

15 June 2020

The City Manager  
Cape Town

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Sir/Madam



## **2019/2020 YEAR-END ADJUSTMENTS TO REVENUE & EXPENDITURE FRAMEWORK AS A RESULT OF COVID-19**

We are a Ratepayers Association responsible for the suburbs of Sea Point, Fresnaye and Bantry Bay. We are a democratically elected body, representative of the ratepayers of the suburbs concerned. We want to participate and respond to your invitation to comment on the 2019/20 Adjustments to the Revenue and Expenditure Framework as a result of Covid-19.

Our comments are not directed to the details of the adjustment budget but to the extraordinary context of its publication. We do not purport to be qualified to comment on detailed financial plans concerning the administration of a City. We do not want our comments to be seen as politically motivated. They are not. However, the circumstances are extraordinary and we are very dissatisfied about what we understand to be the City's approach to revenue and expenditure in this time of crisis.

We will keep it simple: The City is engulfed by a crisis of international proportions, a veritable plague. The reaction of the national government has delivered the economy into a much deeper and much more prolonged financial despair than the recession that preceded and accompanies it.

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We are interested in the ratepayers of our area, but our comments embrace the fortunes of many homeowners across the City. Anecdotal evidence tells us that there is severe strain on household economies. The outcome is that scarce resources are allocated to necessities, and municipal rates are not among them at this time.

We have a high proportion of entrepreneurs, self-employed homeowners and non-governmental employees who have lost or suffered severely impacted income streams and will benefit nothing or little from the government's relief schemes. That has and will impact severely on the City's collection of revenue from rates. What exacerbates our position on the Atlantic Seaboard is the exorbitant value attributed to many properties because of an inherently unfair and prejudicial valuation system.

Against that, we have a City administration that simply carries on with expectations from ratepayers as usual. The following extracts from the overview of budget assumptions tell us that the City is in denial about the impact of Covid-19 on ratepayers:

“A Rates growth of 1% is projected for 2019/20, due to the results of the 2018 General Valuations (GV) to be implemented in 2019/20. The outer years is expected to grow by 0.5% annually. This position will be reviewed depending on the GV objection process<sup>1</sup>.”

and

“While the Rates collection rate is expected to average 96% over the MTREF, it is expected to be potentially impacted on by the higher service charges increases over the MTREF. The projected collection rate was adjusted downward to 93% due to the COVID-19 pandemic and the ability of the consumers to pay<sup>2</sup>.”

The City is apparently tone-deaf to the background against which the fiscal adjustment is proposed. We see no recognition of the distress of ratepayers and no gesture towards the reduction of expenditure in terms of salary sacrifices, retrenchments and reallocation or curtailing of services, for example. Quite the contrary if our information is correct. We can hardly believe that the City is actually planning salary increases whilst many citizens have lost their income and ratepayers backs are against the wall.<sup>3</sup>

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<sup>1</sup> Overview of budget assumptions applied to the 2019/20 MTREF, 11

<sup>2</sup> *Ibid*, 7

<sup>3</sup> Overview of budget assumptions *Ibid*, 7

The City takes refuge in all manner of assumptions, excuses and explanations for why it cannot do much about easing the ratepayers' burden. Touting short term debt postponement but no rates reduction leaves ratepayers hardly better off and is an empty gesture in hard times like the present.

We think that there is a case for relief for homeowners who have lost or suffered the curtailment of income as a result of this national crisis. The relevant legislation provides for it<sup>4</sup> and we are in a 'disaster' situation. All the criteria for relief envisaged by the legislature are in place. In fact, the City has admitted as much and grudgingly implements half-hearted measures: granting temporary deferment to qualifying applicants but requiring a repayment plan for the full amount soon after. That, unfortunately, does not come near to what the legislation envisages, which includes exemptions, reductions and rebates of rates, not simply temporary deferments of payment.

Yes, it will certainly impact service delivery but that is what we have high-priced bureaucrats and councillors for - to make strategic adjustments to revenue and expenditure budgets and reallocate services and resources when disaster circumstances require it. What we told instead is they will get salary increases and that the bureaucracy will expand. Meanwhile, ratepayers are expected to simply pay up as if all is well. It isn't and the City knows it.

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<sup>4</sup> **The Local Government Municipal Property Rates Act 6 of 2004**

*Exemptions, reductions and rebates*

15. (1) A municipality may in terms of criteria set out in its rates policy-

- (a) exempt a specific category of owners of properties, or the owners of a specific category of properties, from payment of a rate levied on their property; or
- (b) grant to a specific category of owners of properties, or to the owners of a specific category of properties, a rebate on or a reduction in the rates payable in respect of their properties.

(2) When granting in terms of subsection (1) exemptions, rebates or reductions in respect of owners of categories of properties, a municipality may determine such categories in accordance with section 8(2). and when granting exemptions, rebates or reductions in respect of categories of owners of properties, such categories may include-

- (a) indigent owners;
- (b) owners dependent on pensions or social grants for their livelihood;
- (c) owners temporarily without income;
- (d) owners of property situated within an area affected by -
  - (i) a disaster within the meaning of the Disaster Management Act, 2002 (Act No. 57 of 2002)
  - (ii) any other serious adverse social or economic conditions: determined by the municipality; or
- (e) owners of residential properties with a market value lower than an amount
- (f) owners of agricultural properties who are bonafide farmers."

The ratepayer community of the 'wealthier suburbs' has been the City's golden goose for far too long and has been treated egregiously in our opinion. Amongst other abuses, we include:

- estimating the market value of a property by selectively using sales data that especially includes outliers (super high-priced examples) that skew and inflate the 'average price' of homes in the area;
- being slow about making adjustments to valuations when market conditions deteriorate rapidly and significantly as they have now, and relying on outdated and overvalued data to calculate and levy punitive rates notwithstanding the distress of homeowners in economic disaster;
- failing to resolve objections and appeals against outrageous valuations for an inordinate period of time and causing significant and unnecessary financial prejudice and stress to ratepayers as a result.

In the circumstances, we want the Municipality to be responsible and apply the legislation that makes it lawful to grant exemptions, reductions and rebates of rates. We want the City to adjust its revenue and expenditure model to recognise and take proper account of the crisis engulfing us. The proposed expenditure adjustment does none of that and all attempts to obfuscate or take refuge in excuses are simply disingenuous in the circumstances. We want the City to make the meaningful adjustments to the budget that are needed right now by reducing both expenditures, reallocating resources and granting relief to ratepayers without further delay. Finally, we want the City to treat us as valued customers and a primary source of revenue, and to treat our comments as worthy of proper attention and respect.

Yours sincerely

**The Sea Point Fresnaye Bantry Bay Ratepayers & Residents Association**  
**SFBRRA Executive Committee**