WCPDF
WESTERN CAPE PROPERTY DEVELOPMENT FORUM

2 May 2025

Executive Mayor Geordin Hill-Lewis
City of Cape Town

Cc: Mr Kevin Jacoby, Chief Financial Officer, City of Cape Town

Dear Executive Mayor Hill-Lewis

COMMENT FROM THE WESTERN CAPE PROPERTY DEVELOPMENT FORUM (WCPDF) ON CITY OF CAPE TOWN DRAFT BUDGET 2025-2028

On behalf of the Management Committee of the WCPDF, and the industry members our organisation represents, we formally submit the following comment on the City of Cape Town's draft budget.

As drivers of economic development through the delivery of productive property assets and infrastructure, we limit our comment to aspects that impact our industry and provide input into the overall direction of the budget.

Property development and infrastructure delivery all require a multi-year budgeting approach. Funding and implementation are subject to confidence in the future. To this end, we apply the test on whether the draft budget is truly a "Budget of Hope" that will drive investor confidence through innovation and efficiency-enhancing measures that are critical to the economic realities we live in today. The test is whether this draft budget is forward-looking or is it a 'business-as-usual' budget with an eye on the 2026 municipal elections?

We fear that in its present form, it is the latter. The current model it presents, one of growth in the staff contingent and salary bill on the one hand, and a catch-up on bulk infrastructure delivery along the traditional lines of 'tried-and-tested' technology, will not address the funding pressure and rapid urbanisation that all municipalities in the country are experiencing.

The window of opportunity to innovate and to create new service delivery partnerships is now.

Comment is hereby submitted under three distinct headings, followed by concluding remarks.

1. OPEX

1.1 STAFF RELATED COSTS

Staff-related costs continue to increase, now set for R20.758 billion. Although salary increases are reflected as 5.1% "cost to company", the actual increase is 7.5%. The budget appears to hide behind centrally negotiated SALGA salary increases.

Of further concern is the City's ongoing association with SALGA and the lack of performance on the part of SALGA and SALGBC to manage and keep municipal salaries balanced in terms of market needs. The City of Cape Town's lack of willingness to negotiate its own salary agreements speaks to a business-as-usual approach. This does not bode well for the City of Cape Town and its residents.

We express our concern and dismay that employee-related costs are projected to grow further by a further 7.5% in the 2026/27 year, followed by a further 7% in 2027/28. Although we support fair pay for efficient service, we note that the continued salary bill growth is taking place at a time when technological innovation allows for several City services to be managed, on the one hand, through Artificial Intelligence and, on the other, self-service channels/activities which include self-certification by private-sector registered professionals especially in the built environment.

The fact that many traditionally office-bound staff continue to work from home, with the resultant saving on their travel costs and time, confirms that the salary increases budgeted for are excessive and underserving.

1.2 PRIORITIZING DEPARTMENTS THAT CAN GROW THE CITY

Noting that staff-related expenditure continues to grow, one would expect that the City would prioritise departments that contribute directly to the growth of city revenue. We focus on Vote 10 – Spatial Planning & Environment:

- Increase in expenditure is only 1.5%
- Increase in employee-related costs is only 5.7% vs City's overall increase of 7.5%.

It is of concern to us that, within the City's 34 700 employees, it appears that only 2.6% of its overall OpEx budget is allocated to the team within the City that most enables the creation of new ratepayers – built environment professionals in the Spatial Planning & Environment Department.

1.3 NEED FOR PROFESSIONALISATION

The budget reflects the total number of professional positions as 1 864. Without a clear definition of the term "professional" it is difficult to understand whether the 5.4% of City staff are indeed registered professionals with their respective professional bodies and whether ongoing industry-related exposure and training is offered to or required of these individuals. It would be beneficial for the City to provide the necessary definition and explanation on the roles of these professionals.

The City is requested to prioritise the professional registration of any staff position purporting to require professional qualification as an employment requirement, specifically in the realm of built environment professionals.

1.4 UNFUNDED EXPENDITURE

While the City's commitment to combatting crime is laudable and the Community Safety Budget continues to grow steadily into the 2025/26 year, it levels off thereafter and, in fact, declines in the 2027/28 period. It is questionable whether serious and violent crime in some of the most economically-disadvantaged and gang-dominated areas of the City will be reduced over the next three years.

2. CAPEX

2.1 THE CHALLENGES AROUND INFRASTRUCTURE

There are numerous examples in the budget in terms of the critical infrastructure catch-up that must occur, and which is largely a result of the underspend of CapEx over the past three decades. We do

applaud this however, particularly the City's efforts towards resolving the Water and Sanitation crisis.

However, it appears that little thought or merit has been given towards infrastructure innovation. We question whether mega projects that were conceptualized 10 or 20 years ago are still relevant in their original design or appropriate technology format. Is the rollout of CapEx towards infrastructure sufficiently innovative or is it still reliant on the original needs and technology of 20 years ago?

We also question the business strategy or lack thereof underpinning CapEx projects. Is, for example, the continued rollout of the BRT really going to solve the ever-increasing traffic congestion? Should the budget not be looking at the formalisation and support for the taxi industry by acknowledging the vital contribution it makes? Should the BRT not be re-structured to provide critical feeder support to the welcome and steadily recovering Metrorail commuter rail service?

In support of CapEx projects, we also question whether sufficient support is provided to infrastructure utilisation. For instance, to date no proactive rezoning of land surrounding BRT stations has taken place, even though the City by-law makes provision for the City to do so. This leads to the question of whether the various organisational silos function in support of or in opposition to each other's priorities?

3. THE DANGERS OF A "WEALTH TAX" TO FIX THE BUDGET

We also echo the concerns raised by organisations such as SAPOA and the Cape Town Collective Ratepayers' Association and their members around what, to all intents and purposes, is being seen in the public eye as no more than a 'Wealth Tax' – i.e. an attempt to boost the budget by introducing more taxes based on property values. While it is important that Cape Town continues to market itself as a world-class tourism and lifestyle destination, it should not fall into the trap of 'outpricing' itself.

The 2025/2026 Draft Budget proposes a radical departure from the way in which it charges for services being consumed by or being made available to rateable properties. These proposed increases far exceed the increases allowed for in the PFMA, MFMA, MSA or National Treasury guidelines which indicate that increases in rates and municipal tariffs must be reasonable and equitable. As it is, the proposed rates and tariff increases will far exceed inflation, currently well below 6%. Rates alone are being increased by over 7.5 % while municipal consumption (with the exception of electricity consumption) and fixed service charges, are well in excess of inflation.

The proposal is that the tariffs applicable to individual properties will be determined not by the quantity of the supplies/services consumed but also on the market value of the properties. This means that, regardless of actual consumption, the cost of consumptive municipal services will be 'grossed up' by the market value of individual properties. The practical implication is that the cost of services will vary from one property to another, based not on the amount of actual services consumed but critically on the value of each property. Not only is this neither reasonable or equitable but it is impractical and illogical.

We also ask where is the attempt to create a culture of payment among all Cape Town residents and ratepayers towards paying for services? While we appreciate that those in low-income households and within certain income brackets receive rebates, the ratepaying exemption threshold for rateable residential properties increases incrementally each year. It now stands at R435 000. The result is that well over 60% of potentially rateable residential properties in Cape Town do not pay any rates at all. The remaining 40% of rateable residential properties and commercial and industrial properties therefore pay all the rates which currently amount to about 19.5% of the projected City income. Again, this is neither reasonable nor equitable.

We find it to be a retrogressive step in adopting a methodology that sees ratepayers paying for standard municipal and consumptive services based upon the value of their properties. Again, nowhere in the budget is an allowance made to educate and expand the ratepaying base. There appears to be no attempt made to build a culture of payment among lower income groups. The budget clearly makes reference to the City's inability, for example, to collect rentals or rates from the City's own rental housing stock. Is this becoming increasingly problematic? How effective is the administrative process currently in place to manage the City's rental housing stock and its non-residential property portfolio? Would the outsourcing of facility and asset management to the private sector not be a more innovative and cost-effective solution for the City?

Where is the understanding of the City that further taxes drive up the cost of doing business in Cape Town, act as a disincentive to investing in and continuing to own property in Cape Town – across all property classes, from residential to commercial and industrial? Formal unemployment in and around Cape Town is estimated to range between 22% and 25%. The City's proposed 2025/26 budget is unlikely to encourage increased formal employment in the property development and construction sectors in the short-to-medium term.

4. CONCLUSION

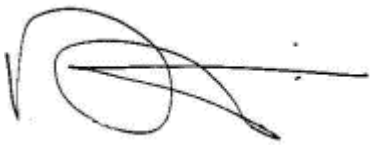
Since the current Mayoral Executive Committee took office, the City's staff complement has continued to grow and, along with it, salaries that have long ago outpaced those found in the private sector. It is time to instill among City staff a ratepayer-oriented culture of understanding of where employees' salaries and benefits actually come from. Further, is it not time to reconsider the staff configuration of the organisation and commence with the necessary austerity measures that will include the reduction of staff numbers and related costs?

Of great concern remains the lack of client-orientated thinking and action as reflected in the focused revenue increase with no apparent consideration for cost reduction. Many of our members are already encountering investors who are taking their business to other Western Cape municipalities. We are starting to see capital flight to other municipalities purely on the basis that things happen quicker in smaller municipalities and at significantly lower cost. This should be of concern to City leadership.

It is our conclusion that the adoption of the budget in its current form does not, in fact, represent a "Budget of Hope" for the people of Cape Town but continues to reflect "a City that works for those it employs". Without organisational efficiency and optimisation, the budget reflects a very expensive political wish-list – the short-, medium- and long-term financial costs of which are to be borne by a proportionately shrinking rateable residential and business property base.

It is therefore our conclusion that the proposed budget is neither financially sustainable nor visionary. It will not encourage or support future private-sector investment in Cape Town. Indeed, it will instead have a negative impact on the growth of the Cape Town economy.

Yours faithfully



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