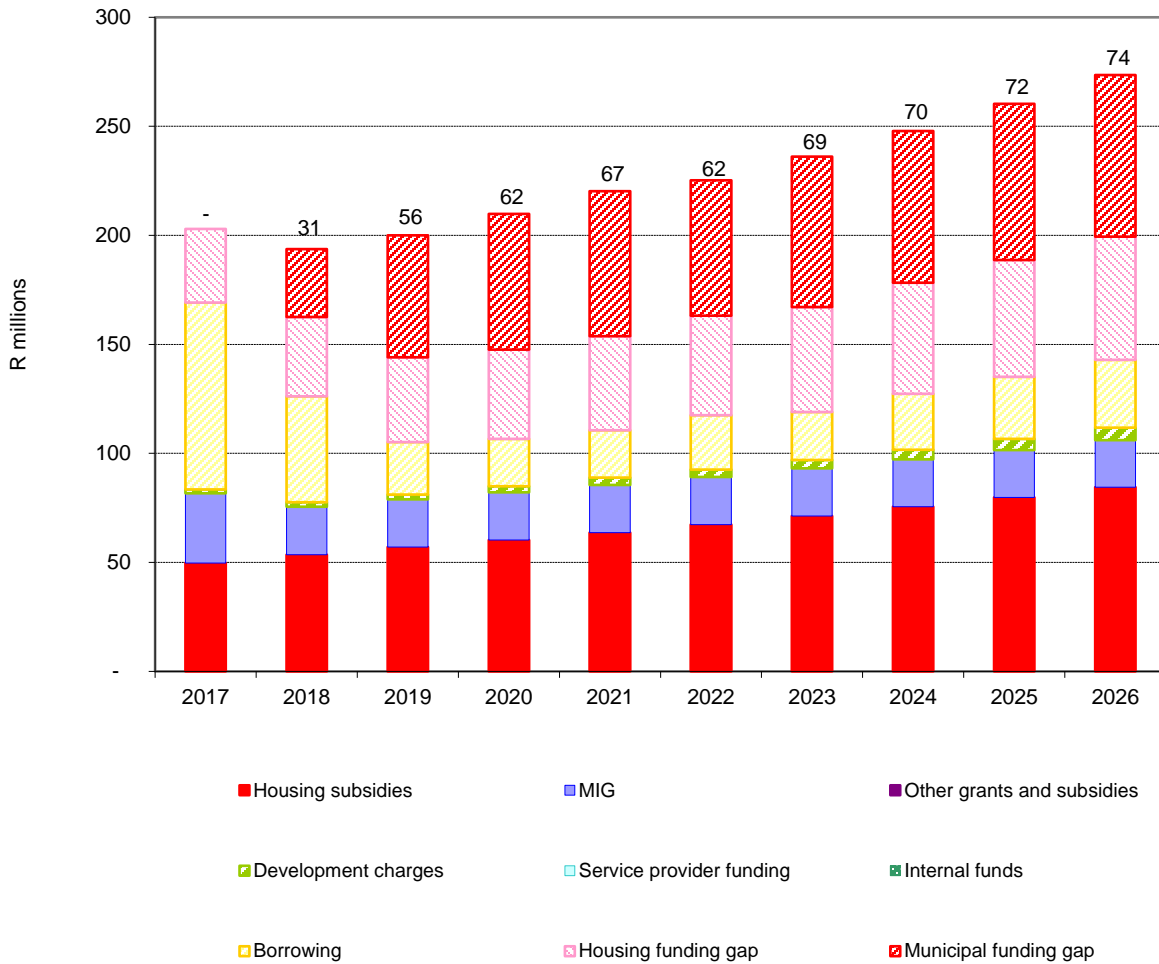
Capital funding gap



	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total	227	219	226	237	249	252	264	277	290	305
Funding gap	-	80	90	103	109	107	112	115	118	121

k. Langeberg – Densification

Capital funding gap



	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total	203	194	200	210	220	225	236	248	260	274
Funding gap	-	31	56	62	67	62	69	70	72	74

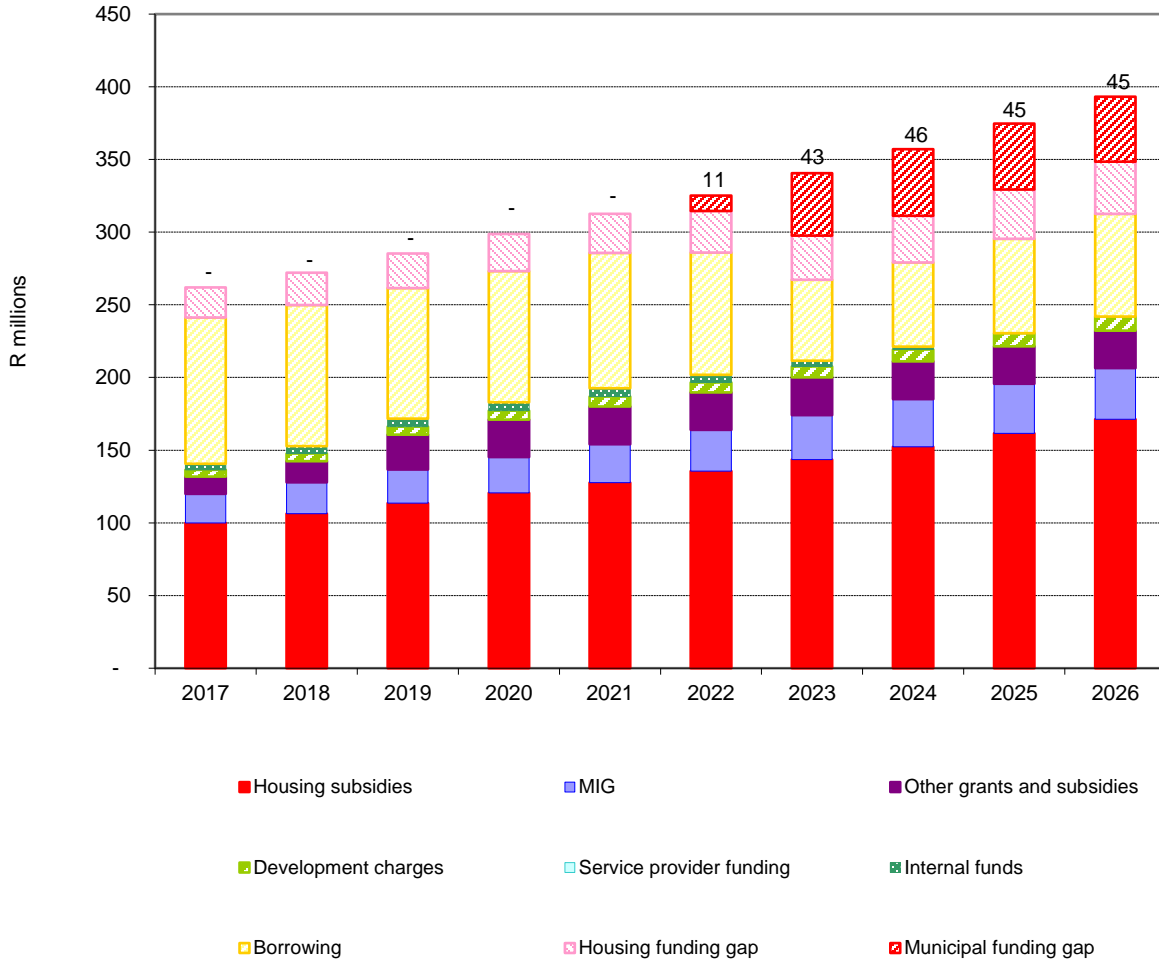
## I. Langeberg financial analysis

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Capital finance required – current development trend</b>	227	219	226	237	249	252	264	277	290	305
<b>Capital finance required – Compact development</b>	203	194	200	210	220	225	236	248	260	274
<b>Capital saving</b>	24	25	26	27	29	27	28	29	30	31
<b>Percentage capital saving</b>	10.6%	11.4%	11.5%	11.4%	12.7%	10.7%	10.6%	10.5%	10.3%	10.2%
<b>Funding gap – current development trend</b>	-	80	90	103	109	107	112	115	118	121
<b>Funding gap – Compact development</b>	-	31	56	62	67	62	69	70	72	74
<b>Difference in required funding</b>	-	49	34	41	42	45	43	45	46	47
<b>Required funding saving</b>	-	61.3%	37.8%	39.8%	38.5%	42.1%	38.4%	39.1%	39%	38.7%



m. Witzenberg – Business as usual

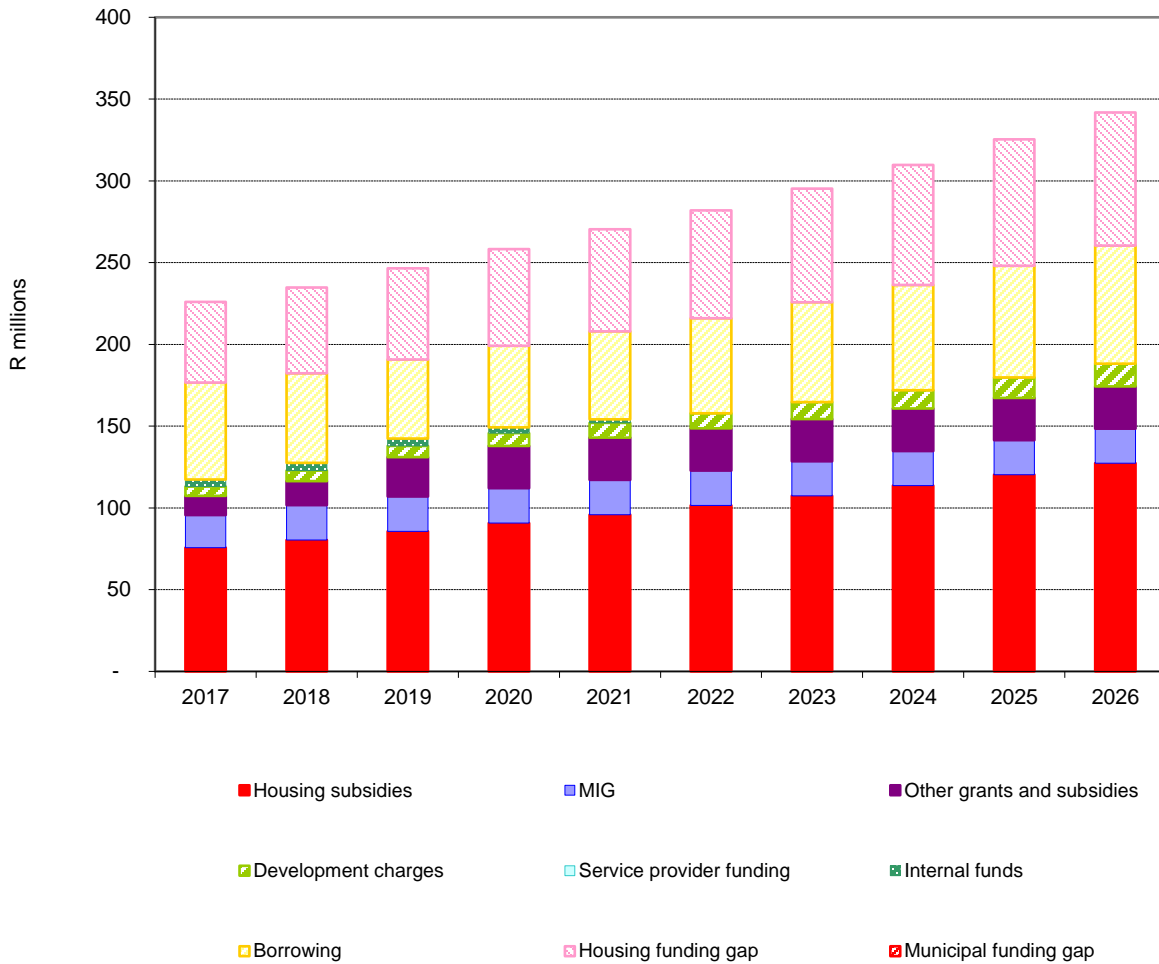
Capital funding gap



	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total	262	272	285	299	313	325	341	357	375	393
Funding gap	-	-	-	-	-	11	43	46	45	45

n. Witzenberg – Densification

Capital funding gap



	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total	226	235	247	258	270	282	295	310	325	342
Funding gap	-	-	-	-	-	-	-	-	-	-

## o. Witzenberg financial analysis

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Capital finance required – current development trend</b>	262	272	285	299	313	325	341	357	375	393
<b>Capital finance required – Compact development</b>	226	235	247	258	270	282	295	310	325	342
<b>Capital saving</b>	36	37	38	41	43	43	46	47	50	51
<b>Percentage capital saving</b>	13.7%	13.6%	13.3%	13.7%	13.7%	13.2%	13.5%	13.2%	13.3%	13%
<b>Funding gap – current development trend</b>	-	-	-	-	-	11	43	46	45	45
<b>Funding gap – Compact development</b>	-	-	-	-	-	-	-	-	-	-
<b>Difference in required funding</b>	-	-	-	-	-	11	43	46	45	45
<b>Required funding saving</b>	-	-	-	-	-	100%	100%	100%	100%	100%

## p. Cape Winelands consolidated

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
<b>Capital finance required – current development trend</b>	1989	2005	2024	2103	2186	2265	2356	2452	2554	2664	22598
<b>Capital finance required – Compact development</b>	1818	1817	1829	1895	1963	2060	2139	2219	2307	2402	20449
<b>Capital saving</b>	171	188	195	208	223	205	217	233	247	262	2149
<b>Percentage capital saving</b>	8.6%	9.4%	9.6%	9.9%	10.2%	9.1%	9.2%	9.5%	9.7%	9.8%	9.5%
<b>Funding gap – current development trend</b>	679	728	759	824	868	887	941	960	863	882	8391
<b>Funding gap – Compact development</b>	440	395	536	577	607	624	643	643	560	557	5582
<b>Difference in required funding</b>	239	333	223	247	261	263	298	317	303	325	2809
<b>Required funding saving</b>	35.2%	45.7%	29.4%	30%	30.1%	29.7%	31.7%	33%	35.1%	36.8%	33.5%

		2016/17	2017/18	2018/19	2019/20	2019/20
<b>Drakenstein</b>	Transfers recognised - capital	65,400	160,320	74,507	50,037	92,662
	Public contributions & donations	-	-	-	-	-
	Borrowing	453,019	597,245	331,835	173,603	166,183
	Internally generated funds	25,900	81,104	47,699	56,397	68,817
	<b>Total sources of capital funds</b>	<b>544,360</b>	<b>838,669</b>	<b>454,040</b>	<b>280,037</b>	<b>327,662</b>
<b>Stellenbosch</b>	Transfers recognised - capital	118,377	60,137	82,402	77,453	-
	Public contributions & donations	13,174	-	-	-	-
	Borrowing	-	160,000	80,000	-	-
	Internally generated funds	351,029	197,920	157,112	149,420	-
	<b>Total sources of capital funds</b>	<b>482,580</b>	<b>418,057</b>	<b>319,514</b>	<b>226,873</b>	<b>-</b>
<b>Breede Valley</b>	Transfers recognised - capital	-	147,951	99,296	123,972	-
	Public contributions & donations	-	-	-	-	-
	Borrowing	-	24,298	-	-	-
	Internally generated funds	-	84,331	78,735	40,921	54,958
	<b>Total sources of capital funds</b>	<b>-</b>	<b>256,560</b>	<b>178,031</b>	<b>164,893</b>	<b>54,958</b>
<b>Langeberg</b>	Transfers recognised - capital	-	29,295	29,743	21,342	22,790
	Public contributions & donations	-	-	-	-	-
	Borrowing	-	-	20,124	14,876	-
	Internally generated funds	-	24,526	38,244	27,324	8,850
	<b>Total sources of capital funds</b>	<b>-</b>	<b>53,821</b>	<b>88,111</b>	<b>63,541</b>	<b>31,640</b>
<b>Witzenberg</b>	Transfers recognised - capital	38,670	34,670	49,092	47,271	32,923
	Public contributions & donations	54,014	-	-	-	-
	Borrowing	-	3,526	1,550	3,000	-
	Internally generated funds	22,558	27,397	25,333	20,233	10,165
	<b>Total sources of capital funds</b>	<b>115,242</b>	<b>65,593</b>	<b>75,975</b>	<b>70,504</b>	<b>43,088</b>

In both scenarios, the capital needed to fund new infrastructure or maintain and rehabilitate existing infrastructure for development growth over the next ten years far outweighs the available capital in all municipalities in the Cape Winelands. The total capital cost for development with the current generally sprawling growth patterns is R22,5 billion, with an anticipated saving of over R2,1 billion over the same period with a densified, compact development approach. This equates to a saving of almost 10% on the capital required to accommodate growth in the district over the next 10 years.

The category B1 municipalities, Drakenstein and Stellenbosch, have the highest capital budgets to service the needs of current and future populations. These are the growth nodes and fastest growing municipalities in the district. A compact development approach is even more critical in these municipalities to minimise future financial risk, and savings could be significant.

Most municipalities could see capital savings of between 5% and 15% per year.