

CAPE WINELANDS DISTRICT MUNICIPALITY

**INTEGRATED PLANNING AND BUDGETING ASSESSMENT: ANALYSIS OF
MUNICIPAL IDP, SDF AND BUDGET**

Western Cape Government

APRIL/MAY 2020

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ANNEXURE A



LIST OF ACRONYMS

AQMP	Air Quality Management Plan
BESP	Built Environment Support Programme
CBA	Critical Biodiversity Areas
CBD	Central Business District
CEF	10-Year Capital Expenditure Framework
CMLs	Coastal Management Lines
CMP	Coastal Management Plan
CMP	Coastal Management Programme
COVID-19	Coronavirus disease 2019
CPP	Coastal Private Property
CSIR	Council for Scientific and Industrial Research
D: ELE	Directorate: Environmental Law Enforcement
DCAS	Department of Cultural Affairs and Sport
DDM	District Development Model
DEA&DP	Department of Environmental Affairs and Development Planning
DEFF	Department of Environment, Forestry and Fisheries
DHS/DOHS	Department of Human Settlements
DLG	Department of Local Government
DM	District Municipality
DSP	District Safety Plan
DWA	Department of Water Affairs
ECD	Early Childhood Development
EFZ	Estuary Functional Zone
EIAs	Environmental Impact Assessments
EO	Environmental Officer
EPWP	Expanded Public Works Programme
ESAs	Ecological Support Areas
FBE	Free Basic Electricity
FBS	Free Basic Sanitation
FBS	Free Basic Services
FBW	Free Basic Water
FRP	Financial Recovery Plan
HSP	Human Settlement Plan
ICM Act	Integrated Coastal Management Act



IDP	Integrated Development Plan
IGP	Infrastructure Growth Plan
IIAMP	Integrated Infrastructure Asset Management Plan
IIF	Infrastructure Investment Framework
IPSS	Integrated Performance Support System
IPWIS	Integrated Pollutant and Waste Information System
ISDF	Integrated Strategic Development Framework
ITP	Integrated Transport Plan
IWMP	Integrated Waste Management Plan
IYM	In-year Monitoring
JDA	Joint District Approach
JOC	Joint Operations Centre
kl	Kilolitre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt hour (1000 watt hours)
LED	Local Economic Development
LUPO	Land Use Planning Ordinance
MBRR	Municipal Budget and Reporting Regulations
MDG	Millennium Development Goal
MERO	Municipal Economic Review and Outlook
MFMA	Municipal Finance Management Act
MI	Municipal Infrastructure
MIG	Municipal Infrastructure Grant
MIP	Municipal Infrastructure Plan
MMP	Maintenance Management Plan
MRF	Material Recovery Facility
MSA	Municipal Systems Act
mSCOA	Municipal Standard Chart of Accounts
MTEF	2019 – 2024 Medium Term Expenditure Framework
MTREF	Medium Term Revenue and Expenditure Framework
MVA	Megavolt Amperes (1 Million volt amperes)
MWh	Megawatt hour (1 Million watt hours)
NDHS	National Department of Human Settlements
NEM: AQA	National Environmental Management: Air Quality Act
NEMP	National Estuarine Management Protocol



NRW	Non-revenue Water
NT Database	National Treasury Database
NT LG Database Upload Portal	National Treasury Local Government Database Upload Portal
O&M	Operations and Maintenance
PMS	Performance Management Systems
PRTA	Project Segment Tabled Budget
PSP	2019 – 2024 Provincial Strategic Plan
RMA	Responsible Management Authorities
RMP	Road Management Plan
S@S	Separation of Waste at Source
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan
SDF	Spatial Development Framework
SEP-LG	Socio-Economic Profile Local Government
SOP	Standard Operating Procedure
SWMP	Stormwater Management Plan
TABB	Tabled Budget
VIP	Vision Inspired Priority
WC	Water Conservation
WCBSP	Western Cape Biodiversity Spatial Plan
WCG	Western Cape Government
WDF	Waste Disposal Facilities
WDM	Water Demand Management
WSDP	Water Service Development Plan
WTW	Water Treatment Works
WWTW	Wastewater Treatment Works



SECTION 1: INTRODUCTION

The annual assessment of municipal integrated development plans and budgets presents an opportunity to deepen and strengthen existing partnerships, as well as identify new areas for collaboration to promote the ‘Integrated Service Delivery’ approach. The importance of this assessment is stipulated in Chapter 5 of the Local Government Municipal Systems Act 32 of 2000 (MSA), the MSA Regulations and the Local Government Municipal Finance Management Act 56 of 2003 (MFMA). Provincial assessments afford the provincial sphere of government an opportunity to exercise its monitoring and support role to municipalities as stipulated by the Constitution. In addition, the assessments provide an indication of the ability and readiness of municipalities to deliver on their legislative and constitutional mandates. This report encapsulates comments by the Western Cape Provincial Government on the draft 2020/21 MTREF Budget, 2020/21 proposed amendments to Integrated Development Plan (IDP) and related documentation.

The assessment covers the following key areas:

- Conformance with the MFMA, MSA & Municipal Budget and Reporting Regulations (MBRR) and mSCOA regulations;
- Responsiveness of draft budget, IDP and SDF; and
- Credibility and sustainability of the Budget.

The MBRR A-Schedules, budget documentation, IDP and related documentation submitted by the Municipality are the primary sources for the analysis. The quality of this assessment report therefore depends on the credibility of the information contained in the documents submitted by the Municipality. The Provincial Government plans to engage the executives of your Municipality via video conference on 4 May 2020 where the key findings and recommendations of this report will be presented and deliberated upon. The planned engagement will contextualise the Municipality’s challenges and responses as taken up in the draft budget, IDP and related strategies and plans.

An overview of the detailed assessment report can be found below to provide the Municipality with a synopsis from each of the main sections of the report.

● **Public Value Creation**

This section seeks to assess the Municipality’s Integrated Development Plan as well as provides an environmental analysis of the Municipality and how it collectively contributes to achieving maximum public value.

● **Economic Sustainability**

This section examines if the tabled 2020/21 MTREF Budget is responsive from an economic and socio-economic perspective and the Municipality’s ability to meet the legitimate expectations of the community for services from its limited resources to effect inclusive growth.

● **Financial Sustainability**

This section examines the financial health position of the Municipality through ratio analysis and assess the sustainability and credibility of the 2020/21 MTREF operating and capital budgets.



1.1 RESPONDING TO THE CORONAVIRUS (COVID-19): CONSIDERATIONS FOR MUNICIPAL PLANNING AND BUDGETING

The COVID-19 virus was recently declared a global pandemic by the World Health Organisation (WHO). On 5 March 2020, South Africa registered its first positive case where after new infections and transmissions spread rapidly across the country. Having considered the magnitude and severity of the virus and the possible future impact thereof on South Africa, the Minister of Cooperative Governance and Traditional Affairs on 15 March 2020 officially declared a national state of disaster as per section 27(1) of the Disaster Management Act, 2002 (Act No. 57 of 2002). As the spread of the virus intensified, President Ramaphosa on 23 March 2020 announced a nationwide 21-day lockdown which would come into effect at midnight, Thursday, 26 March 2020. On 9 April 2020, the President announced the extension of the lockdown to 30 April 2020. Section 27(2) of the Disaster Management Act allows for the development of regulations to, for the duration of the state of disaster, assist, protect and provide relief to the public; protect property; prevent disruptions and/or assist with dealing with the destructive and other effects of the disaster in question. Such regulations were official proclaimed in the Government Gazette on 25 March 2020.

The spread of the virus impacts severely on the municipal budget and planning process insofar it coincides with the tabling of draft annual budgets, draft reviewed IDPs and SDFs in terms of section 16(2) of the MFMA. Given that municipalities were expected to table these documents before council by no later than the end of March 2020, most of the strategic planning priorities and associated budget allocations for the 2020/21 financial year were finalised at the time when the lockdown was announced. Municipalities did as such not have sufficient time to adjust budget allocations to properly reflect their respective strategic responses to the virus.

The purpose of this section is to provide tangible recommendations as to how Cape Winelands District Municipality can adjust, revise and review their tabled budget to mitigate the effects of the virus, albeit only within their mandated areas of responsibility. Upon receipt of the final budget documentation, the various departments will consider to what extent Cape Winelands Municipality took cognisance of below mentioned recommendations.

1.2 PUBLIC VALUE CREATION

1.2.1 Environmental and Planning Analysis

• **Directions in terms of the National Environmental Management Act, 1998** (Act No. 107 of 1998) (NEMA) and related legislation:

- On 31 March 2020 *Directions issued by the Minister of Forestry, Fisheries and Environment in terms of Regulation 10(8) of the Regulations issued in terms of Section 27(2) of the Disaster Management Act, 2002 (Act No. 57 of 2002): Measures to address, prevent and combat the Spread of COVID-19* was published in the Government Gazette (Notice No. R. 439 published in Government Gazette No. 43190 on 31 March 2020 refers). (A copy of the Directions is available at: <https://www.gov.za/documents/disaster-management-act-environment-directions-measures-address-prevent-and-combat-spread>).
- The abovementioned Directions replaces the Departmental Circular: DEA&DP 0003/2020 issued on 26 March 2020 and municipalities must study the Directions of 31 March 2020 and consider the implications for the Municipality and its processes carefully.
- On 26 March 2020 the Department of Environmental Affairs and Development Planning also issued a Circular (Departmental Circular: DEA&DP 0003/2020) regarding Minister Bredell's Section 47C timeframes extension decision as well as communicating a protocol for the



administration of Environmental Impact Assessments (EIAs), Atmospheric Emission License (AEL), Waste Management License (WML) and Section 24G applications and related formal enquiries/requests in the Western Cape Province during the COVID-19 Lockdown Period.

- On 31 March 2020 *Directions issued by the Minister of Forestry, Fisheries and Environment in terms of Regulation 10(8) of the Regulations issued in terms of Section 27(2) of the Disaster Management Act, 2002 (Act No. 57 of 2002): Measures to address, prevent and combat the Spread of COVID-19* was published in the *Government Gazette* (Notice No. R. 439 published in *Government Gazette* No. 43190 on 31 March 2020 refers). (A copy of the Directions is available at: <https://www.gov.za/documents/disaster-management-act-environment-directions-measures-address-prevent-and-combat-spread>)
- As a result of the publication of the abovementioned Directions, Minister Bredell on 1 April 2020 withdrew his decision of 26 March 2020 in terms of Section 47C of NEMA, and also indicated that the abovementioned Directions replaces the Departmental Circular: *DEA&DP 0003/2020* issued on 26 March 2020. As such, only the abovementioned Directions issued by the National Minister of Forestry, Fisheries and Environment apply in the Western Cape Province.
- The Department of Environmental Affairs and Development Planning is working with the Department of Local Government and others to provide assistance to Municipalities in terms of basic service provisions. In line with the Regulation R399 Disaster Management Act (57/2002): Directions made in terms of Section 27(2) by the Minister of Cooperative Governance and Traditional Affairs of 25 March 2020, Waste Management has been declared as an essential service, and is crucial to the management and containment of the spread of the virus, therefore a concern has been raised that waste from the households of infected or quarantined patients or those in self-isolation could pose a considerable risk if not managed appropriately. After consultation with the Department of Environment, Forestry and Fisheries (DEFF), the Provincial Department of Environmental Affairs and Development Planning (DEA&DP) proposed that certain important measures be put in place by municipalities and households. On 27 March 2020 a *Protocol on Managing COVID-19 General Waste at Households* were issued to all municipalities in the Western Cape to guide municipalities on how to manage COVID-19 infectious waste at households. On 2 April 2020, DEA&DP Circular 0006/2020 was issued to municipalities and the Provincial and District/Metro Disaster Management Centres with regards to the Amendment to this Protocol, as a result of operational challenges expressed with household-level data not being made available due to patient confidentiality and ethical implications and the stigmatization of patients under quarantine or self-isolation in households; as such municipalities would rather concentrate on hotspots. After the protocol being issued an intergovernmental COVID-19 Waste Management Workstreams were established with Waste Managers and Environmental Health Practitioners, respectively that would coordinate, align operations and share information.
- The Department of Environmental Affairs and Development Planning is also working with the Western Cape Department of Human Settlements, and other partners, in terms of possible de-densification of certain informal settlements as part of the COVID-19 Disaster Response interventions. For more information regarding proposed de-densification of informal settlements the Department of Human Settlements, as the coordinating Department, should be approached.
- In terms of any environmental and planning regulatory requirements during the COVID-19 Disaster the abovementioned officials of the Department of Environmental Affairs and Development Planning can be contacted for guidance.



1.3 ECONOMIC SUSTAINABILITY

1.3.1 Budget Responsiveness

- The lockdown comes amidst already dire macro-economic conditions which has seen South Africa slump into a technical recession while consumer and business confidence dwindles. Towards the end of March 2020, Moody's classified South Africa's sovereign credit rating to sub-investment grade. The country now has a sub-investment grade credit classification from all three major international rating agencies. The lockdown will have a catastrophic effect on industry as non-essential business are forced to shut down completely resulting in a drastic reduction in overall economic output, productivity and substantial job losses. The impact will be particularly pronounced in labour-intensive industries such as construction, manufacturing and mining.
- The lockdown and closure of industries will also potentially influence short-term migratory patterns as workers travel back to their families. The subsequent population changes will result in changed consumption patterns of trading services. Data on conventional household sizes might therefore be inaccurate and municipalities are urged to use such data with caution as part of their planning processes.
- To stop the spread of transmissions, authorities are proactively encouraging good hygiene practices which includes frequent washing of hands and deep cleaning. This will drive up household water and sanitation consumption which could prove problematic in especially rural areas of the Western Cape where many local communities are still battling the ongoing drought.
- The lockdown is also expected to have far reaching implications from an educational perspective. As economic hardship intensifies, many children might end up not returning to school when lockdown measures subsides in order to assist their families to generate income. This will in turn have far reaching implications for future earning potential which ensures the continuation of the poverty cycle. Unlike their more affluent counterparts, students in vulnerable communities do not have sufficient tools to facilitate remote learning. Municipalities can assist in this regard by considering ways to improve broadband connectivity throughout low income communities, including informal settlements, which would allow students to access study material from within their dwellings.
- The physiological impact of the lockdown on informal settlements should not be underestimated. Communities must also guard against the spread of misinformation which can further increase stress and anxiety. Municipalities have an active role to play in this regard, by collating and distributing reliable and verified information.

1.3.2 Supply Chain Management

On the 30 March 2020, the Minister of Co-operative Governance and Traditional Affairs issued out directions in terms of Section 27(2) of the Disaster Management Act to address the combat, prevent and combat the spread of COVID-19 in South Africa. This directive brings to the attention of municipalities and municipal entities to take cognisance of the following requirements as it relates to emergency procurement:

- (i) Undertake emergency procurement within the Disaster Management Act, 2020 and the transversal contracts issued by the National Treasury;
- (ii) Adhere to all the applicable National Treasury Regulations and MFMA Circular No. 100;



- (iii) Decision-making that would have been approved by the Municipal Councils, will be made by the Municipal Manager on recommendation by the Chief Financial Officer with the concurrence of the Mayor or Executive Mayor;
- (iv) Decisions taken must be taken in respect of an emergency nature and be reported to the first council meeting after the lockdown period; and
- (v) Report all procurement undertaken during the disaster period to the first council meeting after the period has lapsed.

In view of the above, municipalities are urged to use the following procurement methods:

- Provide emergency procurement in terms of SCM Regulation 36.
- Provision in terms of Regulation 32 as it relates to national transversal contracts e.g. MFMA Circular No. 100 of 2019/20.
- Tapping into the provincial disaster procurement systems as provided for by Department of Health and Department of Transport and Public Works.

Municipalities must also take cognisance of the following reporting requirements as it relates to the above procurement processes:

- (i) Record the reasons for any deviations undertaken in terms of Regulation 36(1)(a) and report such reasons to the next municipal council meeting and record same as a note in the Municipality's annual financial statements as soon as is reasonably possible post lock down.
- (ii) Reporting to Council in terms of SCM Regulation 6, on any procurement processes followed in terms of SCM Regulation 32 at a convenient time to be arrange as soon as it is reasonably practical and safe to do so.

Provincial Treasury will continue to guide and support municipalities regarding emergency procurement activities coupled to COVID-19. Further to this, the Provincial Treasury will be assisting municipalities post COVID-19 with systems and instruments to expedite the procurement planning process, with the aim to align municipal adjustment budgets and IDP deliverables.

1.4 FINANCIAL SUSTAINABILITY

1.5.1 Accounting

- Specifically, reprioritisation of expenditure will have to be carefully planned and managed. From a reporting perspective, the Municipality may have revisit the budget for interest costs, for payment holidays from finance institutions, can expect a sharper incline in unpaid debt due to the evident recession and the sharp increase in unemployment, and management may have to urgently revisit the indigent policy. This will necessitate the revisiting of the credit control policy.
- The Municipality is further encouraged to consider the re-assessment of its going concern ability considering the impact of the expected sharp increase in non-paying ratepayers. A further consideration is to reflect on the Covid-related costs for goods and services which will be priced at a premium as there are indications of global shortages.



- Much of the efforts of the Municipality will be geared for humanitarian support, donations received must be considered and appropriately planned for. Lastly, as many of the expenses will have to be reconsidered, a re-assessment of the bad debt provision must be performed, and a relook at the repairs and maintenance budgets, and consequently, the impairment of assets as these expenditures are normally considered once all other critical expenses are considered.



SECTION 2: PUBLIC VALUE CREATION

2.1 INTEGRATED PLANNING

2.1.1 Introduction

An Integrated Development Plan (IDP) 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 a municipality. An IDP provides the strategic direction for all the activities of a municipality over five years linked to the council term of office.

Each municipal council must annually review and may amend the IDP of the Municipality. Should the review process determine that an amendment is required, a municipality should follow the process as stipulated in Regulation 3 of the Local Government: Municipal Planning and Performance Management Regulations of 2001.

The 2020/21 IDP Review of the Cape Winelands District Municipality (the Municipality) is the third review of the 2017-2022 IDP. The 2020/21 IDP Review approach took into consideration an assessment of the performance measurements of the Municipality and the extent that changing circumstances so demand.

2.2 INTEGRATED PLANNING ANALYSIS

2.2.1 IDP Overview

The 2020/21 IDP Review maintains council's strategic direction with the unchanged vision, mission, strategic objectives and alignment to national and provincial priorities. This embodies the strategic thrust of the Municipality to deliver basic services; create an enabling environment for economic growth and decent employment; and improve the living conditions of all households.

According to the 2019 Social Economic Profile for the Cape Winelands District (CWD), the Municipality has a population of 917 462, rendering it the largest District in the Western Cape. This total is estimated to increase to 975 614 by 2023, equating to an average annual growth rate of 1.5 per cent growth rate. Between 2019 and 2025, the largest population growth was recorded in the aged 65+ cohort which will grow at an annual average rate of 3.8 per cent. This increase, coupled with limited population growth in the child and working age cohorts will increase the dependency ratio towards 2025.

The Municipal Economic Review and Outlook (MERO) 2019, reflects that the learner enrolment is on an increasing trajectory from 2015 to 2017 which is mainly attributed to learners in the Drakenstein area where the majority of pupils in the Cape Winelands are concentrated. However, it is noted that the learner-teacher ratio in the Cape Winelands has dropped from 36.0 in 2016 to 35.2 in 2017 which is considerably lower than the rest of the districts.

According to the SEPLG 2019, the learner retention rate for the CWD has been regressing since 2016 to 2018, dropping from 69.4 to 67.7. This is concerning as the reasons cited for learners dropping out are mainly related to unemployment and poverty contributing to children having to leave school in order to support their families.

The primary sector in the Municipality as per the MERO 2019 was the finance, insurance, real estate and business services sector listed as the main driver of the tertiary sector in the CWD contributing 19.8 per cent to Gross Domestic Product. Estimates for 2018 indicate that the finance, insurance, real estate and business services sector grew at 2.9 per cent during the year, which is substantially higher than the average growth rate of 0.9 per cent estimated for the District in 2018.



The 2020/21 IDP Review reflects the strategic challenges faced by the District which relates to: waste management and the severe shortage of landfill airspace; urbanisation and in-migration leading to uncontrolled growth of informal settlements and backyard dwellers; decreased rainfall as a result of climate change and water supply disruptions which are aggravated by the water demand from the agricultural sector; infrastructure management; citizen interface; human settlement development and mobility, transport and roads network.

The 2020/21 IDP Review identified the Municipality's internal top strategic risks by the annual risk assessments as follows: Financial viability; Increasing employee costs year-on-year; Lack of succession planning and talent management; Inadequate corporate governance; Inadequate contract management; Lack of business continuity in case of an eventuality (ICT); and Climate change.

2.2.2 IDP process

In terms of Sections 28 and 29 of the MSA, a municipality must follow a prescribed process when reviewing or amending an IDP. Furthermore, key activities and deadlines for the process must be set out in a Time Schedule adopted in terms of Section 21 of the Municipal Finance Management Act 56 of 2003 (MFMA).

In line with Section 27 of the MSA, during a Council meeting on 27 October 2016 (Council Resolution C.14.1), the 2020/21 IDP Review indicates that the Municipality adopted a District Framework for Integrated Development Planning of the area as a whole in consultation with local municipalities under its jurisdiction, intended to guide the development of the District IDP and the IDPs of its respective local municipalities. The Municipality also adopted a Process Plan in line with section 28 of the MSA which specifies the processes, time lines and structures regarding the planning, development and adoption of the 2017 - 2022 IDP.

Effective and functional structures coordinated at district level enables the Municipality to endorse the concept of planning-led budgeting. This promotes inclusive strategic analysis, intergovernmental co-ordination, informed prioritisation and the integration of plans and policies for all spheres of government. In addition, the 2020/21 IDP Review indicates that the Municipality reviewed its IDP in accordance with MFMA section 21 Time Schedule of key deadlines adopted by council on 29 August 2019.

2.2.3 IDP Notable Changes

The strategic narrative of the 2020/21 IDP Review reflects alignment between the Municipality's strategic objectives and the Vision Inspired Priorities of the Western Cape Government, which replaces the previous Provincial Strategic Objectives.

The 2020/21 IDP Review on pages 16 - 17 reflects the updated minutes on community engagement sessions held in Stellenbosch and Worcester on 18 and 25 November 2019. The IDP and Budget Public Participation Road Map for 2019/20 also presents amended dates for the current IDP cycle on page 35 of the 2020/21 IDP Review. Statistics in the Cape Winelands Socio-Economic Snapshot relating to the district at a glance was also updated with the latest 2018/19 information. According to the latest statistics the matric pass rate dropped from 82.3 per cent in 2018 to 80.6 per cent in 2019 however, the unemployment rate decreased from 10.7 percent in 2018 to 9.5 per cent in 2019. Page 39 of the 2020/21 IDP Review reflects an updated reflection of the population density sourced from the 2019 Socio-economic Profile.



The 2020/21 IDP Review on pages 39-40 indicates the Provincial infrastructure and Municipal infrastructure spend for the financial years respectively amounting to R764.3 million and R96.2 million across the 2019/20 Medium Term Revenue Expenditure Framework (MTREF). The 2020/21 IDP Review presents a breakdown of the infrastructure investment projects on pages 42 - 55 over the same period.

The 2020/21 IDP Review reflects the inclusion of a new section depicting the spatial distribution of the projects through geographical mapping per town. Information on the Joint District Approach has now been included in Chapter 4 which also deals with the Municipality's strategic linkages to national and provincial strategies and priorities.

The 2020/21 IDP Review indicates that the District Safety Plan for the Cape Winelands was presented and approved by the Cape Winelands District Council on 30 January 2020. In addition, the 2020/21 IDP Review also reflects new partnerships with SANTAM and SASRIA collaborating with the Municipality in mitigating drought, floods, fire and social conflict that are some of the major risks affecting communities across the district.

A Spatial Development Framework identifying eighteen key focus areas for intervention throughout four chapters of the 2020/21 IDP Review is also noted. Section 4.5 of the 2020/21 IDP Review includes a regional socio-economic development strategy which identifies key social and economic challenges of the region and reflect strategies and interventions aimed at addressing the challenges. The 2020/21 IDP Review includes a section on the Cape Winelands Agri-park which includes the Witzenberg, Stellenbosch and Drakenstein municipalities.

Chapter 5 of the 2020/21 IDP Review presents a detailed breakdown of the unchanged strategic objectives per each predetermined objective providing context to the priorities and key interventions planned by the Municipality. The section on technical services relating to strategic objective 2 has also been updated with budget allocations for the financial years over the 2020/21 MTREF accordingly.

2.2.4 Outstanding areas for improvement

The facilitation of the implementation of a regional waste disposal site in Worcester as well as a waste disposal facility for the eastern side and consideration and exploration of alternative waste technologies for waste diversion from landfill.

2.3 ENVIRONMENTAL AND PLANNING ANALYSIS

2.3.1 Compliance, Performance, Implementation and Changing Circumstances

This section seeks to articulate the findings (from each legislated functional area) based on a verification process of the reviewed information, in terms of compliance and performance. This includes information extracted from the IPSS (WCMES), draft tabled budget, IDP/SDF and sector plans. The functional areas refer to the participating internal DEA&PD components and include the following; Biodiversity Management, Development Management, Waste Management, Pollution and Chemical Management, Coastal Management, Climate Change, Sustainability and Air Quality Management.

Additionally, where relevant, the level of implementation (what the municipalities were supposed to achieve in terms of compliance and performance) will be highlighted.

This section will, furthermore, consider any changing circumstances that might affect the planning and budgeting for the next financial year and highlight these where appropriate.



Spatial Planning:

The Cape Winelands District is confronted with several key challenges including but not limited to:

- high levels of population growth,
- new and expanding informal settlements,
- on-going outward expansion of existing urban areas into prime agricultural and biodiversity areas,
- water resilience for both urban and agricultural activities, and
- a delicate scenic and cultural landscape which is continuously under threat.

In preparing the MSDF, the District in partnership with DEA&DP investigated the financial impact of spatial growth patterns of the CWD local municipalities over time. This report, which was called the Municipal Financial Impact Analysis, was adopted as an annexure to the 2019 MSDF and indicates that the capital needed to fund new infrastructure or maintain and rehabilitate existing infrastructure outweighs the available capital in each of the local municipalities. This finding stands for both a business as usual development approach and a more compact/densified development pattern.

Biodiversity:

The municipal SDF does not indicate how their spatial planning categories relate to the biodiversity conservation priorities contained in the Western Cape Biodiversity Spatial Plan (WCBS 2017). It is recommended that this distinction be made to ensure the relevant protection is afforded to Critical Biodiversity Areas and Ecological Support Areas [see Table 4.4 (pg. 84) and Table 4.6 (pg. 88) in the WCBS].

Despite the fact that the District does not have a formal alien clearing plan, the IDP, budget and SDF makes it clear that alien clearing is taking place. However, no mention is made of follow-up clearing to ensure that areas that have already been cleared do not become re-invaded. The Municipality is encouraged to develop an alien clearing plan, as this will ensure a coherent alien clearing response over time.

Climate Change:

Although there are aspects of the climate change response that are legislated for municipalities, such as climate change adaptation as part of the Disaster Management Amendment Act and the Spatial Planning and Land Use Management Act, amongst others, there is no stand-alone climate change legislation. However, a Climate Change Bill is currently under development. There is therefore no requirement on municipalities to develop a climate change response framework or strategy. Cape Winelands District Municipality has however highlighted climate change as one of the key risks for the Municipality and has developed a Climate Change Strategy that links closely with the municipal planning cycles and brings climate change responses into already prioritised and budgeted projects.

Waste Management:**(a) Waste Management Planning**

The Municipality has a designated Waste Management Officer (WMO) and has submitted a 3rd generation Integrated Waste Management Plan (IWMP) that meets the minimum requirements



as stipulated in the National Environmental Management: Waste Act (Act No. 59 of 2008) as amended. The DEA& DP will send the Municipality an endorsement letter for the IWMP.

(b) Waste Minimisation & Policy Development

Due to this being a district municipality, no formal services are rendered to the residents and therefore no waste minimisation initiatives are conducted. It was also found that no awareness measures are undertaken by the Cape Winelands District Municipality.

(c) Waste Management Licensing

The Cape Winelands District Municipality does not have any waste management facilities to manage currently other than the positive outcome of the appeal against the proposed Regional WDF, which meant that the construction of the facility may commence. The construction may take 2 to 3 years to be completed before any waste from the various local municipalities can be disposed at the facility. Currently, an approved MIG funded Materials Recovery Facility has been built next to current Worcester WDF.

Air quality:

In terms of Section 14(3) and Section 15(2) of the National Environmental Management: Air Quality Act (NEM: AQA), a Municipality must designate an Air Quality Officer and adopt an Air Quality Management Plan (AQMP) within its jurisdiction. To ensure that a budget is allocated for air quality management, each municipality must include in its Integrated Development Plan (IDP), an AQMP.

The Cape Winelands District Municipality has designated an Air Quality Officer and has adopted an AQMP, as per the NEM: AQA. However, the Municipality must allocate funding to implement the AQMP, particularly in terms of monitoring ambient air quality to manage potential air pollution that may result from increased urbanisation.

2.3.2 Strategic Support/Programmes Initiatives and Projects

This section will include the APP, non-APP, SP and support initiatives for each District in terms of, for example, Waste Management, Water security and Disaster Management.

Spatial Planning:

According to the CWD Joint District Approach Implementation Plan V9, the Cape Winelands District has asked for assistance on two aspects that align with the work of Spatial Planning. The first is for assistance on developing and implementing a District Urbanisation Strategy. The second is for assistance on finding ways to make the Municipality, and the local municipalities, more financially sustainable.

Both these calls for assistance are being taken forward through the JDA platform which includes representatives from DEA&DP Spatial Planning. It is hoped that the findings of the Municipal Financial Impact Analysis done for CWD and the local municipalities will be considered as an informant in both these initiatives.

Biodiversity:

The IDP includes a Climate Change Vulnerability Assessment and Response Plan that indicates that biodiversity and the environment are sectors that will be impacted by climate change in the region. Strategies responding to these threats include "Manage Loss of High Priority Biomes" and "Manage Increased impacts on environment due to land-use change".



The District has allocated budget over the MTEF period for alien clearing, with clear targets. Both the IDP and the SDF makes a strong linkage between alien clearing and water security and water infrastructure, through projects focused on increasing alien clearing in catchments located throughout the entire District and B-municipalities in partnership with the Department of Water and Sanitation and the LandCare Programme.

The SDF includes consideration of biodiversity, ecosystem services and the impacts of invasive alien species, and encourages alien clearing to improve water security and reduce fuel load and the resulting disaster risk from fire. The CWDM SDF spatially reflects the important areas for protection, provides a good overview over the Biodiversity Spatial Plan categories and refers users to the Western Cape Biodiversity Spatial Plan (2017). Various biodiversity-related priorities are emphasised in the SDF, such as preventing the loss and degradation of CBAs and ESAs. These are implemented through an EPWP Invasive Alien Vegetation Management project, a river rehabilitation project and the provision of a grant to the Cape Winelands Biosphere Reserve to assist them with managing biodiversity in the region. The SDF also makes a strong link between climate change and the role that ecosystem restoration plays in climate change adaptation.

Climate Change:

The Climate Change Directorate is currently waiting for clarity on the requirements for municipalities of the Climate Change Act. This information will then be shared with municipalities and a Climate Change Municipal Support Programme will be re-established.

The Cape Winelands District has highlighted the need to access specific funding or financing for climate change projects. In most cases this will require accessing international climate change funds, which can be difficult for municipalities to access due to the size and scope of their programmes and projects. There is a need for support at a provincial and national level to coordinate municipal funding requirements with the global funding calls.

Waste Management:

(a) Waste Management Planning

The DEA&DP will host a 2-day Integrated Waste Management Workshop in the 2nd quarter of 2020/21, which will cover various waste-related topics of interest to the municipalities. In the 2020/21 financial year, the DEA& DP will develop a Status quo on sewage sludge and a status quo on current municipal transport and collection of waste. Further support can be provided on request from municipalities for Waste Characterisation training and studies. The DEA&DP has finalised the development of a Household Hazardous Waste Guideline and minimum requirements for the appointment of waste managers to assist with the recruitment of appropriately skilled waste managers. The DEA&DP is also developing an annual reporting template for municipalities to report on the implementation of their IWMPs as per the NEM: WA requirements.

(b) Waste Information Management

Continued assistance and training with regards to the Waste Calculator and IPWIS will be provided to the Municipality for the next financial year. For the 2020/21 financial year, one (1) IPWIS workshop will be conducted focusing on IPWIS waste reporting and addressing IPWIS Frequently Asked Questions (FAQs). The Department will inform selected municipalities' in writing 30 days prior to the workshop, regarding the IPWIS waste data audits to be conducted with selected facilities.



(c) Waste Minimisation & Policy Development

The Department currently has an Informal Settlement project in place for the enhancement of waste management planning and implementation within informal areas. This will further be presented to all waste managers for implementation in the 2020/21 financial year. Further to this, engagements on the Model Waste By-law will happen within various regions across the Western Cape.

(d) Waste Management Licensing

This Department had various engagements with the District and Municipalities to assist with the commencement of the Regional WDF. The Department participated in the MIG approval application process and the designs for the MRF at the Region WDF. This Department has assisted the District municipality by developing and planning waste minimisation and diversion strategies and developed various waste management tools for implementation of operations. The initial meeting of the CWDM integrated Waste Management Forum was facilitated by the DEA&DP.

Air Quality:

The Directorate Air Quality Management (D: AQM) provides a supportive and oversight role to Municipalities with respect to air quality management. The D: AQM co-ordinates quarterly Provincial Air Quality Officers' Forums, inclusive of Air Quality Management Plan Working Groups Meetings. The Forums serve as a platform for Air Quality Officers to develop a common understanding and approach to managing air quality in the Province, particularly as it relates to air pollution and air quality regulatory processes, inclusive of noise, dust and offensive odour management in their jurisdictional areas. All Municipal Air Quality Officers are required to implement the mandates of air quality management, as assigned by the NEM: AQA, and hence are required to attend and participate in the Forums.

Capacity building on air quality management also takes place at the quarterly Provincial Air Quality Officers' Forums; however, it is imperative that Municipalities make funding available to ensure that officials are capacitated via formal air quality management training programmes.

Aside from the Forums, interactions between the D: AQM and Municipal Air Quality Officers takes place on a regular basis, particularly in terms of addressing air pollution complaints and providing advice on air quality regulatory services in their Municipalities. In terms of the NEM: AQA, measures in respect of dust, noise and offensive odour is a Local Government responsibility. It is therefore imperative that Municipalities develop and adopt Air Quality Management By-laws to ensure air quality compliance measures and intervention strategies in their areas. In line with this, the Cape Winelands District Municipality is required to develop and adopt a By-law to ensure compliance with air quality management in its jurisdiction.

The D: AQM regularly engages Municipalities where the Department has located an Ambient Air Quality Monitoring Station. Noting the current economic constraints, the Municipality may opt to measure key criteria pollutants via passive sampling or low-cost air quality sensors, as these are more cost-effective than fully-equipped continuous ambient air quality monitoring stations. The D: AQM can be called upon to advise the Municipality on the use of the more cost-effective approaches to monitor ambient air quality in their jurisdiction.



SECTION 3: ECONOMIC SUSTAINABILITY

3.1 INTRODUCTION

This section examines to what extent the tabled 2020/21 MTREF Budget is responsive from an economic and socio-economic perspective and the Municipality's ability to meet the legitimate expectations of the community for services from its limited resources to contribute to economic sustainability and maximizing benefits for its residents.

Key socio-economic indicators are presented to provide the context from which responsiveness of the budget is assessed. Following, an overview of budget allocations to strategic objectives is provided to understand the alignment of the tabled budget to the priorities identified in its Integrated Development Plan. Provincial investment for the 2020/21 MTREF is analysed to outline overall expenditure by the province in the municipal area. Furthermore, the joint investments in infrastructure by the province and the Municipality is analysed to understand the extent to which infrastructure allocations are enabler of economic growth in the municipal area. Allocations towards the District's mandated functions are highlighted and those with larger allocations or deemed to require special emphasis will be further considered.

3.2 SOCIO-ECONOMIC CONTEXT AND IMPLICATIONS

Table 1 Socio Economic Overview

Key Socio-Economic Indicators	NDP Goals	Local Context	Implications
Demographics	0.5% - 1% per annum by 2030 (Nationally)	1.5% per annum (SEPLG 2019, average annual growth rate 2019-2023)	High population growth is expected to place strain on municipal resources and services.
Unemployment	14% by 2020	9.5% (2018) (SEPLG 2019)	Direct impact on household income and the ability to afford basic services. Higher unemployment implies that more households will register as indigents and qualify for provision of free basic services; which strains municipal resources.
Education	A learner retention ratio of 90 per cent	Learner retention ratio of 67.7% (2018) (SEP-LG 2019)	Low learner retention or a higher drop-out rate means more unqualified youth entering the labour market. There are also concerns around the social implications of leaving school early, such as teenage pregnancies, social evils such as alcohol and drug abuse and associated crimes.
Health	Maternal mortality to fall from 500 to 100 per 100 000 live births	Maternal Mortality was 91 per 100 000 live births in 2018. (SEPLG 2019)	The results of health indicators are resultant of, amongst others, a combination of lifestyle as well as healthcare access and quality. Although still above the NDP target, maternal mortality has increased. Any deterioration in health outcomes indicates a decline in a healthy, resilient workforce and an increase in pressure on government and caregiver resources.



Key Socio-Economic Indicators	NDP Goals	Local Context	Implications
Poverty	For zero households to be below the (R418 monthly income) poverty line	R50 717 real per capita GDP in CWD compared with R60 079 for the Western Cape (SEPLG 2019)	Poverty translates to greater need for and reliance on social support structures.
Safety and Security	For all citizens to feel safe and free of the fear of crime	37 murders per 100 000 people for 2018/19; compared to 59 per 100 000 people in the Western Cape. (SEPLG 2019)	Crime hampers economic growth, discourages investment and capital accumulation.
GDP Growth	5.4 per cent per annum	-1.2% in 2016; 2.4% in 2017; 0.1% in 2018e	The economy needs to at least keep pace with population growth for per capita income levels to improve.

Comments:

Given the onset of Covid-19 in March 2020 and the potential devastating effects that an outbreak and spread of the disease could have on the socio-economic environment, various possible impacts should be considered. These impacts are discussed in Section 1 of this report.

3.3 KEY BUDGET PRIORITIES IN TERMS OF IDP STRATEGIC OBJECTIVES

The 2020/21 MTREF budget breakdown in terms of the strategic objectives is indicated in the table below. The Cape Winelands District budgeted for a total operating expenditure of R445.529 million and a total capital budget of R29.891 million in the 2020/21 financial year.

Table 2 Strategic Objectives for the 2020/21 Medium Term Revenue & Expenditure Framework

Strategic Objective	2020/21 Medium Term Revenue & Expenditure Framework OPEX				2020/21 Medium Term Revenue & Expenditure Framework CAPEX			
	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23	Average Annual Growth	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23	Average Annual Growth
R thousand								
Community Development and Planning Services	145 090	145 736	150 661	1.9%	16 491	9 956	12 735	-12.1%
Technical Services	174 238	184 243	190 890	4.7%	9 739	11 784	8 488	-6.6%
Financial and Strategic Support Services	126 201	129 854	133 008	2.7%	3 661	2 019	1 825	-29.4%
Total Expenditure	445 529	459 833	474 559	3.2%	29 891	23 758	23 048	-12.2%

Source: Cape Winelands District Municipality, A-Schedules

Comments:

- National and provincial policy directives have been highlighted in the IDP and alignment has been indicated with the District's strategic objectives.
- The strategic objectives noted in budget Tables SA5 and SA6 for the 2020/21 MTREF are aligned to the strategic objectives in the IDP. The 2020/21 MTREF budget reflects financial commitments for all three strategic objectives.
- The allocation of the 2020/21 operating budget expenditure to the strategic objectives are spread across the three strategic objectives with Strategic Objective 2 'Technical Services' allocated 39.1 per cent of the budget. This is mainly for the provision of the roads agency function and any other infrastructure development within the district. Strategic Objective 1 'Community



Development and Planning Services' is allocated 32.6 per cent of the budget for the provision of municipal health and fire-fighting services as well as disaster management co-ordination. The smaller allocation is towards Strategic Objective 3 'Financial and Strategic Support Services' as it receives 28.3 per cent of the operating expenditure budget.

- The largest share of the District's total capital budget of R29.891 million for 2020/21 is towards 'Community Development and Planning Services' (R16.491 million or 55.2 per cent), 'Technical Services' is allocated 32.6 per cent of the budget and 'Financial and Strategic Support Services', 12.3 per cent.

3.4 PROVINCIAL RESOURCE ALLOCATION

Table 3 Provincial Payments: Cape Winelands District Area

Department R'000	Outcome				Medium-term estimate		
	Audited 2016/17	Audited 2017/18	Audited 2018/19	2020/21	% Change from Revised estimate 2019/20	2021/22	2022/23
Department of the Premier	31 038	34 651	37 424	39 678	7.51	43 925	46 786
Department of Community Safety	11 614	4 790	3 430	4 461	32.61	4 772	4 974
Department of Education	2 592 285	2 750 364	2 964 595	3 420 884	7.49	3 618 748	3 815 042
Department of Health	1 845 733	1 982 611	2 113 553	2 412 071	5.39	2 556 557	2 674 798
Department of Social Development	232 582	223 512	246 232	274 788	5.24	289 900	303 816
Department of Human Settlements	195 149	320 086	327 827	210 990	(38.70)	222 595	233 280
Department of Environmental Affairs and Development Planning	14 904	3 259	3 407	9 750	(19.17)	4 850	1 600
Department of Transport and Public Works	936 952	895 275	1 210 814	884 583	(5.49)	916 833	960 840
Department of Agriculture	692 307	754 211	953 429	787 519	1.98	787 156	820 399
Department of Economic Development and Tourism	6 346	6 808	7 208		(100.00)		
Department of Cultural Affairs and Sport	55 788	58 933	60 053	61 472	5.46	64 851	68 417
Department of Local Government	9 084	13 361	9 826	11 483	(9.49)	11 907	12 172
Total	6 623 782	7 047 861	7 937 798	8 117 679	2.63	8 522 094	8 942 124
Total Transfers to Cape Winelands District	291 994	367 409	472 403	425 935	(5.03)	416 235	321 768
Transfers as a percentage of Provincial Payments and Estimates	4.41	5.21	5.95	5.25	(7.46)	4.88	3.60

For the 2020/21 financial year, Provincial Government will spend an estimated R8.117 billion within the Cape Winelands District area (includes spending across all local municipalities). The highest spending departments are Education (42.1 per cent), Health (29.7 per cent) and Transport and Public Works (10.9 per cent). Together these three departments represent 82.7 per cent of Provincial Government spend in the Cape Winelands District area.

The actual transfer of funds (i.e. grants) to Cape Winelands District area is small (R425.935 million) compared to the estimated spending of Provincial Departments within the municipal area. However, there is a notably sized allocation in the transfers budget from the Department of Human Settlements for R269.173 million which will contribute towards the housing needs in the District area. The second largest transfer is from the Department of Transport and Public Works, R78.770 million in respect of maintenance and integrated transport planning.



Overall, per capita spend by the province within the District as a whole is R8 848 for the 2020/21 financial year.

3.5 DISTRICT BUDGET ALLOCATIONS

Table 4 Cape Winelands District Budget Allocations 2020/21

MANDATED FUNCTIONS AGAINST THE ANNUAL BUDGET							
Function(s) required by legislation	Legislation	Section	Y/N	Opex (Actual) R'000	Capex (Actual) R'000	Total Capex + Opex R'000	% Total
Solid waste disposal sites, management, control and regulation.	Municipal Structures Act	84(1)(e)	No	0	0	0	0.0%
Municipal Health services.	Municipal Structures Act	84(1)(i)	Yes	42 206	16	42 222	8.7%
Fire-fighting services serving the area of the district municipality as a whole.	Municipal Structures Act	84(1)(j)	Yes	60 457	10 765	71 222	14.7%
The establishment, conduct and control of fresh produce markets and abattoirs.	Municipal Structures Act	84(1)(k)	No	0	0	0	0.0%
The establishment, conduct and control of cemeteries and crematoria serving the area of a major proportion of municipalities in the district.	Municipal Structures Act	84(1)(l)	No	0	0	0	0.0%
Establish a Municipal (District) Disaster Management Centre	Disaster Mgt. Act	44,&47-49	Yes	7 353	3 960	11 313	2.3%
Promote Bulk Infrastructure Development and Services.	Municipal Structures Act		No	0	0	0	0.0%
Promote the equitable distribution of resources between the local municipalities in its area to ensure appropriate levels of municipal services within the area.	Municipal Structures Act	84(1)(d)	No	0	0	0	0.0%
Municipal roads which form an integral part of a road transport system for the area of the district municipality as a whole.	Municipal Structures Act	84(1)(f)	Yes	124 079	1 733	125 812	26.0%
Regulation of passenger transport services.	Municipal Structures Act	84(1)(g)	Yes	9 119	0	9 119	1.9%
Potable water supply systems.	Municipal Structures Act	84(1)(b)	No	0	0	0	0.0%
Bulk supply of electricity.	Municipal Structures Act	84(1)(c)	No	0	0	0	0.0%
Domestic waste-water and sewage disposal systems.	Municipal Structures Act	84(1)(d)	No	0	0	0	0.0%
Municipal airports serving the area of the district municipality as a whole.	Municipal Structures Act	84(1)(h)	No	0	0	0	0.0%
Municipal Public Works relating to any of the above functions or any other functions assigned to the district municipality.	Municipal Structures Act	84(1)(n)	No	0	0	0	0.0%
Integrated Development Planning for the district municipality as a whole including a Framework for Integrated Development Plans of all municipalities in the area.	Municipal Structures Act	83(3)(a) & 84(1)(a)	Yes	13 345	0	13 345	2.8%
Building the capacity of local municipalities in its area to perform their functions and exercise their powers where such capacity is lacking.	Municipal Structures Act	83(3)(c)	No	0	0	0	0.0%
Must have (establish) District Intergovernmental Forums (incl councillors costs).	IGR ACT	24-27	No	0	0	0	0.0%
Promotion of local tourism.	Municipal Structures Act	84(1)(m)	Yes	9 308	0	9 308	1.9%
The receipt, allocation and, if applicable, the distribution of grants made to the district municipality.	Municipal Structures Act	84(1)(o)	No	0	0	0	0.0%
The imposition and collection of taxes, levies and duties as related to the above functions or as may be assigned to the district municipality in terms of national legislation.	Municipal Structures Act	84(1)(p)	No	0	0	0	0.0%
OTHER EXPENDITURE				188 970	13 417	202 387	41.8%

The table above presents a picture of the District's allocations as per the mandated functions of district municipalities.



3.5.1 Infrastructure as an enabler of economic growth

This section will consider provincial and municipal infrastructure allocations over the MTREF and its potential contribution to economic growth in the municipal area and region.

Infrastructure development is not only beneficial to the economy in the short term but also creates the conditions for sustained competitiveness, growth and jobs, both in developed economies and in emerging markets.

Access to infrastructure promotes human development and a better quality of life. Specifically, the provision of public infrastructure enhances trade and commerce and plays an important role in alleviating poverty and inequality. Therefore, infrastructure investment is a key enabler to sustain growth over time.

● Economic Infrastructure: Road Transport

Provincial spend for the Cape Winelands District (excluding local municipalities) for Road Transport and Public Works totals R210. 671 million for the 2020/21 financial year. This allocation will be directed towards the road transport function, for maintenance, reseal and upgrades to existing road infrastructure.

Districts perform an important roads agency function on behalf of the Provincial Department of Transport and Public Works. This allocation for the 2020/21 financial year amounts to R124.079 million of the District's operating budget.

For regional and local economies to grow and thrive, it needs reliable road infrastructure to connect supply chains and efficiently move goods and services across borders. Both direct and indirect poverty alleviation benefits can be associated with road infrastructure investment. It results in the creation of job opportunities, market accessibility, community development and improved standards of living. The Cape Winelands has an intricate road system transporting freight, cargo, goods and passengers across and between towns as well as linkages to neighbouring areas.

The repair and maintenance of road infrastructure in the District is critical to maintaining and enhancing connectivity within the area, which is especially important for the District's agricultural sector (9.8 per cent of GDP in 2017) as well as to the District's external road linkages. As road infrastructure is a key enabler of economic growth, expenditure on the upkeep and maintenance of road infrastructure will enhance connectivity and can have a positive impact on economic growth in the area. National Treasury guidelines indicate that allocations to repairs and maintenance should be 8 per cent of Property, Plant and Equipment (PPE) budgets. The District has indicated that the repairs and maintenance spend as a percentage of PPE is 4.3 per cent for the 2020/21 financial year.

● Social Infrastructure: Municipal Health Services

Provincial investment in social infrastructure (education, health, social development and human settlements) is done at the local municipal level and not at District level.

The District has a 2020/21 operating budget allocation of R42.206 million towards its municipal health function and a capital budget allocation of R16 000. Districts are mandated to provide municipal health services which includes the surveillance and prevention of communicable diseases such as Covid-19, which at present has the entire country in lockdown. Although this allocation for municipal health cannot be seen as part of investment in typical healthcare facilities, the importance of strengthening this function and providing it with adequate resources to perform its function is, given present circumstance, greatly emphasized.



3.5.2 Fire Fighting Services

Fire has been identified as a critical risk in the Cape Winelands District as the area is prone to fires especially veld fires during the summer season. Veld fires have been identified as one of the main contributors of economic, social and environmental threats in the Cape Winelands. One of the continued challenges that the area faces is shortage of staff and capacity in the Fire Services Division.

The District has allocated a total operating budget of R60.457 million to the provision of fire-fighting services for 2020/21. A capital budget of R10.765 million towards fire services is geared primary towards vehicle replacement and the supply of fire-fighting equipment such as radio infrastructure and skid unit pumps and tanks.

The current budgetary allocations are not sufficient to expand the fire service function for the region. This needs consideration in order to provide an efficient fire service for the area.

3.5.3 Disaster Management

In response to the global Covid-19 pandemic, the Minister of Cooperative Governance and Traditional Affairs on 15 March 2020 officially declared a national state of disaster as per section 27(1) of the Disaster Management Act, 2002 (Act No. 57 of 2002). This Act requires that each metropolitan and district municipality must establish a Municipal Disaster Management Centre (MDMC) which is the primary functional unit for disaster risk management (DRM) in metropolitan and district municipalities. A key function of the MDMC is to provide support to the National Disaster Management Centre (NDMC) and the relevant Provincial Disaster Management Centre (PDMC).

The Cape Winelands District has a functional disaster management centre located in Worcester, which attends to all DRM related issues. Since its inception, the District has established a District Disaster Management Advisory Forum to encourage participation of stakeholders in disaster management related matters as well as a Disaster Co-ordination Team to assess, evaluate and co-ordinate all actions in all the phases of a declared disaster.

The District has allocated a total operating budget of R7.353 million towards the disaster management function for the 2020/21 financial year. The capital budget allocation for 2020/21 totals R3.960 million mainly for a vehicle replacement and other critical equipment.

During this current pandemic, the critical importance of disaster management has been highlighted, and its scope and impact broadened to more than what has previously typically been expected. It underscores the need for preparedness for this critical function to reduce its impacts on lives, property, economy and the environment. Disaster Management capacity has been cited as a challenge facing local municipalities in the Cape Winelands District.

3.5.4 Local Economic Development

Tourism is a key economic driver within the Cape Winelands area and as such the District has a crucial role to play in the development of the sector within the region.

The Cape Winelands District Municipality is the Regional Tourism Organisation (RTO) for the Cape Winelands Tourism Region. In this role it provides regional leadership and coordination and partners with the Local Tourism Association to grow tourism in the region. It has developed a Tourism Strategy as part of its Socio-Economic Development Strategy to outline which activities will be implemented along with its partners to grow tourism in the Cape Winelands.



To this end, the District has allocated R9.308 million of its operational budget to the promotion and development of tourism within the region. This allocation includes projects such as 'Tourism Business Training' (R950 000), 'Tourism Events' (R650 000) and 'Township Tourism' (R500 000) amongst others.

As the tourism industry attracts investment and creates employment in the region, it plays a vital role in its contribution to the regional economy. Due to the restrictions placed on travel as a result of the Covid-19 onset, the District needs to be aware of the potential impact this could have on the tourism sector and consequently the regional economy as a whole.



SECTION 4: FINANCIAL SUSTAINABILITY

4.1 THE FINANCIAL HEALTH AND PERFORMANCE – YEAR ENDED 30 JUNE 2019

The assessment of the financial health and performance is an integrated process involving a review of a municipality's audited annual financial statements, audit report and ratio analysis. The results of the ratio analysis are used to support financial decisions and to identify factors which may influence the financial stability of the Municipality.

Adverse ratios highlight areas where attention may be required to ensure sustainability. The assessment analysis is based on the 2017, 2018 and 2019 audited financial statements in order to have a more solid context when looking at the 2020/21 budget.

The ratio analysis is conducted as per National Treasury MFMA Circular No. 71.

It should be noted that the Municipality submitted the ratios as was requested by National Treasury. The Municipality made the necessary corrections where necessary and resubmitted the ratios to PT to be used in the compilation of this report.

Provincial Treasury has analysed these ratios and the following items are highlighted.

The Financial Performance as per the Audited Annual Financial Statements

Table 5 Financial ratios and norms

Financial ratios and norms		2017 Audited	2018 Audited	2019 Audited	Comments
Asset Management					
1.	Capital Expenditure to Total Expenditure: 10% - 20%	3.0%	4.8%	3.9%	The ratio results have fluctuated over the three-year period, and have remained below the norm during that time. Lower spending on infrastructure may be attributed to being a District Municipality.
2.	Capital Expenditure Budget Implementation Indicator: 95 – 100%	96.3%	89.9%	84.7%	The ratio results have declined over the three-year period, and remain below the norm during the 2018 and 2019 financial years. This indicates discrepancies in planning and budgeting and possibly capacity challenges to implement projects.
3.	Impairment of Property, Plant and Equipment, Investment Property and Intangible Assets (Carrying Value): 0%	0.0%	0.0%	0.0%	The ratio results have remained stable over the three-year period, and within the norm during this time. This indicates that the utilisation of assets delivered the value or service levels envisaged when approved.
4.	Repairs and Maintenance as a % of Property, Plant and Equipment, Investment Property (Carrying Value): 8%	5.5%	5.5%	4.3%	The ratio results have remained below the norm over the three-year period, and have declined during the 2019 financial year.
5.	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure :(None)	93.8%	89.7%	100%	The ratio results fluctuated over the three-year period. The ratio result improved in the 2019 financial year. There is no norm from National Treasury for this ratio as the funding mix for Capital Expenditure is dependent on the municipal policy and ability to raise revenue from different sources.



Financial ratios and norms		2017 Audited	2018 Audited	2019 Audited	Comments
6.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure: (None)	93.8%	89.7%	100%	The ratio results fluctuated over the three-year period. The ratio result improved in the 2019 financial year. There is no norm from National Treasury for this ratio as the funding mix for Capital Expenditure is dependent on the municipal policy and ability to raise revenue from different sources.
Revenue, Debtors and Liquidity Management (cash availability)					
7.	Operating Revenue Budget Implementation Indicator: 95% - 100%	97.2%	94.2%	94.7%	The ratio results have decreased over the three-year period, and have been below the norm during the 2018 and 2019 financial years. The ratio measures the extent of Actual Operating Revenue (excl. Capital Transfers) received in relation to Budgeted Operating Revenue. A result below the norm indicates either capacity challenges, ineffective billing or credit control, weaknesses in compilation of the budget or issues of financial control and management within the Municipality.
8.	Revenue Growth (%) - Excluding capital grants: = CPI	-2.9% 5.3%	-6.9% 4.7%	5.5% 4.5%	The ratio results have fluctuated over the three-year period. During the 2017 and 2018 financial years the ratio result was below inflation. However, during the 2019 financial year there was significant improvement.
9.	Cash/Cost Coverage Ratio (Excluding Unspent Conditional Grants): 1 - 3 months	20 months	21 months	23 months	The ratio results have increased over the three-year period, and have remained above the norm during that time. This indicates low risk of the Municipality being unable to fund monthly fixed operational expenditure and to continue rendering services.
10.	Current Ratio: 1.5 - 2:1	15.8:1	15.4:1	18:1	The ratio results have increased over the three-year period, and have remained above the norm. This indicates that the Municipality is able to pay short-term obligations and provide for a risk cover to enable it to continue operations at desired levels.
Liability Management					
11.	Debt (Total Borrowings)/Revenue: 45%	0.0%	0.0%	0.0%	The ratio results have remained stable and below the norm over the three-year period. This indicates that the Municipality has the capacity to take on additional financing from borrowing to invest in infrastructure projects.
12.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure: 6% - 8%	0.0%	0.0%	0.0%	The ratio results have remained stable and below the norm over the three-year period. This indicates that the Municipality has the capacity to take on additional financing from borrowing to invest in projects.
13.	Creditors Payment Period (Trade Creditors): 30 days	10 days	10 days	8 days	Section 65(2)(e) of the MFMA requires that creditors be paid within 30 days. The ratio results remained within the norm during the three-year period, and there appears to be slight improvement during the 2019 year. The Municipality is commended for its efforts.



Financial ratios and norms		2017 Audited	2018 Audited	2019 Audited	Comments
Expenditure Management					
14.	Operating Expenditure Budget Implementation Indicator: 95% - 100%	91.5%	92.0%	83.2%	The ratio results have remained below the norm during the three-year period, and have deteriorated during that time. Usually this might indicate a lack of effective controls to ensure that the expenditure is conducted in accordance with an approved budget.
15.	Remuneration as a % of Total Operating Expenditure: 25% - 40%	50.6%	54.5%	55.0%	The ratios results have remained in excess of the norm over the three-year period, and appear to have been increasing during that period. The ratio indicates the prioritisation of resources within the Municipality. This ratio has to be interpreted with other factors such as powers and functions performed by the Municipality. Thus, the ratio results are an indication of non-service delivery related expenditure of the district municipality.
16.	Contracted Services as a % of Total Operating Expenditure: 2% - 5%	16.0%	13.9%	12.5%	Although the ratio results have remained in excess of the norm over the three-year period, there has been steady improvement during that time. This indicates that functions are being outsourced to Consultants, and may in turn be an indication of a lack of capacity in the Municipality. This must be compared with the level of vacancies within the approved structure.
17.	Irregular, Fruitless and Wasteful and Unauthorised Expenditure/Total Operating Expenditure: 0%	0.0%	0.2%	0.1%	The ratio results have remained stable over the three-year period. Result above this norm must to be investigated, control revisited and strengthened and actions taken following this investigation, including against those who caused Irregular, Fruitless and Wasteful and Unauthorised expenditure to occur.
Grant Dependency					
18.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue): None	40.7%	39.6%	41.8%	The ratio remained stable over the three-year period, which indicates that the Municipality's efforts toward self-sufficiency is continuing. National Treasury does not prescribe a norm for this ratio.
Net Asset Position (Going Concern)					
19.	Total Liabilities to Total Assets: <50%	24.5%	24.2%	21.4%	The ratio results have remained fairly stable during the 2017 and 2018 financial years, improving slightly during the 2019 financial year. The ratio results have remained within the norm over the three-year period. This implies that the Municipality is going concern.

4.1.1 Asset Management

- The Municipality need to ensure that Repairs & Maintenance expenditure is in line with its asset management policy & maintenance schedules.
- A District Municipality does not perform the same functions as Local Municipalities and therefore does not require the intensive infrastructure asset base.



4.1.2 Revenue, Debtors and Liquidity Management (cash availability)

- The Municipality has adequate cash reserves to adopt a less conservative approach to spending on required infrastructure functions mandated by a District.

4.1.3 Liability Management

- The Municipality has no borrowings nor finance lease liabilities, and as of the 2019 financial year end, the Municipality no longer has operating lease liabilities.
- Creditors are paid within the legislative date.

4.1.4 Expenditure Management

- Although the ratio results regarding employee and councillor remuneration have increased from year-to-year, the actual expenditure in that regard has decreased. Similarly, the ratio results for contracted services has decreased year-to-year, the actual expenditure has decreased in that regard. It is recommended that contracted services be analysed and that the Municipality be mindful to not use this as a substitute for using own staff. Where contracted / consultants are used, the Municipality is reminded of the cost containment regulations, as well as ensuring a transfer of skills where appropriate.

4.1.5 Grant Dependency

- It should be highlighted that this ratio calculation includes the Roads Agency function as own revenue. If this was factored out, the result for 2019 would be 14.6%. There are no NT norms for this ratio and Districts have different functions to Category B municipalities.

4.2 CREDIBILITY OF FUNDED BUDGET

Observations on the Current Financial Year

In assessing the 2019/20 MTREF budget, consideration is given to the Municipality's current year budget implementation, past revenue streams and spending trends as a baseline measure to determine the impact on future budget implications.



Table 6: Budget Summary

Description R thousands	2016/17				2017/18				2018/19				Current Year 2019/20		
	Adjusted Budget	Audited Outcome	YTD%	Diff	Adjusted Budget	Audited Outcome	YTD%	Diff	Adjusted Budget	Audited Outcome	YTD%	Diff	Original Budget	Adjusted Budget	Diff
Financial Performance															
Property rates															
Service charges	170	627	369%	269%	-	71									
Investment revenue	48 000	51 018	106%	6%	51 850	51 928	100%	0%	54 000	54 294	101%	1%	56 000	56 500	1%
Transfers recognised - operational	236 193	230 705	98%	-2%	232 537	230 434	99%	-1%	236 023	9 180	4%	-96%	11 418	243 928	2036%
Other own revenue	115 333	106 113	92%	-8%	119 448	97 806	82%	-18%	145 007	348 930	241%	141%	373 387	141 671	-62%
Total Revenue (excluding capital transfers and contributions)	399 696	388 463	97%	-3%	403 835	380 238	94%	-6%	435 029	412 404	95%	-5%	440 805	442 098	0%
Employee costs	183 880	173 806	95%	-5%	200 765	185 398	92%	-8%	211 612	178 159	84%	-16%	225 735	224 824	0%
Remuneration of councillors	11 302	10 216	90%	-10%	11 483	11 331	99%	-1%	12 458	12 171	98%	-2%	13 268	13 323	0%
Depreciation & asset impairment	10 618	8 381	79%	-21%	10 000	10 013	100%	0%	9 990	11 758	118%	18%	10 006	11 942	19%
Finance charges	14	1	6%	-94%	8	0	1%	-98%	-	-			-	-	
Materials and bulk purchases	-	31 557	0%	0%	23 111	20 261	88%	-12%	33 566	28 282	84%	-16%	36 057	35 099	-3%
Transfers and grants	1 500	13 275	885%		9 709	13 496	139%		11 656	11 424	98%	-2%	11 928	12 535	5%
Other expenditure	192 382	126 329	66%	-34%	146 773	120 705	82%	-18%	153 802	119 734	78%	-22%	146 812	138 371	-6%
Total Expenditure	399 696	363 564	91%	-9%	401 848	361 203	90%	-10%	433 084	361 526	83%	-17%	443 805	436 093	-2%
Surplus/(Deficit)	-	24 898		0%	1 987	19 035	958%	858%	1 945	50 876			(3 000)	6 006	-300%
Transfers and subsidies - capital (monetary allocations) (National/ Provincial and District)	-	-			(1 987)	-			-	-			6 428	1 242	-81%
Contributions recognised - capital & contributed assets	-	-			-	-			-	-			-	-	
Surplus/(Deficit) after capital transfers & contributions	-	24 898		0%	-	19 035			1 945	50 876	2615%	2515%	3 427	7 248	111%
Share of surplus/ (deficit) of associate	-	-			-	-			-	-			-	-	
Surplus/(Deficit) for the year	-	24 898		0%	-	19 035			1 945	50 876	2615%	2515%	3 427	7 248	111%
Capital expenditure & funds sources															
Capital expenditure	18 494	11 351	61%	-39%	20 320	18 270	90%	-10%	16 813	14 248	85%	-15%	42 650	10 949	-74%
Transfers recognised - capital	1 645	709	43%	-57%	1 987	1 885	95%	-5%	1 945	-	0%	-100%	6 428	1 242	-81%
Borrowing	-	-	0%	0%	-	-			-	-	0%		-	-	
Internally generated funds	16 849	10 642	63%	-37%	18 334	16 385	89%	-11%	14 868	14 248	96%	-4%	36 223	9 707	-73%
Total sources of capital funds	18 494	11 351	61%	-39%	20 320	18 270	90%	-10%	16 813	14 248	85%	-15%	42 650	10 949	-74%

Source: Cape Winelands District Municipality Audited AFS and 2020/21 Draft Budget A1-Schedule – Table A1

Findings and Recommendations

Historical trends based on the three preceding audited years, indicates the Municipality can implement the proposed budgets. Actual performance for most of the operating revenue items were more than 95 per cent except for transfers recognised – operational and own revenue. The Municipality needs to take note of the variance trends for certain line items during the final budget.



The Municipality's capital expenditure as at 28 February 2020 stood at R5.91 million or 53.9 per cent of the adjusted budget of R10.95 million, which is slightly above the YTD budget of R5.71 million. However, underperformance on the capital budget is noted on past audited year. There is a high probability that the current year's capital budget will not be fully spent as was the case in the previous three financial years. The Municipality is urged to place better focus on project implementation plans from the project managers in consultation with supply chain demand management plans in order to get an accurate and true reflection of the planned capital expenditure which will also assist in capital performance management and ensuring capital budget is spent within National Treasury Norms of at least 95 percent of the Capital Budget as per MFMA Circular No. 71.

The 2019/20 budget of the Municipality does not reflect any major material variances compared to previous audited performance. The adjusted budget for the current year has budgeted for a surplus, however, the following are some of the key observations for the 2019/20 financial year:

- The transfers and subsidies operational budget might be overstated when looking at the roll overs on table SB9. The Municipality is encouraged to plan sufficiently to ensure all grants are fully spent and to accurately populate SB9 schedule.
- The Municipality is advised to put measures in place to ensure cash reserves are not depleted. This is essential in ensuring that the district remains financially viable and that sustainable district services are provided economically and equitably to all communities.
- It is anticipated that the Municipality will underspend on the capital budget as the COVID-19 lockdown will also have an impact on completion of projects.

4.3 REVIEW OF THE NEW (2020/21) MTREF

4.3.1 Review of the Budget Assumptions

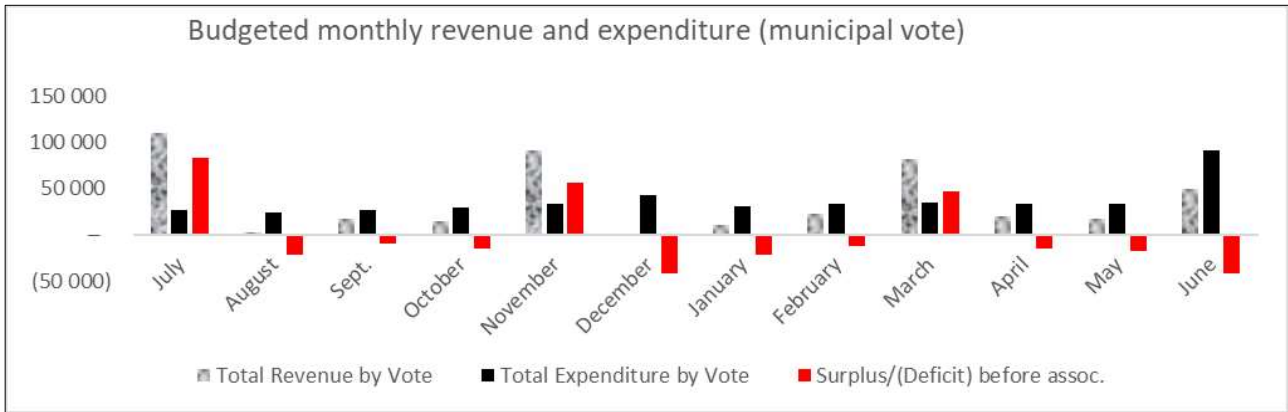
The budget assumptions presented on page 25 of the municipal budget document are reviewed for completeness, credibility and reasonableness as they form the basis upon which the MTREF is prepared and this is a requirement from regulation 16 of the Municipal Budget Reporting Regulations for Schedule A and as required by Circular No. 98 and 99. The assumption on rate of return on invested funds and ability or capacity of the Municipality to spend and deliver on programmes was not provided. The Municipality is requested to provide the budget assumptions of these items when the final budget is approved in Council.

The implications of the proposed response to Covid-19 by the Municipality is of most importance, as reprioritisation of funding allocations for the 2019/20 and 2020/21 financial year are required as per MFMA Exception Notice issued by National Treasury and COGTA Regulations. Provincial Treasury also issued a PT Circular, with further guidance to municipalities in response to COVID-19 national disaster, which should be considered before approval of the 2020/21 MTREF budget.



4.3.2 Forecasting and Multi-Year Budgeting

Graph 1: Budgeted Monthly Projections – Revenue and Expenditure



Source: Cape Winelands District Municipality 2020/21 MTRF Draft Budget A1 Schedule – Supporting Tables SA26

Findings and Recommendations

It is evident from the supporting Tables SA25 to SA27 of the A1 schedules that the Municipality has considered seasonal fluctuations and that linear projection has not been used. The Municipality is projecting that 79.5 per cent of the operating budget will be spent over the 11 months as 20.5 per cent of the proposed budget will be spend in the month of June 2021.

Expanding and reprioritising of the revenue base should be a key financial lever in the long term financial planning of the Municipality, with the application of sound financial management principles adhered to.

Graph 2: Single year vs Multi-year Capital expenditure



Source: Cape Winelands District Municipality 2020/21 MTRF Draft Budget A1 Schedule – Table A5

Findings and Recommendations

The Municipality did not budget for multi-year expenditure, as only single year expenditure was recorded on Table A5 of the A1-Schedules. This will require the Municipality to improve planning and initiate procurement processes earlier. The Municipality is reminded that multi-year appropriation will benefit the community by improving the basis for intergovernmental cooperation decisions and by enhancing opportunities for lower-cost financing and access to governmental programs. Supporting tables SA28 and SA29 of the capital expenditure shows that the Municipality is planning to spend 66.5 per cent of the capital budget over the eleven months of the financial year, as 33.5 per cent of the budget will spent in June 2021. Supporting Tables SA28 and SA29 needs to be informed by project implementation plans from the project managers to get an accurate and true reflection of the planned capital expenditure.



4.3.3 Budget Overview

Table 7: Budget Overview

R thousand	2018/19	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework		
		Original Budget 2016/17	Adjustment Budget 2016/17	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Total Revenue (excl. capital transfers and contributions)	412 404	440 805	442 098	442 641	457 130	470 733
Total Operating Expenditure	359 052	443 805	436 093	445 529	459 833	474 559
Surplus/(Deficit)	53 352	(3 000)	6 006	(2 888)	(2 703)	(3 826)
Total Capital Expenditure	–	6 428	1 242	1 733	1 806	618
Non Cash Items	11 814	11 102	12 960	12 705	12 705	12 725
Debt impairment	56	1 096	1 018	750	750	770
Depreciation & asset impairment	11 758	10 006	11 942	11 955	11 955	11 955
Total Restated Result	65 166	8 102	18 966	9 817	10 003	8 899

Source: Cape Winelands District Municipality 2020/21 MTREF Draft Budget A1-Schedule – Table A1

Findings and Recommendations

The Municipality tabled operational deficit budgets over the 2020/21 MTREF, with operating expenditure increases over the MTREF, is a concern in the long run as it continues to put pressure on the operating revenue budget and cash surpluses.

The Municipality is encouraged to table a surplus operating budget since the practice of tabling a budget deficit has the ability over time to reduce either the contribution to cash backed reserves or reduce the contributions to internal funds towards capital spending. The Municipality is encouraged to continue to implement strategies that will sustain the financial health position and quality of services delivered to the community.

The Municipality is encouraged to continue to implement strategies that will sustain the financial health position and quality of services delivered to the community. Furthermore, the Municipality will be experiencing pressure as it may be required to expand the scope of services rendered to respond directly to the socio-economic impacts of the COVID-19 pandemic and prevent the transmission of communicable diseases.

4.3.4 Adequacy of Revenue Management Framework

4.3.4.1 Main Operating Revenue Budget

The following table depicts budgeted operating revenue budget and growth trends over the 2020/21 MTREF.



Table 8: Operating Revenue

Description	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework			% Growth rates: MTREF Budget			
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23	2019/20-2020/21 (YOY)	2020/21-2021/22 (YOY)	2021/22-2022/23 (YOY)	2020/21 - 2022/23 (AVE)
Revenue By Source										
Rental of facilities and equipment	131	240	240	131	131	131	-45,4%	0,0%	0,0%	-15,1%
Interest earned - external investments	56 000	56 500	56 500	56 000	56 000	56 000	-0,9%	0,0%	0,0%	-0,3%
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	-	0,0%
Dividends received	-	-	-	-	-	-	-	-	-	0,0%
Fines	-	-	-	-	-	-	-	-	-	0,0%
Licences and permits	250	290	290	250	250	260	-13,8%	0,0%	4,0%	-3,3%
Agency services	128 202	125 329	125 329	122 120	130 562	137 046	-2,6%	6,9%	5,0%	3,1%
Transfers recognised - operational	241 135	243 928	243 928	248 405	253 744	260 109	1,8%	2,1%	2,5%	2,2%
Other revenue	15 087	15 812	15 812	15 735	16 443	17 187	-0,5%	4,5%	4,5%	2,8%
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-	0,0%
Total Revenue (excluding capital transfers and contributions)	440 805	442 098	442 098	442 641	457 130	470 733	0,1%	3,3%	3,0%	2,1%

Source: Annual Budget Schedule A4

Findings and Recommendations

The budget for rental of facilities and equipment, interest earned - external investments, licences and permits over the MTREF is an indication that the financial sustainability of the Municipality might be at risk and may result in depletion of municipal investments in the near future.

The Municipality's revenue framework is also based on the current economic climate. These economic challenges will continue to exert pressure on the district revenue generation and collection levels especially during this difficult time of National Disaster of Covid-19 as declared by the President. The District has been allocated a Grant of R2.1 million for 2020/21 MTREF for the Safety Initiative Implementation-Whole of Society Approach (WOSA), Gazette No. 8217, 10 March 2020. This initiative is to enable a resilient, sustainable, quality living environment through the operationalisation of a Safety Plan. The Municipality is encouraged to engage with the B municipalities when utilising these funds.

4.3.5 Adequacy of Expenditure Management Framework

4.3.5.1 Main Operating Expenditure Budget

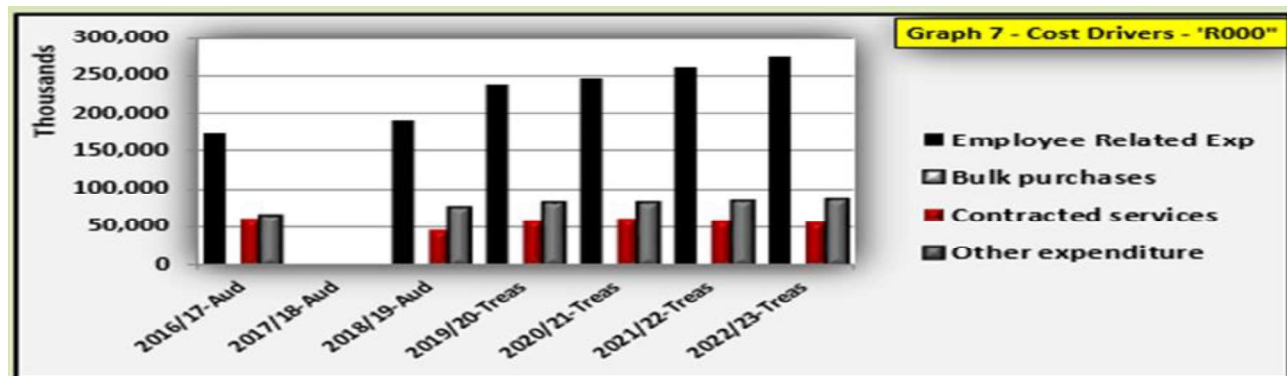
The following table depicts budgeted operating expenditure budget over the 2020/21 MTREF followed by a graph indicating the budget cost drivers.



Table 9: Operating Expenditure

Description	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework			% Growth rates: MTREF Budget				
	R thousand	Original Budget	Adjustment Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23	2019/20-2020/21 (YOY)	2020/21-2021/22 (YOY)	2021/22-2022/23 (YOY)	2020/21 - 2022/23 (AVE)
Expenditure By Type										
Employee related costs	225 735	224 824	233 421	246 552	258 609	3.8%	6%	5%	12%	
Remuneration of councillors	13 268	13 323	13 941	14 881	15 902	4.6%	7%	7%	6%	
Debt impairment	1 096	1 018	750	750	770	-26.3%	0%	3%	-13%	
Depreciation & asset impairment	10 006	11 942	11 955	11 955	11 955	0.1%	0%	0%	0%	
Finance charges	-	-	-	-	-	-	-	-	0%	
Bulk purchases	-	-	-	-	-	-	-	-	0%	
Other materials	36 057	35 099	29 653	31 219	32 342	-15.5%	5%	4%	-6%	
Contracted services	62 140	56 738	59 109	57 313	55 458	4.2%	-3%	-3%	1%	
Transfers and grants	11 928	12 535	15 222	14 421	14 233	21.4%	-5%	-1%	9%	
Other expenditure	83 556	80 418	81 458	82 721	85 270	1.3%	2%	3%	2%	
Loss on disposal of PPE	20	197	20	20	20	-89.8%	0%	0%	0%	
Total Expenditure	443 805	436 093	445 529	459 833	474 559	2.2%	3%	3%	3%	

Source: Annual Budget Schedule A4

Graph 3: Operating Expenditure 2020/21 MTREF budget cost drivers

Source: Cape Winelands District Municipality 2020/21 MTREF Draft Budget A1 Schedule - Table A4

Findings and Recommendations

Employee Related Costs (Including remuneration of councillors)

Employee related costs inclusive of council remuneration remain the most significant contributor in terms of the operating expenditure budget as it constitutes 56 per cent, 57 per cent and 58 per cent respectively over the MTREF and is above the norm of 35 per cent to 40 per cent range as per MFMA Circular 71 ratios. The municipal budget document is silent on how the Municipality is planning to resolve this institutional problem. Municipalities were advised in previous MFMA Circulars to address the bloated organisational structures. Municipalities are confronted with fiscal choices that may affect service-delivery to communities, therefore, addressing operational efficiency and the implementation of cost containment measures are key.

Debt Impairment

It is noted that the Municipality has decreased the budget projection for debt impairment over the MTREF when compared to current year and audited performance. The municipal budget document is silent on the reasons for the decrease.



Depreciation and asset impairment

Depreciation and asset impairment budget will remain the same over the MTREF which is unlikely given the past performance trends and the fact that property, plant and equipment shows a year-on-year growth over the MTREF. The Municipality is requested to review the budget for this line item when the final budget is tabled in council.

Contracted Services

Even though contracted services are decreasing over the MTREF, they constitute 13 per cent of the total operating expenditure budget and are above the norm of 2 and 5 per cent range as indicated in MFMA Circular No. 71. Outsourcing of municipal functions and use of consultants contributed to the high percentage. The Municipality is advised to review this line item by limiting non-priority spending and ensuring that there is no duplication of functions between the outsourced services, internal staff and consultants.

Other Expenditure

Other expenditure line item constitutes 18 per cent of the total operating expenditure budget over the MTREF, with operational costs line item as the highest contributor to the increase over the MTREF. The Municipality must consider reviewing this item by implementing stringent cost-containment measures, so that financial viability of the Municipality is not impacted.

Fruitless, wasteful, and irregular expenditure

It is noted that irregular, fruitless and wasteful expenditure was incurred during 2018/19 and was disclosed in the audited annual financial statements. The Municipality is urged to implement stringent consequence management processes. Management is advised to continuously review and monitor the procurement and payment processes to avoid reoccurrence of these expenditures. Section 32 of the MFMA and NT MFMA Circular No. 68 provides the procedures to follow when these transactions are detected.

Implementation of the Cost containment measures.

Although the Municipality has adopted MFMA Circular No. 82 guidelines on cost containment measures, it is unclear whether the Municipality has developed a cost containment measures policy as required by MFMA Circular No. 97 and the cost containment regulations as it was not part of the budget related policies for 2020/21 MTREF. The Municipal Cost Containment Regulations require municipalities to adopt the cost containment policy as part of their budget related policies. It is noted that some municipalities have different aspects of the cost containment measures captured in different council approved policies. In this instance such policies may be consolidated into one policy or reference can be made to the different policies in one single consolidated policy document.



4.3.6 Capital Budget

The following table depicts budgeted capital expenditure budget over the 2020/21 MTREF.

Table 10: Capital Expenditure

Vote Description R thousand	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework			% Growth rates: MTREF Budget			
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23	2019/20-2020/21 (YOY)	2020/21-2021/22 (YOY)	2021/22-2022/23 (YOY)	2020/21-2022/23 (AVE)
Capital Expenditure - Standard	-	-	-	-	-	-	-	-	-	-
Governance and administration	12 610	2 813	2 813	8 408	4 304	4 110	199%	-49%	-4%	49%
Executive and council	-	-	-	-	-	-	-	-	-	0%
Budget and treasury office	12 610	2 813	2 813	8 408	4 304	4 110	199%	-49%	-4%	49%
Corporate services	-	-	-	-	-	-	-	-	-	0%
Community and public safety	15 898	7 434	7 434	16 491	9 956	12 735	122%	-40%	28%	37%
Community and social services	3 540	59	59	4 011	1 455	4 520	6743%	-64%	211%	2297%
Sport and recreation	-	-	-	-	-	-	-	-	-	0%
Public safety	12 105	7 141	7 141	12 465	8 483	8 215	75%	-32%	-3%	0%
Housing	-	-	-	-	-	-	-	-	-	0%
Health	253	234	234	16	18	-	-93%	10%	-100%	0%
Economic and environmental services	14 143	703	703	4 992	9 499	6 203	610%	90%	-35%	222%
Planning and development	8 761	507	507	3 259	7 693	5 585	543%	136%	-27%	217%
Road transport	5 382	196	196	1 733	1 806	618	785%	4%	-66%	241%
Environmental protection	-	-	-	-	-	-	-	-	-	0%
Total Capital Expenditure - Standard	42 650	10 949	10 949	29 891	23 758	23 048	173%	-21%	-3%	50%

Source: Annual Budget Schedule A5

Findings and Recommendations

The total capital budget is decreasing throughout the MTREF period with the focus being more on community and public safety services and economic and environmental services.

The Municipality intends to invest R25.10 million or 83.9 per cent for new capital assets and R849 thousands or 2.8 per cent for renewal of existing assets of the total capital budget, which is not sustainable over the long term, as municipalities were advised in MFMA Budget Circular No. 55 to allocate at least 40 per cent of the capital budget to the renewal of existing infrastructure to secure the ongoing health of municipal infrastructure.

Asset renewal strategy policy

The Municipality has not presented any asset renewal strategy policy; however, parts of the strategy have been identified in the asset management policy. An asset renewal strategy policy helps to optimise expenditure on asset rehabilitation and maintenance to plan ahead, particularly for funding asset replacement or rehabilitation; and reviews the existing stock of infrastructure as it approaches the end of its useful life.

Capital budget Funding mix:

The following table depicts budgeted capital funding budget over the 2020/21 MTREF followed by a graph indicating the CAPEX funding mix.

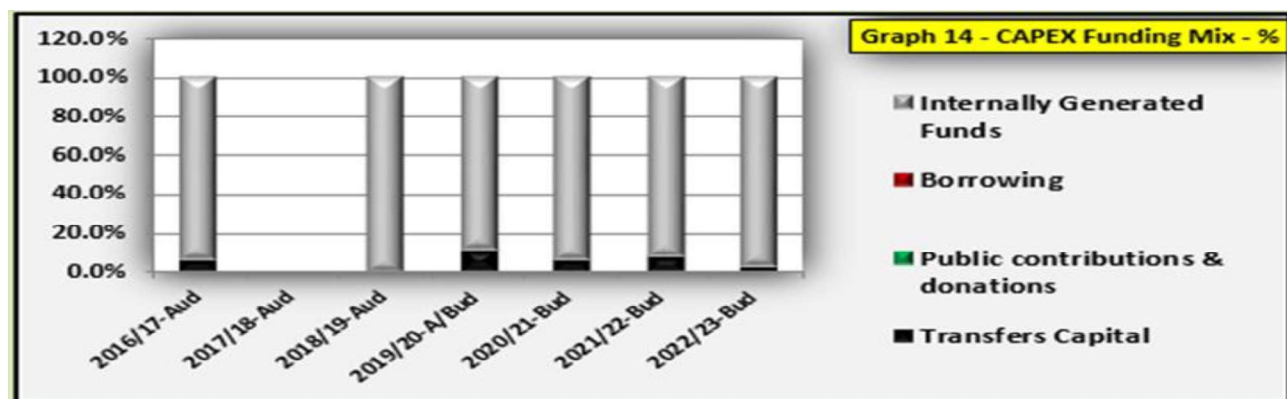


Table 11: Capital Funding

DC2 - Cape Winelands DM Description	CURRENT YEAR			MEDIUM TERM REVENUE & EXPENDITURE		
	2019/20	2019/20	2019/20	2020/21	2021/22	2022/23
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year +0	Budget Year +1	Budget Year +2
R thousand						
Funded by						
National Government						
Provincial Government	6 428	1 242	1 242	1 733	1 806	618
Transfers recognised - capital	6 428	1 242	1 242	1 733	1 806	618
Borrowing						
Internally generated funds	36 223	9 707	9 707	28 158	21 952	22 430
Total Capital Funding	42 650	10 949	10 949	29 891	23 758	23 048

Source: Annual Budget Schedule A5

Graph 4: Capex Funding Mix



Source: Cape Winelands District Municipality 2019/20 MTREF Draft Budget A1-Schedule - Table A5

Findings and Recommendations

There is less reliance on provincial grant funding over the MTREF and high dependence on internally generated funds. Government grant reliance is not stable over the outer two years and it is unclear what informed the Provincial Government funding amount as it cannot be traced on supporting Tables SA18, SA19 and SA20 of the A1 schedule. This raises concern about the credibility of the capital budget and possible overstatement of budget. Projects funded by grants should be finalised within the required timeframes to avoid the risk of retention or reduced allocations in future years.

With regards to borrowing, the Municipality plans to fund capital expenditure primarily from capital transfers and own internally generated funds. The Municipality is budgeting for internally generated funds to the amount of R28.16 million, R21.95 million and R22.43 million for the 2020/21, 2021/22 and 2022/23 MTREF years respectively. The Municipality does not intend to take up borrowings over the MTREF. The gearing ratio indicates that the Municipality has the capacity to increase funding from borrowings, however, this should be considered within the cash flow requirements of the Municipality.

4.3.7 Financial Position

The analysis of the A6 (Budgeted Financial Position) and A8 indicates that the Municipality has reported a positive working capital that demonstrates that it has enough funds to meet its short-term liabilities over the MTREF period. The above demonstrates that the Municipality has budgeted to achieve a positive working capital over the MTREF period.

● **Cash and cash Equivalents (A7)**

The Municipality budgeted for a positive cash and cash equivalents throughout the MTREF financial years of R683.50 million, R685.60 million and R687.20 million for 2020/21, 2021/22 and 2022/23 respectively. The year on year increases on the closing cash and cash equivalents over the MTREF budget depicts that the Municipality's financial position is sustainable.

● **Current Ratio**

The Municipality shows an analysis whereby the Municipality's current ratio fluctuates from 12.07:1 (2020/21), 13.72:1 (2021/22) and 13.46:1 (2022/23) over the 3-year MTREF period which is above the NT norm of 1.5 - 2:1.

● **Liquidity ratio**

The anticipated liquidity ratio is reported to be 11.68:1, 13.41:1, and 13.22:1 for the 2020/21, 2021/22 and 2022/23 years respectively. This ratio depicts that the Municipality is anticipating that the Municipality will have adequate financial resources to settle its short-term debts when it is due. The Municipality is not exposed to liquidity risk. However, sustainability over the long-term is a concern due to low own revenue streams.

● **Cash Cover Ratio**

The Municipality reflects a cost coverage ratio of 13 months for the 2020/21 financial year and 12 months for the two outer MTREF years, demonstrating that the Municipality has adequate cash resources to meet its monthly fixed operating commitments from available cash. The anticipated cash coverage ratio is above the NT norm of 1-3 months.

● **Debt (Total Borrowings) to total Operating Revenue**

The debt ratio reported to be zero per cent over the MTREF years, demonstrating that the Municipality has capacity to take on an additional increase in funding from borrowings. The anticipated debt ratio is within the NT norm of below 45 per cent indicating that the Municipality has the capacity to take on additional increase in funding from borrowings.

● **Capital Cost (Interest Paid and Redemption/Total Operating Expenditure)**

The capital cost ratio is zero per cent over the MTREF years. The ratio is below the National Treasury norm of 6-8 per cent indicating that ratio is favourable and that the Municipality can take on the increased funding through borrowing.

4.3.8 Cash Management (A7)

The Municipality reported a positive budgeted cash flow as per the A7 (Budgeted Cash Flow Statement) of R683.50 million, R685.60 million and R687.20 million for 2020/21, 2021/22 and 2022/23 years respectively. This depicts that the Municipality anticipates having a positive cash position over the MTREF.

- It should be noted that the alignment of the budgeted amounts between the supporting schedules and A schedules indicates credibility and sustainability of the Municipality's budget when comparing and reconciling to the A7 and SA30 Tables. Both Tables has demonstrated that the cash receipts will exceed the cash payments and the net increase in cash held over the MTREF period 2020/21.



- The analysis of the SA10 indicates that the Municipality has tabled a funded budget. However, the Municipality reported an Operating deficit of R2.89 million, R2.70 million and R3.83 million during the 2020/21, 2021/22 and 2022/23 MREF years.
- The recalculation, by excluding the non-cash items such as depreciation, debt impairment and asset impairment yields a surplus from the operating revenue and expenditure and therefore the Municipality remains funded.

4.3.9 Application of Cash and Investments (A8)

- The Municipality has taken into consideration the required applications to the reported cash and cash equivalents reflected in the table. The A8 table depicts that the Municipality will achieve a surplus of R694.66 million for 2020/21, R689.22 million for 2021/22 and R688.51 million for 2022/23. The outcome of the A8 table reflects that the Municipality's budget is funded and sustainable over the MTREF period.

The MTREF budget indicates that the Municipality intends to collect its revenue in line with the anticipated budgeted average collection rate of 96 per cent.

4.4 MSCOA IMPLEMENTATION

The Municipality is commended for submitting their data strings timeously given the current situation with the Covid-19 pandemic. The data strings submission status is as follows:

Table 12: mSCOA data strings submission status

Demarcation Description	Demarc Code	CAP	TABB	PRTA
Cape Winelands DM	<u>DC2</u>	M	G	G

Source: NT LG Portal

Findings and Recommendations

The Municipality has successfully submitted the data strings on the LG data base, however, it does not mean that the information submitted has passed verification stages 3 and 4.

Utilisation of financial systems

MFMA Budget Circular No. 98 requires municipalities to budget, transact and report directly from the core financial system and on all six (6) legislated mSCOA segments, thereafter submit the required data strings to the Local Government Portal, however, the municipal budget document was silent in this regard.

Seamless Integration of Financial Systems

Due to the variances highlighted in the perfect alignment tool, the financial system is not fully integrating with the supporting system.



Perfect alignment Tool

Table 13: Draft Budget A1 schedules vs data strings

Description	2020/21 Medium Term Revenue & Expenditure Framework								
	Data Strings Budget Year 2020/21	Council A1 Schedule	Differences	Data Strings Budget Year 2021/22	Council A1 Schedule	Differences	Data Strings Budget Year 2022/23	Council A1 Schedule	Differences
Financial Performance									
Property rates	-	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-	-
Investment revenue	56,000	56,000	-	56,000	56,000	-	56,000	56,000	-
Transfers recognised - operational	248,405	248,405	-	253,744	253,744	-	260,109	260,109	-
Other own revenue	138,236	138,236	-	147,386	147,386	-	154,624	154,624	-
Total Revenue (excluding capital transfers and contributions)	442,641	442,641	-	457,130	457,130	-	470,733	470,733	-
Employee costs	233,421	233,421	-	246,552	246,552	-	258,609	258,609	-
Remuneration of councillors	13,941	13,941	-	14,881	14,881	-	15,902	15,902	-
Depreciation & asset impairment	11,955	11,955	-	11,955	11,955	-	11,955	11,955	-
Finance charges	-	-	-	-	-	-	-	-	-
Materials and bulk purchases	29,653	29,653	-	31,219	31,219	-	32,342	32,342	-
Transfers and grants	15,222	15,222	-	14,421	14,421	-	14,233	14,233	-
Other expenditure	141,337	141,337	-	140,804	140,804	-	141,518	141,518	-
Total Expenditure	445,529	445,529	-	459,833	459,833	-	474,559	474,559	-
Surplus/(Deficit)	(2,888)	(2,888)	-	(2,703)	(2,703)	-	(3,826)	(3,826)	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	1,733	1,733	-	1,806	1,806	-	618	618	-
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions) & Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(1,155)	(1,155)	-	(896)	(896)	-	(3,209)	(3,209)	-
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(1,155)	(1,155)	-	(896)	(896)	-	(3,209)	(3,209)	-
Capital expenditure & funds sources									
Capital expenditure	29,891	29,891	-	23,758	23,758	-	23,048	23,048	-
Transfers recognised - capital	1,733	1,733	-	1,806	1,806	-	618	618	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	28,158	28,158	-	21,952	21,952	-	22,430	22,430	-
Total sources of capital funds	29,891	29,891	-	23,758	23,758	-	23,048	23,048	-
Financial position									
Total current assets	691,506	706,413	(14,908)	24,657	701,452	(676,794)	36,410	700,101	(663,691)
Total non current assets	183,470	175,005	8,465	7,438	187,308	(179,869)	6,728	197,900	(191,172)
Total current liabilities	61,153	58,520	2,633	37,280	51,109	(13,829)	50,092	52,000	(1,908)
Total non current liabilities	139,771	142,754	(2,983)	(4,288)	159,300	(163,588)	(3,745)	156,300	(160,045)
Community wealth/Equity	674,051	680,144	(6,093)	(896)	678,351	(679,247)	(3,209)	689,701	(692,910)
Cash flows									
Net cash from (used) operating	28,219	32,363	(4,144)	27,493	25,858	1,634	25,882	24,648	1,234
Net cash from (used) investing	(29,891)	(29,891)	-	(23,758)	(23,758)	-	(23,048)	(23,048)	-
Net cash from (used) financing	0	0	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	654,618	683,500	(28,882)	3,734	685,600	(681,866)	2,834	687,200	(684,366)
Cash backing/surplus reconciliation									
Cash and investments available	659,394	683,500	(24,106)	25,407	685,600	(660,193)	37,180	687,200	(650,020)
Application of cash and investments	(18,122)	(11,161)	(6,961)	19,160	(3,615)	22,775	31,590	(1,306)	32,896
Balance - surplus (shortfall)	677,516	694,661	(17,145)	6,248	689,215	(682,967)	5,590	688,506	(682,916)
Asset management									
Asset register summary (WDV)	171,174	170,005	1,169	11,783	181,808	(170,025)	11,073	192,900	(181,828)
Depreciation & asset impairment	11,955	11,955	-	11,955	11,955	-	11,955	11,955	-
Renewal and Upgrading of Existing Assets	4,794	849	3,945	2,030	-	2,030	2,670	-	2,670
Repairs and Maintenance	9,490	7,320	2,170	9,635	7,331	2,304	9,789	7,342	2,447

Source: NT Database

Findings and Recommendations

The above table highlights that the accuracy and reliability of data submitted by the Municipality remains a challenge due to data strings report. Investigation of differences between municipal A1-Schedule and LG data strings should be conducted to ensure accurate and credible budgeting, when the final budget is adopted in Council.

According to MFMA Circular No. 98, it is imperative that municipalities prepare their 2020/21 MTREF budget in their financial systems and that the A1 Schedules be produced directly from their financial system, as this will eliminate alignment problems. The Municipality is urged to make the necessary corrections and ensure that the adopted 2020/21 MTREF budget data strings align with A1 Schedules.



To ensure that the relevant budget data strings are accurate, a segment use analysis on 2020/21 draft budget data strings (TABB) was conducted and the following was identified:

Table 14: mSCOA Segment Use Analysis

No	Segment	Cape Winelands District Municipality
1	Project Segment	
1.1	Maintenance	
1.1.1	Corrective Maintenance	
1.1.1.1	Planned	Limited use of available budget options
1.1.1.2	Emergency	No budget allocated
1.1.2	Preventative Maintenance	
1.1.2.1	Condition Based	Limited use of available budget options
1.1.2.2	Interval Based	No budget allocated
1.2	Typical Work Streams	Limited use of available options Consider allocating more from Municipal Running Costs
1.3	Municipal Running Costs	Substantial use of Municipal Running Costs. Consider allocating more of the Municipal Running Costs to Typical Work Streams
1.4	Revenue	Limited use of available budget options
2	Fund Segment	
2.1	Use of Fund Segment	Adequate use of the Fund segment
3	Function Segment	
3.1	Use of Function Segment	Adequate use of the Function segment
4	Costing Segment	
4.1	Use of Costing Segment	Adequate of the costing Segment, major improvement from last years draft budget.
5	Region Segment	
5.1	Use of Region Segment	Adequate use of the Region Segment
6	Item Segment	
6.1	Property Rates	Not Applicable
6.2	Service Charges	Not Applicable
6.3	Fines	Not Applicable
6.4	Employee Related Costs	
6.4.1	Senior Management	The total does align to table SA22
6.4.2	Municipal Staff	The total does align to table SA22
6.5	Bulk Purchases	Not Applicable
6.6	Councillors Remuneration	The total does align to table SA22
6.7	Advertising	In supporting table SA24, the municipality plans to increase number of permanent employees by 15 and decrease the number of positions by 8 for 2020/21. There is no budget allocated to Tenders.
6.8	Debt Impairment	Adequate use of this budget option, however the consistence of this line item is questionable as stipulated under the expenditure section.
7	Travel & Subsidies	Adequate use of this budget option
7.1	Contracted Services	The amount reconciles with A4
7.1.1	Outsourced	The budgeted amount for this line item is R19.5 million. The major components of the budget are the following: - Security Services of R3.8 million - Cleaning and Grass Cutting of R2.8 million; and - Research and Administration of R2.7 million.
7.1.2	Consultants and Professional Services	Budget of R17.7 million is allocated to this line item of which Accounting and Auditing amounts to 0.
7.1.3	Contractors	Adequate use of contractors, and this budget amounts to R22 million. The major components of the budget are the following: - Fire Services of R10.2 million - Maintenance and Equipment of R4.4 million, and - Building of R2.8 million
8.	Other Materials	Adequate use of this budget option

Source: Cape Winelands District Municipality 2020/21 MTREF Draft Budget A1-Schedule – MSCOA data strings/Wizard Tool



Findings and Recommendations

The Municipality has used all seven segments in allocating the budget. It has however been noted that the project maintenance segment only made provision for planned maintenance. The Municipality needs to ensure that the split for maintenance is done accordingly. Also, the Municipality is encouraged to make sufficient use of the region segment as stipulated in the IDP document.

It should be noted that the National Treasury budget verification process has been brought forward to the period 31 May to 30 June, according MFMA Circular No. 98. In this one-month period, the National and Provincial treasuries will be required to evaluate all municipal budgets for completeness and for being fully funded. Any adjustment that need to be made must be done before the start of the municipal financial year on 1 July 2020.



SECTION 5: KEY FINDINGS, RISKS AND RECOMMENDATIONS

This section outlines the main points and risks/recommendations based on the SIME Assessment.

PUBLIC VALUE CREATION

ENVIRONMENTAL AND PLANNING ANALYSIS

- Considering the challenges facing the Municipality, the findings of the MFIA and the request for assistance made to the JDA, it is important that the CWD, in partnership with the local municipalities and WCG, will re-examine the existing information and collectively craft an appropriate way forward.
- The District should indicate how their Spatial Planning Categories relate to the WCBSP 2017 biodiversity conservation priorities, and also develop an invasive species monitoring, control and eradication plan for land under their control.
- The Annual Report and Council Resolution for the adoption and approval of the IWMP need to be submitted to the Department of Environmental Affairs and Development Planning (DEA&DP). The IWMP is integrated with the IDP but proof of all stakeholder engagements, must be forwarded to the Directorate: Waste Management. IWMP aligned with the IDP process will ensure adequate public involvement.
- It is recommended that Cape Winelands District Municipality either considers relevant clauses of the Departments' Model Integrated Waste Management By-Law or adopt it as a draft for their public participation process or as a guide to the development process of their by-law.
- The implementation of the Cape Winelands District Municipality's AQMP is also required to be measurable in order to assess and review its performance and achievements after five (5) years, as assigned in the 2017 National Framework for Air Quality Management in the Republic of South Africa.

ECONOMIC SUSTAINABILITY

- Given the onset of COVID-19 in March 2020 and the potential devastating effects that an outbreak and spread of the disease could have on the socio-economic environment, various possible impacts should be considered as indicated in Section 1 of this report.
- Pressure on disaster management function as well as municipal health budgets could be experienced as the District responds to the declared COVID-19 national state of disaster.
- As the tourism industry attracts investment and creates employment in the region, it plays a vital role in its contribution to the regional economy. Due to the restrictions placed on travel as a result of the COVID-19 onset, the District needs to be aware of the potential impact this could have on the tourism sector and consequently the regional economy as a whole. The Municipality could play a vital role in distributing information regarding financial support packages to the tourism sector to all affected businesses.



FINANCIAL SUSTAINABILITY

The 2020/21 MTREF analysis shows that the budget is funded, however, sustainability over the long-term is a concern due to the low own revenue streams and the impact and constant changing factors, that the National COVID-19 lockdown will bring, the Municipality need to manage short-term risks and uncertainties, while also planning for long-term financial resilience and sustainability. The gaps and risks identified in this assessment should be taken into consideration prior to the final budget adoption in Council, and the Municipality is encouraged to:

- Consider the inclusion of the projects that will not be completed by end of financial year due to COVID-19, in the final budget prior to adoption by Council.
- Cover and clearly capture all key focus areas of municipal budget assumptions as per MFMA Circulars and regulation 16 of the MBRR.
- Provide narratives for the variance identified in the operating revenue and expenditure budgets.
- Investigate the differences noted between the municipal A-Schedule and the NT relevant data strings to rectify the differences to ensure accurate and credible budgeting.
- Note that the current fiscal constraints are anticipated to persist over the MTREF, therefore the Municipality is advised to improve the effort to limit non-priority spending and implement stringent cost-containment measures, whilst striving for value for money.
- To review and align the capital budget amounts for asset renewal and repairs and maintenance with the National Treasury norms as per MFMA Circular No. 71 and consider updating the asset management policy to include the renewal strategies.
- Provide a detailed explanation and assurance that the budgeted repairs and maintenance amount is adequate to secure the ongoing health of infrastructure and it must be supported by reference to the municipal asset management plan.
- Plan sufficiently to ensure all grants are fully spent and to accurately populate the conditional grants information.
- Budget, transact and report from the financial system and make sufficient use of all mSCOA legislated segments when the final budget is adopted by Council.
- The Municipality appears to be a going concern, and due to substantial short-term investments, does not show any signs of cash flow problems. The Municipality is advised to review its capital funding mix by determining all sources of funding permitted, and documenting the amount of risk it is willing to expose itself to in terms of borrowings and other financial liabilities.
- The Municipality appears to be decreasing reliance on contracted services. The Municipality is encouraged to continue its efforts in this regard.
- The Municipality has enough funds to meet its short-term liabilities over the MTREF period.
- The Municipality budgeted for a positive cash and cash equivalents throughout the MTREF.
- The Municipality has budgeted for healthy liquidity ratios of over 12 in the MTREF.



ANNEXURE A

Contact details of officials working in the Environmental Affairs and Development Planning Department should guidance be required:

- Directions in terms of the National Environmental Management Act, 1998 (Act No. 107 of 1998) (NEMA) and related legislation:

Municipalities must study the Directions of 31 March 2020 and consider the implications for the Municipality and its processes carefully. The following officials of the Department of Environmental Affairs and Development Planning can be contacted for guidance in this regard:

Mr Zaahir Toefy Director: Development Management Email: zaahir.toefy@westerncape.gov.za	Region 1: City of Cape Town and West Coast District Municipal area. Region 2: Cape Winelands District Municipal area and Overberg District Municipal area.
Mr Gavin Benjamin Director: Development Management Email: gavin.benjamin@westerncape.gov.za	Region 3: Garden Route District Municipal area and Central Karoo District Municipal area.
Mr Eddie Hanekom Director: Waste Management Email: eddie.hanekom@westerncape.gov.za	Western Cape
Dr Joy Leaner Director: Air Quality Management Email: joy.leaner@westerncape.gov.za	Western Cape
Mr Marius Venter Environmental and Planning Appeals Co-ordinator Email: marius.venter@westerncape.gov.za	Western Cape

- Spatial Planning and Land Use Management Act, 2013 (Act No. 16 of 2013) (SPLUMA)
 - Directions or an exemption in terms of SPLUMA have not yet been issued by National Government. If Directions or an exemption is not issued in terms of SPLUMA are not in the near future issued by National Government, Minister Bredell will consider issuing an exemption in terms of Section 60 of the Western Cape Land Use Planning Act, 2014 (Act No. 3 of 2014) (LUPA) which would exempt Municipalities from provisions of LUPA as well as the corresponding provisions of the Municipal Planning By-Laws. For more guidance

The following official of the Department of Environmental Affairs and Development Planning can be contacted for guidance in this regard:

Mr Kobus Munro Director: Development Management Email: kobus.munro@westerncape.gov.za	Western Cape
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- Basic Service provision to Communities as well as De-Densification of certain Informal Settlements
 - A number of Regulations, Directions and Guidelines have been issued by National Government (all available at: <https://www.gov.za/coronavirus/guidelines>) including related to basic service provision to Communities.