



CAPE WINELANDS DISTRICT MUNICIPALITY

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

Western Cape Government

APRIL/MAY 2021

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LIST OF ACRONYMS

AQMP	Air Quality Management Plan
BESP	Built Environment Support Programme
CBD	Central Business District
CBA	Critical Biodiversity Areas
CMP	Coastal Management Programme
CSIR	Council for Scientific and Industrial Research
DCAS	Department of Cultural Affairs and Sport
DEA&DP	Department of Environmental Affairs and Development Planning
DHS/DOHS	Department of Human Settlements
DM	District Municipality
DLG	Department of Local Government
DWA	Department of Water Affairs
EPWP	Expanded Public Works Programme
FBE	Free Basic Electricity
HSP	Human Settlement Plan
IDP	Integrated Development Plan
IGP	Infrastructure Growth Plan
IIAMP	Integrated Infrastructure Asset Management Plan
IIF	Infrastructure Investment Framework
ITP	Integrated Transport Plan
ISDF	Integrated Strategic Development Framework
IYM	In-year Monitoring
IWMP	Integrated Waste Management Plan
JOC	Joint Operations Centre
kl	kilolitre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt hour (1000-watt hours)
LED	Local Economic Development
LUPA	Land Use Planning Act
MBRR	Municipal Budget and Reporting Regulations
MDG	Millennium Development Goal
MI	Municipal Infrastructure
MIG	Municipal Infrastructure Grant

MIP	Municipal Infrastructure Plan
MMP	Maintenance Management Plan
MVA	Megavolt Amperes (1 Million-volt amperes)
MWh	Megawatt hour (1 Million-watt hours)
NRW	Non-revenue Water
NDHS	National Department of Human Settlements
O&M	Operations and Maintenance
PMS	Performance Management Systems
RMP	Road Management Plan
SDBIP	Service Delivery Budget Implementation Plan
SDF	Spatial Development Framework
SOP	Standard Operating Procedure
SWMP	Stormwater Management Plan
WDM	Water Demand Management
WSDP	Water Service Development Plan
WTW	Water Treatment Works
WWTW	Wastewater Treatment Works

SECTION 1: INTRODUCTION

The 2021/22 MTREF planning and budgeting documents are drafted at an unprecedented time. An already weakened economy has been exacerbated by the impact of the COVID-19 pandemic and state spending is under severe pressure. It is therefore crucial that planning and budgeting are **responsive** to the current reality facing municipalities and their citizens. Municipal revenues are under downward pressure as a result of the COVID-19 related restrictions and its impact on the incomes, while the demand for municipal services are on the rise. Municipalities therefore have to be **resilient** against these pressures until the economic crisis has subsided. As per the 2020 Western Cape Recovery Plan, municipalities cannot only focus on responding to the pandemic, but there is also a need to look forward and make provision for economic and financial **recovery** over the medium-term. The 2021 municipal integrated development plans and budgets will therefore be assessed by against the principles of '**responsiveness, resilience and recovery**'.

The importance of the integrated planning and budgeting 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). These annual 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 2021/22 MTREF Budget, 2021/22 reviewed Integrated Development Plan (IDP) and Spatial Development Framework (SDF).

The assessment covers the following key areas:

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

The MBRR A-Schedules, budget documentation, IDP and SDF 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 meet the executives of your Municipality on 5 May 2021 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, LED, SDF and various other strategies and plans.

All the information related to the assessment and analysis of the annual budget, IDP and SDF are found in the report below.

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 2021/22 IDP Review of the Cape Winelands District Municipality (the Municipality) is the fourth review of the 2017-2022 IDP. The 2021/22 IDP Review approach took into consideration an assessment of the performance measurements of the Municipality and the extent that changing circumstances so demand. Based on the review of the tabled IDP at the end of March 2021, the Municipality intends to adopt a review of the IDP in May 2021.

2.2 INTEGRATED PLANNING ANALYSIS

2.2.1 IDP Overview

The 2021/22 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 commit to service delivery; create an enabling environment for economic growth and decent employment; and improve the living conditions of all households.

According to the 2020 Social Economic Profile (SEP) for the Cape Winelands District (the District), the area has a population of 943 386, rendering it the largest district in the Western Cape by population. This total is estimated to increase to 1 009 822 by 2024, equating to an average annual growth rate of 1.7 per cent. Between 2020 and 2026, the largest population growth is expected in the aged 65+ cohort which will grow at an estimated annual average rate of 3.1 per cent. This increase coupled with limited population growth in the child and working age cohorts will increase the dependency ratio towards 2026.

The District has a total of 230 017 households, 81.2 per cent of whom have access to formal housing in the municipal area. Service access levels are relatively high in the area, with access to piped water inside/within 200 meters of the dwelling at 97.1 per cent, access to a flush or chemical toilet at 91.1 per cent, access to electricity at 92.4 per cent and the removal of refuse at least weekly at 79.5 per cent of households. However, the District has the highest proportion of informal households at a total of 17.0 per cent compared to the Western Cape average of 19.4 per cent (with the exception of the Metro).

Considering the above, the number of indigents and households receiving free basic services in the District has shown a generally increasing trend up to 2018. The stressed economic condition is anticipated to exert pressure on household income levels, which are in turn likely to see the number of indigent households and the demand for free basic services increase.

According to the 2020 Municipal Economic Review and Outlook (MERO), the tertiary sector was the largest contributing sector to Gross Domestic Product (GDP) in 2018 valued at R45.0 billion and accounting for

66.8 per cent of the District's total GDP. This growth performance was due to the finance, insurance, real estate and business services sector and wholesale and retail trade, catering and accommodation sector which accounted for 20.0 per cent and 18.9 per cent respectively.

The 2020 MERO indicates that District has a significant agricultural base however, the agriculture, forestry and fishing sector performed poorly between 2014 and 2018, contracting by an annual average rate of 0.4 per cent, and is anticipated to have contracted by 9.2 per cent in 2019. The poor performance of the agriculture, forestry and fishing sector can be attributed to the persistent drought in the Western Cape.

In terms of safety, the murder rate across the District increased from 39 in 2019 to 42 in 2020 (per 100 000 people). The number of sexual offences reported was 880 in 2019 compared to 966 reported sexual offences in 2020(actual cases), while incidences of driving under the influence of drugs (DUI) or alcohol and drug-related offences improved. The decline in DUIs reflect a positive trend given a notable reduction in the number of road user fatalities across the District.

The 2021/22 IDP Review provides a situational analysis section identifying key challenges and backlogs under Chapter 3 through infographics obtained from the 2020 SEP of the Municipality. The situational analysis section could be improved by including a narrative on the interpretation of statistics on demographics, education, health, poverty, basic service delivery as well as safety and security. This will enable communities, possible investors and other stakeholders to gain a better understanding of the Municipality's current socio-economic status.

In relation to public participation processes conducted for the current IDP cycle, the 2021/22 IDP Review only reflects community needs related to call for proposals and funding requests.

The 2021/22 IDP Review reflects the Municipality's internal top strategic risks as follows:

- Financial viability;
- Inadequate contract management;
- Lack of Business Continuity;
- Climate change;
- Lack of succession planning and talent management;
- Increasing employee costs year-on-year; and
- Lack of or delayed service delivery due to COVID-19.

The 2021/22 IDP Review further notes that for each of the above risk areas the Municipality has put mitigating measures in place aligned to the specific department in the budget. These measures will be implemented over the Medium-Term Revenue and Expenditure Framework period.

A list of statutory and non-statutory plans is reflected in the 2021/22 IDP Review, which indicates the status of the Municipality's sector plans and policies. It is noted that all listed sector plans have been adopted or reviewed less than five years ago.

2.2.2 IDP process

In terms of Sections 28 and 29 of the Municipal Systems Act 32 of 2000 (MSA), a municipality must follow a prescribed process when reviewing and/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 (b) of the Municipal Finance Management Act 56 of 2003.

The MSA and Municipal Planning and Performance Management Regulations require that a district municipality must consult with the local municipalities when reviewing and/or amending its IDP. Similarly, local municipalities are required to consult the district municipality.

In line with Section 27 of the MSA, the Municipality adopted a District Framework for integrated Development Planning for the area as a whole in consultation with all local municipalities in its area on 27 October 2016. The District Framework intends to guide the planning, development and adoption of the District IDP as well as the IDPs of the local municipalities in its area. Furthermore, the Municipality adopted an IDP Process Plan in July 2016, in line with Section 28 of the MSA which specifies the processes, timelines and structures regarding the planning, development and adoption of the 2017-2022 IDP. The 2021/22 IDP Review indicates that the Municipality reviewed its IDP in accordance with the Time Schedule of key deadlines adopted by Council in August 2020.

In addition, functional structures coordinated at district level enable the practice of planning-led budgeting in the IDP process, which promote inclusive strategic analysis through the District Coordinating Forum and intergovernmental co-ordination through the Joint District Approach.

2.2.3 IDP compliance

Section 26 of the MSA refers to the core components of an IDP and states that an IDP must reflect:

- the municipal council's vision for the long-term development of the Municipality;
- an assessment of the existing level of development in the Municipality;
- the council's development priorities and objectives for its elected term;
- the council's development strategies which must be aligned with any national or provincial sectoral plans and planning requirements binding on the Municipality in terms of legislation;
- a Spatial Development Framework;
- the council's operational strategies;
- applicable disaster management plans;
- a financial plan; and
- the key performance indicators and performance targets determined in terms of section 41 of the MSA.

An assessment of the 2021/22 IDP Review read in conjunction with the 2017-2021 IDP as well as with all subsequent reviews of the 5-year IDP reflects compliance with all requirements of Section 26 of the MSA and relevant Regulations.

2.2.4 IDP alignment

According to Section 32 of the MSA the MEC may within 30 days of receiving a copy of an IDP, or within such reasonable period as may be approved by Minister, request a municipality to adjust the plan or amendment in accordance with the MEC's proposal if it is in conflict with or is not aligned with or negates any of the development strategies of other affected municipalities or organs of state. Section 26 of the MSA further requires that IDPs must be aligned with and not negate the national and provincial development plans and planning requirements binding on the Municipality in terms of legislation.

In order to ensure improved alignment between the 2021/22 IDP Review and national/provincial plans, various sector departments formed part of the assessment as found below:

● **Economic Development**

The 2021/22 IDP Review indicates that Council adopted a Regional Economic Development Strategy (REDS) for the District in May 2019. This strategy aims to facilitate environmentally sustainable economic development planning through the development and maintenance of strategic partnerships, investment attraction, retention and creating an enabling environment for various economic opportunities.

In addition, the development and empowerment initiatives, social inclusion and improving the livelihoods of the poor, vulnerable groups, farm dwellers and rural communities is another indicator driven by the REDS to ensure economic responsiveness, resilience, and recovery. Moreover, the Municipality also drafted an Economic Recovery Plan for the District in November 2020 which is currently awaiting Council approval.

● **Human Settlements and Transport**

The 2021/22 IDP Review indicates that the Municipality has an approved Integrated Transport Plan (ITP) for the District which is currently under review. The ITP informs the transport strategies of all the local municipalities and aims to increase levels of mobility for the whole of the District. It is noted that the review of the current ITP has been advertised and is envisaged to be completed by the end of June 2022.

● **Health, Social Services and Amenities**

The 2021/22 IDP Review reflects a list of planning initiatives, projects and programmes to be implemented district wide. Support to local municipalities regarding upgrading of sport facilities amounts to R2.2 million and R2.9 million for sport, recreation and culture programmes to be implemented. Projects and programmes budgeted for HIV/Aids, the elderly, disabled, families and children is indicative of improved alignment between the 2021/22 IDP Review and the Vision Inspired Priority of the Western Cape Government that relates to Well-being. This prioritisation is also in line with the Municipality's Strategic Objective 1: Creating an environment and forging partnerships that ensure social and economic development of all communities, including the empowerment of the poor in the Cape Winelands District.

● **Safe and Cohesive Communities**

The Municipality's focus on road safety is evident given the decrease in fatal crashes and road user fatalities from 237 in 2018/19 to 206 in 2019/20, while DUI decreased slightly from 957 in 2019 to 947 in 2020 according to the 2020 SEP. The 2021/22 IDP Review notes a budget of R928 000 for the implementation of Road Safety Education Programmes across the District for the 2021/22 financial year. The Municipality's safety focus thus aligns to the District Safety Plan as per the service level agreement with the Department of Community Safety.

2.2.5 IDP Implementation

The 2021/22 IDP Review constitutes the fourth and last annual review cycle of the 2017 – 2022 IDP and therefore an important milestone to assess whether the Municipality might be at risk of not achieving its strategic objectives.

A comparative analysis between the 2017-2022 IDP and the 2021/22 IDP Review reveals that the Municipality's three Strategic Objectives and 13 Pre-determined Objectives remained unchanged from the start of the term of office to date. However, it is noted that compared to the 18 Key Performance Indicators (KPIs) initially developed in the 2017-2022 IDP, the 2021/22 IDP Review reflects 33 KPIs translating to an increase of 21 KPIs.

According to the 2019/20 Annual Report an assessment on the Municipality's non-financial performance per strategic objective reveals the following:

- Strategic Objective 1: Creating an environment and forging partnerships that ensure social and economic development of all communities, including the empowerment of the poor in the Cape Winelands District – Both targets were overachieved.
- Strategic Objective 2: Promoting sustainable infrastructure services and a transport system that fosters social and economic opportunities – targets for two of the KPIs were overachieved while targets for three of the KPIs were underachieved.
- Strategic Objective 3: Providing effective and efficient financial and strategic support services to the Municipality. Targets for six of the KPIs were overachieved while targets for two of the KPIs under this strategic objective were underachieved.

The 2019/20 Annual Report reflects that out of the 33 KPIs against which the Municipality performed, 10 was overachieved, 16 was achieved, 2 was almost achieved and 5 was underachieved. This performance trajectory puts the Municipality well on track to achieve all its targets by the end of its term of office.

The 2020/21 mid-year non-financial performance per strategic objective assessment indicates that the Municipality achieved 11 of its 17 planned targets for the first half of the year. This equates to a 64.7 per cent achievement rate and a variance of 35.3 per cent between planned and actual performance.

It is further noted that of the 6 targets not achieved in the mid-year include 3 missed targets (50 per cent) are related to Strategic Objective 2: Promoting sustainable infrastructure services and a transport system which fosters social and economic opportunities.

The mid-year non-financial performance reflects that the KPI related to 1 250 kilometres of roads to be graded is under risk of not being achieved as a zero-actual achievement has been recorded to date. The Municipality provided no corrective measures in all instances where targets were not achieved., It is therefore not possible to ascertain whether these targets will be met by the end of the financial year.

Due to the impact of COVID-19 and the regulatory lockdown on operations, certain targets required adjustment as it was projected that achievement of set targets would be significantly impeded on by the regulations in place. Certain targets were adjusted to zero due to the foreseen impact of the COVID-19 lockdown regulations on operations.

2.2.6 Outstanding areas for improvement

The following is an outstanding area for improvement raised in previous assessment reports that remains outstanding:

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.

2.2.7 Key findings, risks and recommendations

The following risks need to be highlighted:

- The increased population growth in the aged 65+ cohort coupled with limited population growth in the child and working age cohorts will increase the dependency ratio towards 2026, which will increase the risk of further strain on service delivery for the Municipality.

- The high proportion of informal households which increase constantly amplifies the risk of deteriorating socio-economic conditions in the District.

2.3 ENVIRONMENTAL AND PLANNING ANALYSIS

Compliance, Performance, Implementation and Changing Circumstances:

The purpose of this section is to explore whether the IDP is aligned to the MSDF, the extent to which the IDP and budget implement the MSDF and hence determine what remains outstanding in terms of implementing the MSDF. Furthermore, it highlights changing circumstances that impact the implementation of the MSDF, any gaps in the existing MSDF, and sets out the need for the MSDF to be approved with the IDP at the start of the new five-year IDP cycle in 2022.

Compliance, Performance and Level of Implementation:

The amended IDP is aligned to the MSDF and both documents carefully consider the roles and responsibilities of a District Municipality. To this end, the focus is placed on maintaining, re-sealing and re-gravelling the proclaimed provincial road network. Furthermore, emphasis is placed on co-ordinating the Districts response to Solid Waste Management, co-ordinating the district wide tourism response, improving pedestrian safety through the implementation of sidewalks in line with the District ITP, co-ordinating the District wide disaster management response (including capacity building) and ensuring the necessary infrastructure is available.

The Cape Winelands SDF lists numerous projects which need to be undertaken, together with their budgets. The MSDF contains 4 chapters with a total of 18 focus areas for intervention, which each have an "Implementation Plan". The latter each list numerous projects, together with budgets. What follows is a list of those projects which are more spatial in nature together with an indication as to whether they have been funded through the draft Municipal IDP and Budget:

- Projects related to the Integrated District Public Transport Network: Road Safety Education (funded), Sidewalks and Embayment's (funded), Integrated Public Transport, CBD Public Transport Plans.
- Water Infrastructure Projects include: EPWP Invasive Alien Management (funded), River Rehabilitation (funded), Water and sanitation for Rural areas/ farms (funded), provision of water to schools (funded).
- Projects related to Disaster Management: Environmental Health Education Programme (funded).
- Projects related to Solid Waste Disposal: Regional Landfill site planning (funded).
- Projects related to Agri-parks: Road Maintenance, Clearing of Road reserves (funded).

From the above list it could be argued that the Draft IDP and Budget are enabling the implementation of the MSDF. The SDF speaks to the need to strengthen transport and other communication networks that link better located areas with those with less potential i.e. to increase resident's ability to commute between higher order and lower order towns to access opportunities. This need is reflected in the budget of the Municipality with R16.28 million towards "promoting sustainable infrastructure services and a transport system which fosters social and economic opportunities in the 2021 - 2022 financial year." For the next two financial years, the allocated amounts are similar.

The Municipality should decide whether it would like to amend its SDF for approval with the IDP in 2022, or to keep it as is. It is understood that the redrafting of the SDF is not currently under consideration. Regardless of which route the Municipality decides to follow, the SDF will need to be adopted together with the IDP at the start of the new IDP term of office in 2022. When the next update to the Cape Winelands SDF is undertaken, a key aspect will be making sure that it is aligned to the Greater Cape Regional Spatial Implementation Framework (GCM RSIF). The current SDF was adopted prior to the completion of the GCM

RSIF. In addition, the SDF will have to provide greater clarity on the location of the regional solid waste site for Stellenbosch and Drakenstein.

Furthermore, despite the fact that some information from the Western Cape Biodiversity Spatial Plan (WCBS 2017) has been incorporated into the Cape Winelands District SDF, the latter does not indicate how their spatial planning categories (SPCs) relate to the biodiversity conservation priorities contained in the WCBS (2017). There needs to be a connection made, and the SDF needs to provide clarity on the relationship, between how the BSP categories related to SPCs. 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 (2017)].

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

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". Both the IDP and the SDF makes a strong linkage between alien clearing and water security and water infrastructure, through projects focussed on increasing alien clearing in catchments located throughout the entire District and the category B municipalities in partnership with 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.

In terms of Climate Change, the CWD has a lot of information at hand in respect of the potential impacts of climate change on the district and its economic activities. This includes a thorough climate change assessment and an Air Quality Management Plan. The District also recognises climate change as a strategic risk in the MTEF and SDBIP. It is noted nevertheless that climate change response, both as adaptation and mitigation, or general sustainability do not get specific attention in the budgeting and planning. There are small projects related to solar systems and ecological rehabilitation, but no systematic plans to reduce spending in locations or activities that are exposed to climate change impacts. The recognition of 'green procurement' in the Procurement Plan looks like an afterthought and is not a compulsory specification for procurement. This means that further investment in exposed sectors and areas, and in fossil-fuel linked infrastructure and services will continue. The allocation to 'sustainable infrastructure services' (item 2.2) is not qualified to enable a reader to judge whether it is 'environmentally responsible' or 'planned to last'.

With regards to Waste Management and Planning, the Municipality has a designated Waste Management Officer (WMO) and submitted a 3rd generation Integrated Waste Management Plan (IWMP) that met the minimum requirements as stipulated in the National Environmental Management: Waste Act (Act No. 59 of 2008) as amended. However, comments provided by the stakeholders were not included in the IWMP.

There is no indication in that the 3rd generation IWMP was approved by council in the IDP. The 2018/ 2019 Annual Report indicates that the Municipality received a waste licence for the regional waste disposal site but is currently waiting for the decision on the appeal lodged against the Environmental Authorisation. The District submitted a draft Status Quo report for the 4th generation IWMP, and the DEA& DP provided comments on the report. Further comments will be addressed in the draft 4th generation IWMP. It must be noted that there are no waste management facilities managed by this District Municipality.

In terms of a Waste Minimisation and Policy perspective, the CWD does not have a Waste Management by-law in terms of the National Environmental Management: Waste Act (NEM: WA), as it is not mandated to implement waste services at a local municipal level, and a by-law in this regard may therefore be optional.

Furthermore, it is required of the CWD to provide a supporting role to its local municipalities, however, a direct involvement in supporting the implementation of waste minimisation systems at a local municipal level is unclear, specifically in the diversion of organic-, and construction and demolition waste from landfill. In terms of Waste Management Awareness initiatives, the CWD distributes waste awareness and educational materials to schools in informal areas. The local municipalities are responsible for their own waste awareness campaigns, but the CWD assists where needed.

Waste Licensing

The **Cape Winelands District** Municipality currently has no Facilities that it manages. Although a Waste Management License has been issued for a regional facility, this was appealed, and the matter is still in court.

In terms of Air Quality Management, 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.

SECTION 3: ECONOMIC SUSTAINABILITY

3.1 INTRODUCTION

This section examines to what extent the tabled 2021/22 MTREF Budget is responsive from a socio-economic perspective as well as the District's ability to meet the community expectations for services from its limited resources to contribute towards achieving economic recovery and maximising benefits for its residents.

Firstly, the socio-economic reality and needs within the community is examined to gain an understanding of the implications thereof. Secondly, this is followed by an analysis of the budgetary allocations to the strategic objectives and the municipal and provincial expenditure to determine their respective responsiveness to the socio-economic reality of the region.

3.2 SOCIO-ECONOMIC CONTEXT

3.2.1 Socio-economic Overview

Table 1 Socio-Economic indicator analysis

Socio-economic Indicator		NDP Goal	District Average	WC Average
Population	Population Growth	0.5 -1% p.a.	1.8%	1.8%
Access to basic services	Formal housing	-	81.2%	79.1%
	Water	100%	97.1%	96.6%
	Electricity	95%	92.4%	93.7%
	Sanitation	-	91.1%	90.0%
	Refuse	-	79.5%	94.0%
Crime	Murder (per 100 000)	-	42	57
	Residential Burglaries (per 100 00)	-	587	515
Economy	Unemployment Rate	14% by 2020	10.7%	19.4%
	GDP growth	4.5% per annum	0.1%	1.4%
Human Development	Human Development Index	-	0.77	0.76

Source: NDP 2030; Cape Winelands SEP-LG (2020)

Comments:

- The data indicates that most of the socio-economic trends are on an improving trajectory which is positive to note. However, of concern are certain indicators related to crime.
- The increasing murder rate in the Cape Winelands is concerning as high levels of crime hampers growth, discourages investment, negates local capital accumulation and has a negative impact on the economy as a whole. Safety is also one of the key focus areas in the WCG Recovery Plan.
- The Cape Winelands economy performance is below that of the province's muted economic growth. The agriculture, forestry and fishing sector experienced below-average performance between 2014 and 2018 and is estimated to have contracted by 9.0 per cent in 2019. This contraction led to the loss of 820 jobs. The agriculture, forestry and fishing sector is still recovering from the provincial drought.

- Cape Winelands' unemployment rate is well below that of the province; however, it is increasing every year. The region is the wine capital of South Africa and was particularly hard hit due to the Covid-19 restrictions on the sale of alcohol during the hard lock down in 2020. Unemployment has a direct impact on household income and the ability to afford basic services. It also forces more households to register as indigent households and qualify for the provision of free basic services which further strains municipal resources Municipal and Provincial Budget analysis

This section analyses the responsiveness of the budget and strategic objectives to the socio-economic reality of the Municipality.

3.3.1 Key budget priorities in terms of IDP Strategic Objectives

The 2021/22 MTREF budget breakdown in terms of the strategic objectives is indicated in the table below. Cape Winelands District Municipality budgeted for a total operating expenditure of R428.23 million and a total capital budget of R42.03 million in the 2021/22 financial year.

Table 2 Strategic Objectives for the 2021/22 Medium Term Revenue & Expenditure Framework

Cape Winelands District Supporting Table SA5 & SA6 Reconciliation of IDP Strategic Objectives and Budget (Operating and Capital Expenditure)								
Strategic Objective	2021/22 Medium Term Revenue & Expenditure Framework OPEX				2021/22 Medium Term Revenue & Expenditure Framework CAPEX			
	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24	Average Annual Growth	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24	Average Annual Growth
Community Development and Planning Services	143 522	143 161	145 265	0.6%	27 538	10 400	12 480	-38.5%
Technical Services	164 194	171 120	171 553	2.2%	10 399	7 781	4 787	-13.5%
Financial and Strategic Support Services	120 510	124 698	127 700	2.9%	4 091	2 125	2 614	-27.9%
Total Expenditure	428 226	438 980	444 518	1.9%	42 028	20 306	19 881	-31.2%

Source: Cape Winelands District Municipality, A-Schedules

Comments:

- National and provincial policy directives have been highlighted in the District's IDP and complete alignment to the District's strategic objectives has been identified.
- The strategic objectives noted in budget Tables SA5 and SA6 for the 2021/22 MTREF are aligned to the strategic objectives in the IDP. The 2021/22 MTREF budget reflects a similar distribution of budgetary allocations across for all strategic objectives.
- Strategic Objective 2 'Technical Services' receives the largest proportion of the operating budget at 38.3 per cent. This is mainly for the provision of the roads agency function and other infrastructure development within the District. Strategic Objective 1 'Community Development and Planning Services' is allocated 33.5 per cent of the budget for the provision of municipal health and fire-fighting services as well as disaster management co-ordination. Strategic Objective 3 'Financial and Strategic Support Services' receives 28.1 per cent of the operating expenditure budget. This is similar structure to budgetary allocations in previous financial years.

- The largest share of the District's total 2021/22 capital expenditure budget of R42.03 million is allocated towards 'Community Development and Planning Services' (R27.54 million or 65.5 per cent), 'Technical Services' is allocated 24.7 per cent of the budget and 'Financial and Strategic Support Services', 9.7 per cent.

3.3.2 Municipal and Provincial Expenditure

Table 3 Comparison of Provincial and Estimated Municipal Infrastructure Expenditure: 2021/22 (R'000)

Type	Provincial Infrastructure Spend	Municipal Infrastructure Spend
Economic Expenditure	755 148	5 644
Road Transport and Public Works	755 148	1 456
Planning and Development	-	4 188
Environmental Protection	-	-
Social Expenditure	427 395	27 538
Education	71 000	-
Health	86 671	36
Social Development	-	8 415
Housing	269 724	-
Sports and Recreation	-	-
Public Safety	-	19 088
Trading Services		
Electricity		
Water		
Waste Water Management		
Waste Management		
Other	-	8 846
Total Expenditure	1 182 543	42 028

Source: 2021 Western Cape EPRE (Provincial spend), National Treasury Database (Municipal spend)

- The Provincial Government allocation to infrastructure spend across the CWD is substantial at R1.182 billion for 2021. Provincial government has four priority spending areas in the CWD, namely. Road transport and public works, housing, health and education with road transport seeing the largest proportion of the total infrastructure allocation (R755 148 million, 63.9 per cent).
- This allocation will mainly be directed towards road maintenance and repair, refurbishment and rehabilitation and upgrades and additions to existing road transport infrastructure, the biggest of these for 2021 being the Windmeul resealing project in Drakenstein (R227 million) and the second phase of the Ashton-Montagu rehabilitation in Langeberg (R202 million). These two projects constitute 56.8 per cent of the economic infrastructure allocation.

3.3.2.1 Economic Expenditure Analysis

Road Transport

- District municipalities perform an important roads agency function on behalf of the Provincial Department of Transport and Public Works. This allocation for the 2021/22 financial year amounts to R123.11 million or 26.2 per cent of the District's total operating budget.

- The repair and maintenance of road infrastructure in the District is critical to maintain and enhance connectivity within the area, which is especially important for the District's large agricultural sector (14.4 per cent of GDP in 2018) 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 enhances connectivity and can have a positive impact on economic growth in the area.
- The District has indicated that the WCG allocation towards road maintenance within the area is not adequate to address all the technical maintenance, resealing, regravelling, rehabilitation and reconstruction needs within the area, especially with regards to the provincial gravel roads.

3.3.2.2 Social Expenditure Analysis

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

● 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 allocated R40.593 million towards its municipal health function and as well as a capital budget allocation of R36 000 in 2021/22. Districts are mandated to provide municipal health services which includes the surveillance and prevention of communicable diseases such as the current COVID-19 pandemic which continues to persist. The allocation for municipal health is part of an investment in future health provision. The importance of strengthening this function and providing it with adequate resources is crucial in times of crisis.

3.3 DISTRICT BUDGET ALLOCATIONS

Table 4 District Mandated Budgetary Allocations

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	40 593	36	40 629	8.6%
Fire-fighting services serving the area of the district municipality as a whole.	Municipal Structures Act	84(1)(j)	Yes	63 561	19 088	82 649	17.6%
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	8 544	8 415	16 959	3.6%
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	#####	1 456	123 107	26.2%
Regulation of passenger transport services.	Municipal Structures Act	84(1)(g)	Yes	6 563	0	6 563	1.4%
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%

Function(s) required by legislation	Legislation	Section	Y/N	Opex (Actual) R'000	Capex (Actual) R'000	Total Capex + Opex R'000	% Total
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	8 719	0	8 719	1.9%
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	8 332	0	8 332	1.8%
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				176.800	13.034	183 297	39.0%
TOTAL				428 226	42 028	470 254	100%

The table above depicts the District's specific allocations as per the mandated functions of district municipalities. The significant allocations are elaborated further below.

3.3.1 Fire Fighting Services

The risk of fire continues to pose 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. During 2019/20 the CWD assisted with the extinguishing of over 1000 veld fires.

The District has allocated a total operating budget of R63.5 million to the provision of fire-fighting services for 2021/22. A capital budget of R19.1 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. In total, allocations towards fire-fighting services equates to 17.6 per cent of the overall 2021/22 budget.

Challenges with regards to the shortage of staff and capacity persist in the Fire Services Division.

3.3.2 Disaster Management

The National State of Disaster declared on 15 March 2020 as per section 27(1) of the Disaster Management Act, 2002 (Act No. 57 of 2002) is still in effect. 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 Municipal Disaster Management Centre 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 R8.54 million towards the disaster management function for the 2021/22 financial year. The capital budget allocation for 2021/22 totals R8.42 million is mainly towards vehicle replacements and other critical equipment.

As the COVID-19 pandemic will most likely persist for the unforeseen future, it is important that the disaster management is able to function efficiently.

3.3.3 Local Economic Development

Tourism is a key economic driver within the Cape Winelands area as it contributes significantly to the economy of the CWD.

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.

For 2021/22, the District has allocated R8.33 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' (R477 000), 'Township Tourism' (R500 000) and 'Sports Tourism' (R528 000) amongst others.

Overall, the tourism sector and the restriction on exports of wine and related products has faced the largest contraction in growth over the past year due to travel restrictions due to Covid-19 the pandemic. By focusing on regional tourism and development of capacity within the tourism industry, the District is playing a crucial role in sustaining the industry with its limited resources.

3.4 UTILISING PROCUREMENT AS A LEVER TO ENHANCE LOCAL ECONOMIC DEVELOPMENT

The negative impact that the Covid-19 pandemic has had on the economy and the fiscus requires that a post-disaster recovery strategy is enabled to utilise procurement as a lever for recovery that supports not only the creation of jobs but enables provincial priorities such as safety and well-being through purchasing.

Key lessons and learnings will be customised for municipal requirements considering capabilities, capacity and maturity of the municipal sphere through the following key focus areas which have been identified as priorities for the implementation of the SCM strategy through the following Local Government initiatives in the future:

- e-Procurement and Supplier Evidence Bank;
- Procurement Planning Toolkits;
- District Transversal Contracts (Upfront Participation and collaboration keeping in mind regulation 32 and 36 challenges); and
- Asset Management Capacitation and Development Programmes

These initiatives will be driven through the four-pronged SCM approach:

- SCM Governance
- SCM Capacitation and Training
- Strategic Procurement
- SCM Technology

3.4.1 SCM Technology

Key outcomes of Municipal System Insight Reports Analysed

The intent of this report is to provide performance information in terms of Supply Chain Management (SCM) to accounting officers in order to improve planning and decision-making processes as well as to measure results or outcomes that has been achieved by municipalities in terms of suppliers registered on CSD, conflict of interest, monitoring the implementation of the Preferential Procurement Policy Framework Regulations, 2017 (PPPFR) by analysing awards to designated BEEE groupings and COVID-19 Emergency expenditure

The ultimate purpose is to drive good governance through compliance that builds business confidence and trust which can be used as an enabler to attract capital investment into the municipal region

Analytical Trends

The analysis identified the following challenge with municipal data in that there is no standardised allocation methodology for transactions that categorise goods and/or services-:

- Certain transaction could not be matched to a specific commodity, due to incorrect allocation;
- Items that have been procured could not be matched to certain projects or determined whether certain expense forms part of operational cost;
- Data integrity issues that relate to incorrect linkages, inconsistent capturing, in a format that is difficult to analyse and
- The system that does not make provision for demographic reporting.

Improvement Initiatives

- A workgroup to be established to assist Municipalities on how to use data as an enabler in making strategic decisions for future procurement.

- Municipalities to prioritise correct system usage as this is the main enabler for meaningful and reliable reporting.
- Provincial Treasury is committed to continuously assist and guide the Municipality in this regard.

3.4.2 Strategic Procurement

Key outcomes of Municipal Procurement Plans Assessed

The assessment of municipal procurement plans is to provide a diagnostic analysis of planned expenditure in order to provide technical support to municipalities in keeping with the resolutions taken at the LED-SCM Indaba 2019. The procurement analysis focus on municipal infrastructure spend as a theme to Public Value Creation and Economic Sustainability as investments in infrastructure are vital to the municipal region's economic development and prosperity. Infrastructure connects various supply chains and is the catalyst for the efficient movement of goods and services across borders and regional boundaries. Infrastructure also connects households across metropolitan areas to higher quality opportunities for employment, healthcare and education:

Analytical Trends

Data integrity issues that relate to incorrect linkages, inconsistent capturing, dual language capturing and in a format that is difficult to analyse.

Improvement Initiatives

- a) Local Economic Development: Empowerment focused initiatives; relooking at and reconsidering the economic focus on post disaster recovery initiatives to stimulate the market differently; and supplier development and linkages to Strategic Sourcing
- b) Framework Agreements and Transversal Contracting: Use opportunities for alternative strategic sourcing initiatives that leverages on economies of scale, SMME and job creation focus as opportunities
- c) Consideration could be given towards an alternative "*Sourcing Business Model*" to strengthen strategic supplier relationships where the aim is to leverage against productivity driven improvements that requires a more flexible contractual relationship e.g. Preferred Provider, Performance Based Managed Services, Vested Relationship etc.

3.4.3 Strategic Procurement & SCM Technology

Key outcomes of the Municipal Districts assisted with SCM & Asset Management Business Practices to Continuously improve Maturity Levels Analysis

Asset Management is an integrated discipline between accounting, engineering, project management, supply chain management, governance & risk management and financial management which impacts on Municipal Sustainability, Economical Cost Saving, Reliable Service Delivery and the Performance of a Municipality as Whole.

Modern society is heavily reliant on physical assets in order to function effectively

- The managing of assets provides services now, and into the future.
- Is a core part of the local economy, providing the platform for local investment and job creation.
- Asset Management is about extracting value more than what you invest into assets.
- It's about using assets to deliver public value and achieve the Municipality's business objectives.

Generic Trends in Expenditure on Repairs & Maintenance post COVID-19

The aftermath of COVID-19 and the downturn in the economy caused some municipalities to postpone maintenance activities, a practice commonly known as Deferred Maintenance in order to save costs, meet budget funding levels, or to realign available budget monies when revenue collection is low. Others have shifted to a reliance on Corrective Maintenance as an alternative strategy.

Improvement Initiatives

a) **Deferred Maintenance**

Deferred Maintenance should only be used in the short-term as long-term exposure of limited to no maintenance could result in costly entire system failure that would put a strain on the Municipality's financial resources, completely wiping out the savings the Municipality hoped to achieve through the deferred strategy. Long-term exposure to this strategy has the following risk attached to it:

- Safety and Health Risks to occupants within the region if waste system shuts down (e.g. pollution)
- Possible fines from a regulatory agency
- Possible protest action for non-delivery of essential services
- The escalation of crime within the area (Vandalism of Municipal Property)

b) **Corrective Maintenance**

Municipalities to explore an autonomous Strategy instead of a one-dimensional corrective maintenance strategy as this increases the maintenance backlogs that is currently experienced at many Municipalities. The risks associated with this:



- Increased long-term costs due to unplanned equipment downtime will put an additional burden on the already constraint finances of a Municipality
- Possible secondary equipment or process damage also known as "Collateral Damage" / Entire system failure
- Decreased reliability due to neglect of assets that in long run could lead to decreased reliability due to equipment downtime
- Increased Unpredictability – Can lead to a backlog of maintenance work orders
- Increased cost of Maintenance – deteriorating parts may not be detected and found as quickly as under condition assessment.





SECTION 4: FINANCIAL SUSTAINABILITY


4.1 REVIEW OF THE HISTORICAL INFORMATION

The Financial Performance as per the Annual Financial Statements


Table 5 Financial ratios and norms




Financial ratios and norms		2016 Audited	2017 Audited	2018 Audited	2019 Audited	2020 Audited	CAGR $\left(\frac{EV}{BV}\right)^{\frac{1}{n}} - 1$	Projection based on trends	Comments	Overall assessment
Asset Management										
1	Capital Expenditure to Total Expenditure: 10% - 20%	1.4%	3.0%	4.8%	3.9%	2.1%	10.7%	2.3%	The ratio results have fluctuated from 2016-2017 to 2019-2020 and have remained below the NT norm during that time. This reflects lower spending by the Municipality on infrastructure. Albeit district municipalities generally provide support to local municipalities in terms of section 84 and 88 of the Local Government: Structures Act (Act 117 of 1998). The Compound Annual Growth Rate (CAGR) of 10.7% smooths the ratio results over the four-year period from 2016-2017 to 2019-2020 permitting a projected ratio result of 2.3% for the 2020-2021 financial year.	
2	Capital Expenditure Budget Implementation Indicator: 95 - 100%	43.3%	96.3%	89.9%	84.2%	69.3%	12.5%	78.0%	The ratio results have deteriorated from 2016-2017 to 2019-2020 and have remained below the NT norm during that time. This usually indicates discrepancies in planning and budgeting and possibly capacity challenges to implement projects. The Compound Annual Growth Rate (CAGR) of 12.5% smooths the ratio results over the four-year period from 2016-2017 to 2019-2020 permitting a projected ratio result of 78.0% for the 2020-2021 financial year.	




Financial ratios and norms	2016 Audited	2017 Audited	2018 Audited	2019 Audited	2020 Audited	CAGR $\left(\frac{EV}{BY}\right)^{\frac{1}{n}} - 1$	Projection based on trends	Comments	Overall assessment
3 Impairment of Property, Plant and Equipment, Investment Property and Intangible Assets (Carrying Value): 0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	The ratio results have remained stable from 2016-2017 to 2019-2020 and remained within the NT norm during that time. This indicates that the utilisation of assets delivered the value or service levels envisaged when approval was originally obtained for procuring the assets.	
4 Repairs and Maintenance as a % of Property, Plant and Equipment, Investment Property (Carrying Value): 8%	3.7%	5.5%	5.5%	4.1%	3.6%	-1.1%	3.5%	The ratio results have deteriorated from 2016-2017 to 2019-2020 and have remained below the NT norm during that time. This indicates that insufficient expenditure is being incurred on repairs and maintenance to the extent that it could impact on the use of the assets and have a resulting increase of impairment of useful assets. The Compound Annual Growth Rate (CAGR) of -1.1% smooths the ratio results over the four-year period from 2016-2017 to 2019-2020 permitting a projected ratio result of 3.5% for the 2020-2021 financial year.	
5 Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure: (None)	-4436.3%	93.8%	89.7%	100.0%	100.0%	N/A	N/A	The ratio results have improved from 2016-2017 to 2019-2020. 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.	
6 Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure: (None)	-4436.3%	93.8%	89.7%	100.0%	100.0%	N/A	N/A	The ratio results have improved from 2016-2017 to 2019-2020. 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	2016 Audited	2017 Audited	2018 Audited	2019 Audited	2020 Audited	CAGR $\left(\frac{EV}{BY}\right)^{\frac{1}{n}} - 1$	Projection based on trends	Comments	Overall assessment
Revenue, Debtors and Liquidity Management (cash availability)									
7	Net debtor's days: ≤ 30 days	N/A	N/A	N/A	N/A	N/A	N/A	Cape Winelands District Municipality does not have consumer debtors, they only have firefighting debtors. Thus, this ratio is not applicable.	
8	Bad Debts Written-off as % of Provision for Bad Debt: 100%	N/A	N/A	N/A	N/A	N/A	N/A	Cape Winelands District Municipality does not have consumer debtors, they only have firefighting debtors. Thus, this ratio is not applicable.	
9	Operating Revenue Budget Implementation Indicator: 95% - 100%	96.6%	97.2%	94.2%	94.7%	-0.7%	93.1%	The ratio results fluctuated slightly from 2016-2017 to 2019-2020 and have remained below the NT norm during that time. The ratio measures the extent of Actual Operating Revenue (excluding 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. The Compound Annual Growth Rate (CAGR) of -0.7% smooths the ratio results over the four-year period from 2016-2017 to 2019-2020 permitting a projected ratio result of 93.1% for the 2020-2021 financial year.	
10	Service Charges and Property Rates Revenue Budget: 95% - 100%	N/A	N/A	N/A	N/A	N/A	N/A	Cape Winelands District Municipality does not have consumer debtors, they only have firefighting debtors. Thus, this ratio is not applicable.	




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Financial ratios and norms	2016 Audited	2017 Audited	2018 Audited	2019 Audited	2020 Audited	CAGR $\left(\frac{EV}{BY}\right)^{\frac{1}{n}} - 1$	Projection based on trends	Comments	Overall assessment
11 Revenue Growth (%) - Excluding capital grants: = CPI	22.4% 6.3%	0.4% 5.3%	-1.9% 4.7%	3.1% 4.5%	5.9% 2.2%	-28.4%	4.2%	<p>The ratio results fluctuated from 2016-2017 to 2019-2020. From 2017 through to 2019 the ratio result was below inflation. During the 2020 year the ratio result was above inflation.</p> <p>The following contributed to the decrease in CPI rate in June 2020:</p> <ul style="list-style-type: none"> ▪ Indexes were computed using the headline CPI for products that were banned in lieu of COVID-19. Such indices contribute 8,3% of the weight of the June 2020 CPI. ▪ Prices are surveyed quarterly, six-monthly or annually according to a schedule. The standard treatment is to carry forward the value of an index if it is not due to be updated in a particular month. The weight of indices carried forward in June 2020 is 23,7%. ▪ Where it was not possible to collect comparable prices for all products, Stats SA imputed the average price change using the change in the next highest-level aggregate index. A total of 2% of the weight of the June 2020 CPI was imputed by this method. <p>The Compound Annual Growth Rate (CAGR) of -28.4% smooths the ratio results over the four-year period from 2016-2017 to 2019-2020 permitting a projected ratio result of 4,2% for the 2020-2021 financial year.</p>	



Financial ratios and norms		2016 Audited	2017 Audited	2018 Audited	2019 Audited	2020 Audited	CAGR $\left(\frac{EV}{BY}\right)^{\frac{1}{n}} - 1$	Projection based on trends	Comments	Overall assessment
12	Cash/Cost Coverage Ratio (Excluding Unspent Conditional Grants): 1 - 3 months	20 months	20 months	21 months	23 months	25 months	5.0%	26 months	The ratio results have improved from 2016-2017 to 2019-2020 and have remained above the NT norm during that time. This indicates low risk of the Municipality being unable to fund monthly fixed operational expenditure and to continue rendering services. The Compound Annual Growth Rate (CAGR) of 5.0% smooths the ratio results over the four-year period from 2016-2017 to 2019-2020 permitting a projected ratio result of 26 months for the 2020-2021 financial year.	
13	Current Ratio: 1.5 - 2:1	13.4: 1	15.8: 1	15.4: 1	17.9: 1	15.2: 1	3.1%	15.6: 1	The ratio results have fluctuated from 2016-2017 to 2019-2020 but have remained above the NT norm during that time. 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. The Compound Annual Growth Rate (CAGR) of 3.1% smooths the ratio results over the four-year period from 2016-2017 to 2019-2020 permitting a projected ratio result of 15.6: 1 for the 2020-2021 financial year.	
Liability Management										
14	Debt (Total Borrowings)/Revenue: 45%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	The ratio results have been stable from 2016-2017 to 2019-2020 and have remained below the norm over the three-year period. This may indicate that the Municipality has the capacity to take on additional financing from borrowing to invest in infrastructure projects.	

Financial ratios and norms	2016 Audited	2017 Audited	2018 Audited	2019 Audited	2020 Audited	CAGR $\left(\frac{EV}{BY}\right)^{\frac{1}{n}} - 1$	Projection based on trends	Comments	Overall assessment
15 Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure: 6% - 8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	The ratio results have been stable from 2016-2017 to 2019-2020 and have remained below the norm over the three-year period. This may indicate that the municipality has the capacity to take on additional financing from borrowing to invest in infrastructure projects.	
16 Creditors Payment Period (Trade Creditors): 30 days	9 days	11 days	10 days	9 days	21 days	23.2%	26 days	Although the ratio results have fluctuated from 2016-2017 to 2019-2020, the ratio results have remained within the NT norm during that time. Section 65(2)(e) of the MFMA requires that creditors be paid within 30 days. The municipality has complied with such requirement. The Compound Annual Growth Rate (CAGR) of 23.2% smooths the ratio results over the four-year period from 2016-2017 to 2019-2020 permitting a projected ratio result of 26 days for the 2020-2021 financial year.	
Expenditure Management									
17 Operating Expenditure Budget Implementation Indicator: 95% - 100%	85.6%	91.5%	92.0%	82.8%	84.6%	-0.3%	84.4%	The ratio results have fluctuated from 2016-2017 to 2019-2020 and have remained below the NT norm during that time. Usually this might indicate a lack of effective controls to ensure that the expenditure is conducted in accordance with and approved budget. However, since the Municipality is self-sufficient, this may be an indication of improved efficiencies. The Compound Annual Growth Rate (CAGR) of -0.3% smooths the ratio results over the four-year period from 2016-2017 to 2019-2020 permitting a projected ratio result of 84.4% for the 2020-2021 financial year.	

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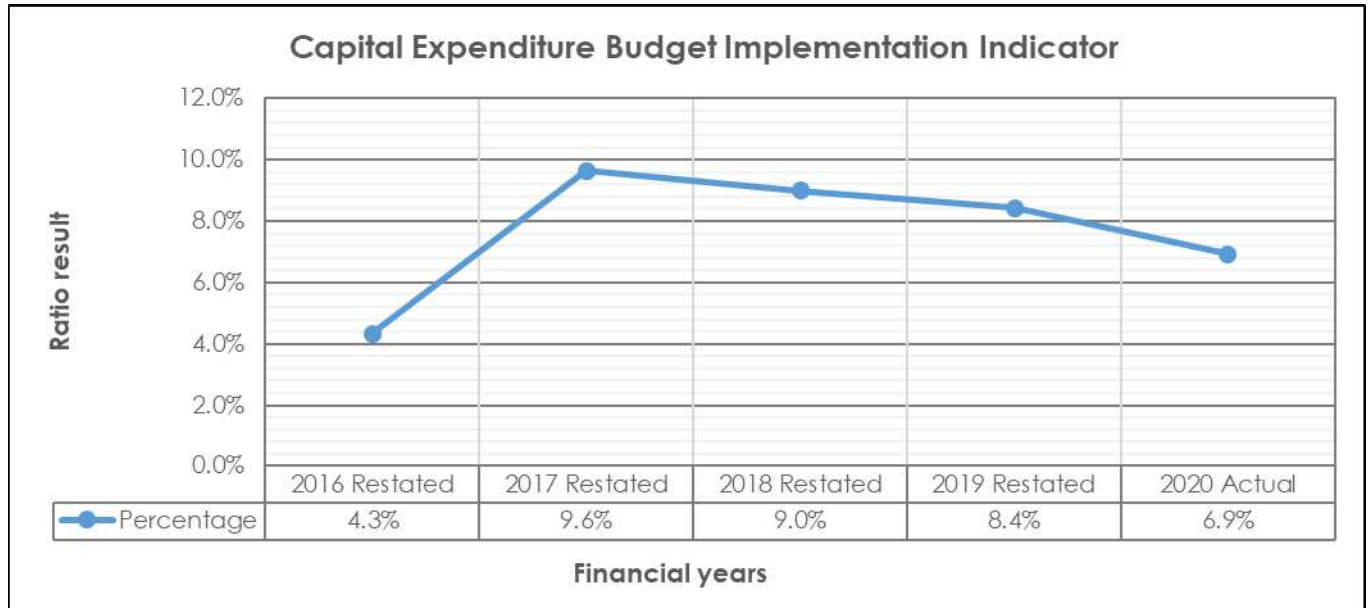
Financial ratios and norms	2016 Audited	2017 Audited	2018 Audited	2019 Audited	2020 Audited	CAGR $\left(\frac{EV}{BY}\right)^{\frac{1}{n}} - 1$	Projection based on trends	Comments	Overall assessment
18 Remuneration as a % of Total Operating Expenditure: 25% - 40%	49.0%	50.6%	54.5%	55.2%	60.6%	5.5%	63.9%	The ratio results have deteriorated from 2016-2017 to 2019-2020 and have remained above the NT norm during that time. This ratio has to be interpreted with other factors such as powers and functions performed by the Municipality. The Compound Annual Growth Rate (CAGR) of 5.5% smooths the ratio results over the four-year period from 2016-2017 to 2019-2020 permitting a projected ratio result of 63.9% for the 2020-2021 financial year.	
19 Contracted Services as a % of Total Operating Expenditure: 2% - 5%	0.0%	14.7%	13.9%	12.6%	10.3%	N/A	N/A	The ratio results have fluctuated from 2016-2017 to 2019-2020 and have remained above the NT norm during that time. A ratio in excess of the norm usually indicates that either many functions are being outsourced to consultants, or that Contracted Services are not effectively utilised.	
20 Irregular, Fruitless and Wasteful and Unauthorised Expenditure/Total Operating Expenditure: 0%	0.0%	0.0%	0.2%	0.1%	0.0%	N/A	N/A	The ratio results have remained fairly stable from 2016-2017 to 2019-2020 and have remained within the NT norm during that time. Any result above this norm must 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.	

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Financial ratios and norms	2016 Audited	2017 Audited	2018 Audited	2019 Audited	2020 Audited	CAGR $\left(\frac{EY}{BY}\right)^{\frac{1}{n}} - 1$	Projection based on trends	Comments	Overall assessment
Grant Dependency									
21 Own Source Revenue to Total Operating Revenue (Including Agency Revenue): None	95.8%	40.7%	39.6%	41.8%	40.6%	-19.3%	32.8%	The ratio results have fluctuated from 2016-2017 to 2019-2020. National Treasury does not prescribe a norm for this ratio. The ratio measuring own source revenue should increase over time as it reflects municipal efforts towards self-sufficiency. However, the municipal specific circumstances, including the powers and functions assigned to it, should be considered when assessing the level of own source revenue or its self-sufficiency. The Compound Annual Growth Rate (CAGR) of -19.3% smooths the ratio results over the four-year period from 2016-2017 to 2019-2020 permitting a projected ratio result of 32.8% for the 2020-2021 financial year.	
Net Asset Position (Going Concern)									
22 Total Liabilities to Total Assets: <50%	24.8%	24.5%	24.2%	21.2%	20.3%	-4.9%	19.3%	The ratio results have improved from 2016-2017 to 2019-2020 and have remained within the NT norm during that time. This implies that the Municipality is going concern. The Compound Annual Growth Rate (CAGR) of -4.9% smooths the ratio results over the four-year period from 2016-2017 to 2019-2020 permitting a projected ratio result of 19.3% for the 2020-2021 financial year.	

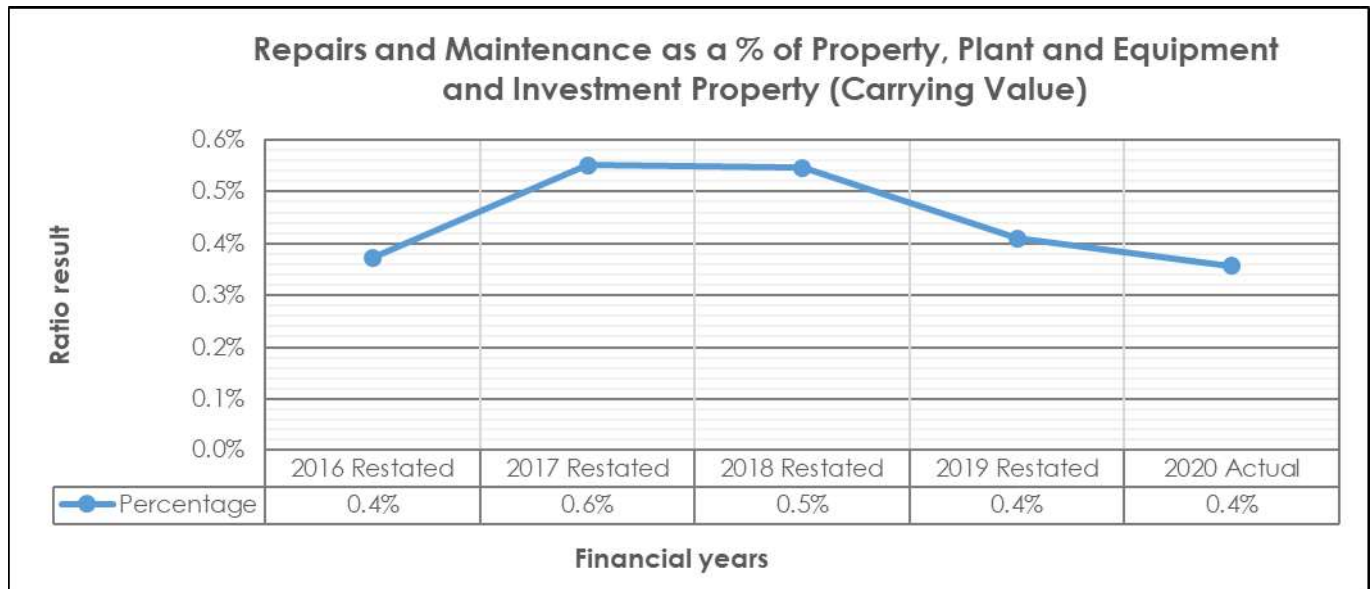
Key observations and recommendations:

4.1.1 Asset Management



In terms of schedule 4B of the Constitution Municipal Health Services is a local government function. The National Health Act, 2003 (Act 61 of 2003) requires every District municipality to ensure that appropriate Municipal Health Services are effectively and equitably provided in its area of responsibility.

The Municipal Structures Act, 1998 (Act 117 of 1998) (as amended) Section 84(1) (j) states that a district municipality is responsible for fire-fighting services serving the area of the district municipality as a whole. It appears that any capital expenditure related to the above mandated functions was mainly funded from grant funding and/or short-term investments.



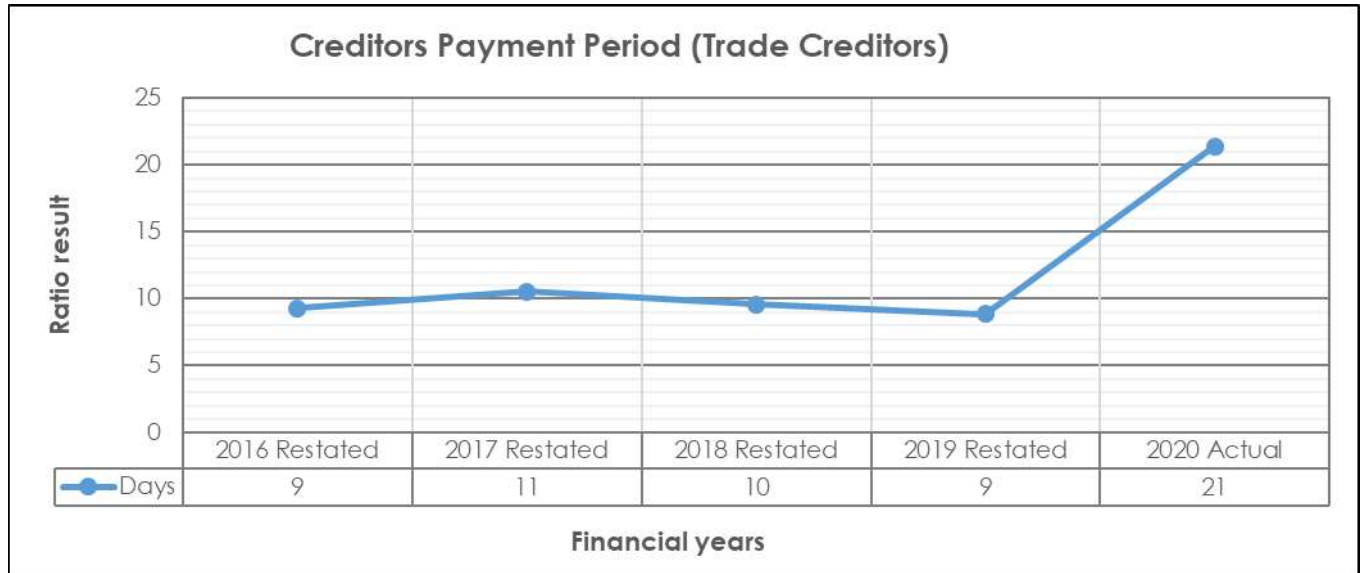
The repairs and maintenance ratio results are quite low considering there is no impairment of assets. During the 2019 and 2020 financial years, the repairs on PPE consisting mostly of contracted services regarding buildings, office equipment and motor vehicles.

4.1.2 Revenue, Debtors and Liquidity Management (cash availability)

District municipalities do not provide services such as Electricity, Water, Sewerage and refuse. Therefore, District municipalities do not have consumer debtors.

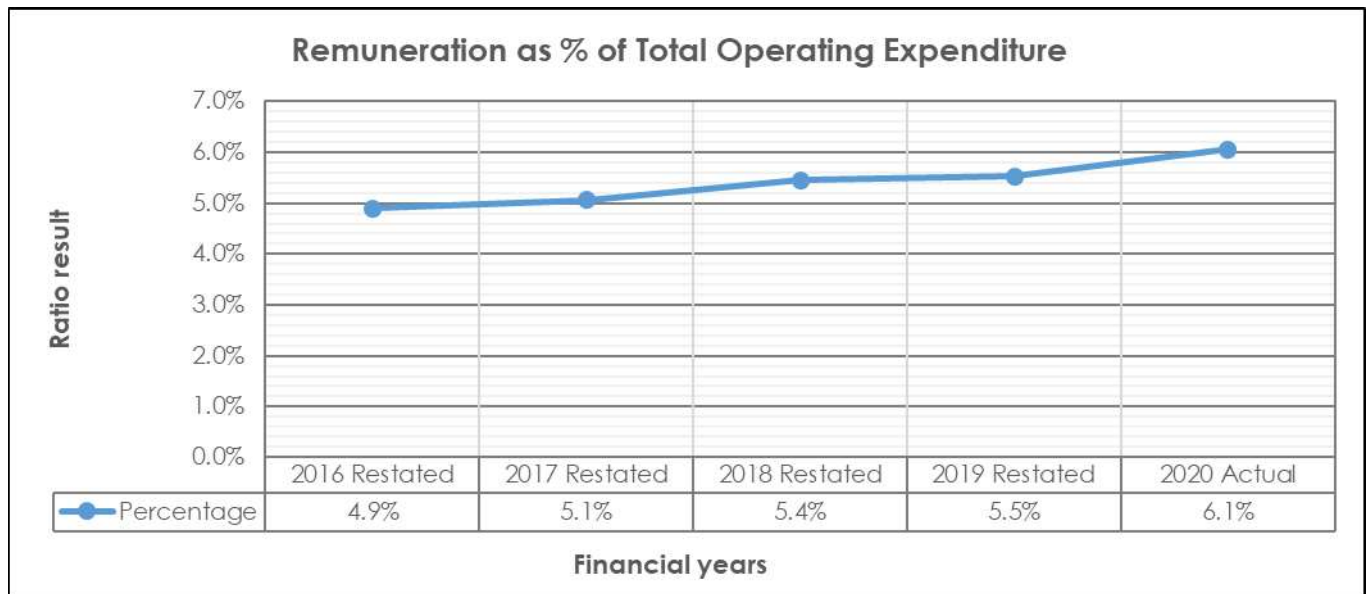
4.1.3 Liability Management

The Municipality has no borrowings, and as of the 2019 financial year end the Municipality no longer has operating lease liabilities.

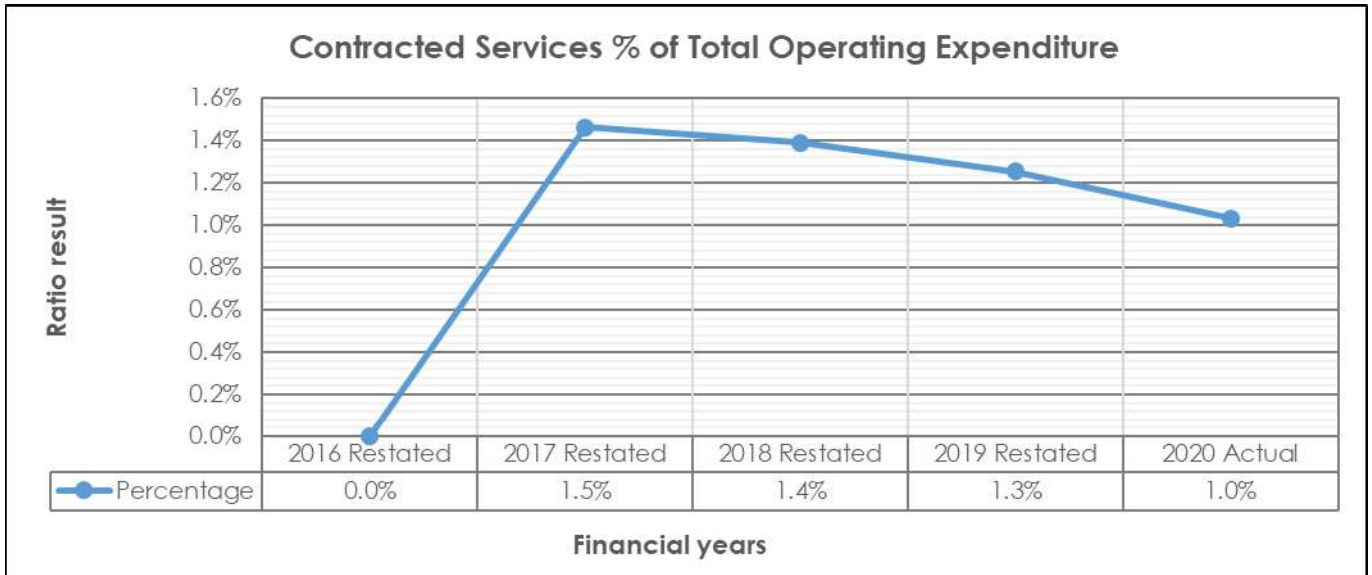


Creditors are paid within the legislative date.

4.1.4 Expenditure Management



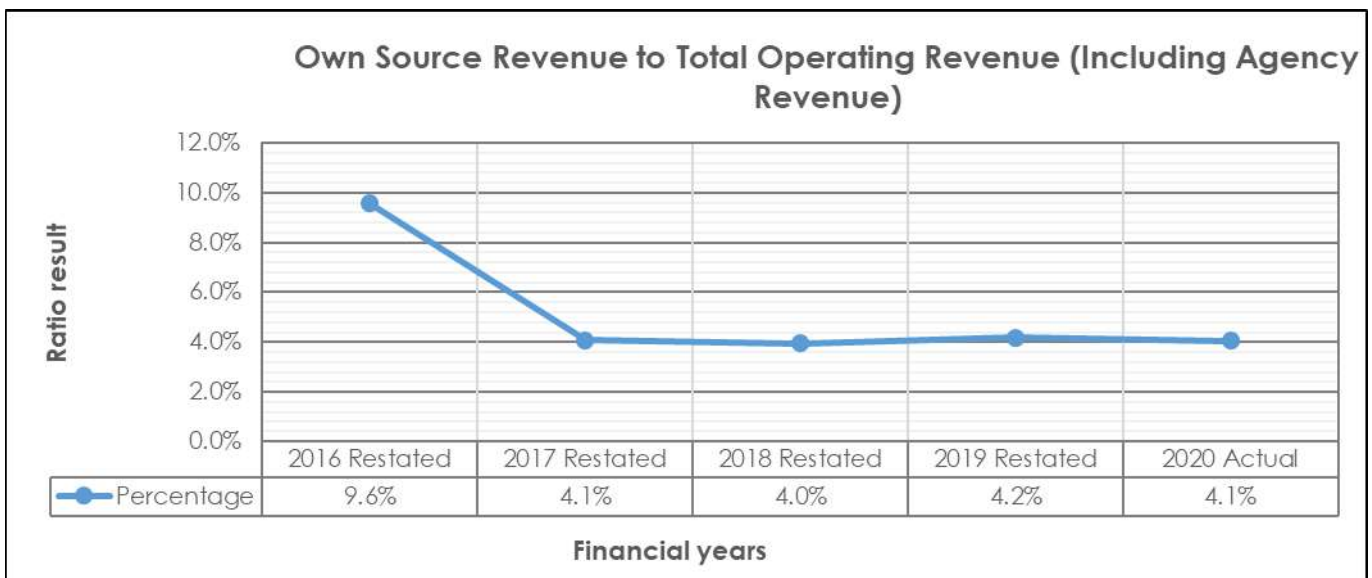
Although the ratio results regarding employee and councillor remuneration have increased from year-to-year, the actual expenditure in that regard has decreased.



In the 2020 financial year outsourced services amounted to R7.6 million making up 20.5 per cent of the total contracted services which amounted to R36.8 million, while consultants and professional fees amounting to R8.2 million contributed 22.3 per cent, and contractors amounting to R21 million contributed 57.2 per cent. In the 2019 financial year outsourced services amounted to R13.2 million making up 30.3 per cent of the total contracted services which amounted to R43.5 million, while consultants and professional fees amounting to R7.7 million contributed 17.6 per cent, and contractors amounting to R22.6 million contributed 52.1 per cent. Fire services as well as maintenance of buildings, facilities and equipment made up the bulk of contractors in both the 2019 and 2020 financial years.

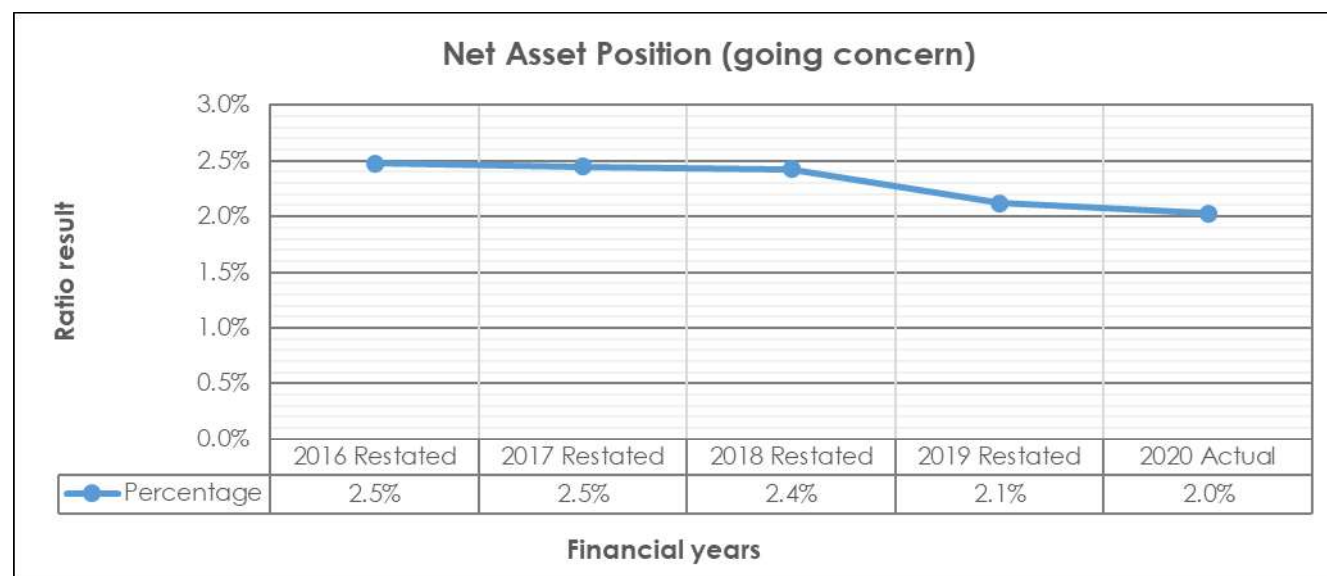
It is prudent to note that contracted services were not separately disclosed in the 2016/17 annual financial statements, and thus could not be determined.

4.1.5 Grant Dependency



The Municipality has demonstrated its ability to increase own revenue over time, and by virtue thereof, not being reliant on grants to fund operations. This is substantiated by the R693 million in short-term investments at the end of the 2020 financial year (2019: R651 million).

4.1.6 Net Asset Position



The ratio attempts to substantiate the going concern assumption. The result indicates that for the Municipality, this assumption is true.

4.2 CREDIBILITY OF FUNDED BUDGET Observations on the Current Financial Year

Table 6 Budgeted Performance against Audited Performance and current year

Description	2017/18				2018/19				2019/20				Current Year 2020/21		
	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															
Investment revenue	51 850	51 928	100%	0%	51 850	54 294	105%	5%	56 500	55 406	98%	-2%	56 000	35 000	-38%
Transfers recognised - operational	232 537	230 711	99%	-1%	234 495	9 180	4%	-96%	243 928	239 491	98%	-2%	248 405	250 261	1%
Other own revenue	119 448	97 646	82%	-18%	133 323	348 930	262%	162%	141 671	120 099	85%	-15%	129 770	129 504	0%
Total Revenue (excluding capital transfers and contributions)	403 835	380 284	94%	-6%	419 668	412 404	98%	-2%	442 098	414 996	94%	-6%	434 175	414 765	-4%
Employee costs	200 765	182 925	91%	-9%	212 705	178 159	84%	-16%	224 624	202 286	90%	-10%	233 421	230 891	-1%
Remuneration of councillors	11 483	11 331	99%	-1%	11 746	12 171	104%	4%	13 323	12 610	95%	-5%	13 941	12 981	-7%
Depreciation & asset impairment	10 000	10 015	100%	0%	10 000	11 758	118%	18%	11 942	8 508	71%	-29%	11 955	7 727	-35%
Finance charges	8	0	1%	-99%	8	-	0%	-100%	-	-	0%	0%	-	-	0%
Materials and bulk purchases	23 111	20 259	88%	-12%	27 336	28 282	103%	3%	35 099	28 235	80%	-20%	25 018	29 889	19%
Transfers and grants	9 709	13 496	139%		9 231	11 424	124%		12 535	18 838	150%	50%	13 096	13 016	-1%
Other expenditure	146 773	123 223	84%	-16%	146 368	119 734	82%	-18%	138 371	98 367	71%	-29%	140 190	121 588	-13%
Total Expenditure	401 848	361 249	90%	-10%	417 394	361 528	87%	-13%	436 093	368 844	85%	-13%	437 622	416 091	-5%
Surplus/(Deficit)	1 987	19 035	958%		2 274	50 876	2237%	2137%	6 006	46 153	768%	668%	(3 447)	(1 327)	-62%
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	1 987	-	0%	-100%	(2 348)	-	0%	-100%	1 242	136	11%	-89%	1 733	1 327	-23%
Contributions recognised - capital & contributed assets	-	-			-	-			-	-			-	-	0%
Surplus/(Deficit) after capital transfers & contributions	3 973	19 035	479%	379%	(74)	50 876	-68751%	-68851%	7 248	46 289	639%	539%	(1 714)	-	-100%
Share of surplus/ (deficit) of associate	-	-			-	-			-	-			-	-	
Surplus/(Deficit) for the year	3 973	19 035	479%	379%	(74)	50 876	-68751%	-68851%	7 248	46 289	639%	539%	(1 714)	-	-100%
Capital expenditure & funds sources															
Capital expenditure	20 320	18 270	90%	-10%	31 481	14 162	45%	-55%	10 949	7 591	69%	-31%	29 891	8 573	-71%
Transfers recognised - capital	1 987	1 885	95%	-5%	2 348	1 652	70%	-30%	1 242	136	11%	-89%	1 733	1 327	-23%
Borrowing	-	-	0%	0%	-	-	0%	0%	-	-	#DIV/0!	#DIV/0!	-	-	0%
Internally generated funds	18 334	16 385	89%	-11%	29 133	12 510	43%	-57%	9 707	7 455	77%	-23%	28 158	7 247	-74%
Total sources of capital funds	20 320	18 270	90%	-10%	31 481	14 162	45%	-55%	10 949	7 591	69%	-31%	29 891	8 573	-71%

Source: 2021/22 MTREF Budget, Annual financial Statements and LG Database

Findings and recommendations

The table is aligned to the A1 schedules (TABB data strings) as completed by the District. It should be noted that the A-schedule figures were used for 2017/18 due to major discrepancies between the 2017/18 audited AFS and data strings for that financial year as the audited figures for 2017/18 were not pulling through in the data strings.

The District recorded material differences on some of the line items between the adjusted budget and the audited annual financial statements on operating budget items for the three years under review. However, it should be noted that the differences are immaterial when comparing the totals for the three financial years with notable savings on operating expenditure. Over the past three audit years the Municipality has consistently collected +/-95 per cent of its adjustments budgeted revenues. The historical trends over the past three audited financial years indicates an acceptable level on the operating budget implementation performance.

The District's capital expenditure as at 28 February 2020 stood at 12.8 per cent of the adjusted budget for 2020/21, which was below the YTD budget target, this shows underperformance. There is a high probability that the current year's capital budget will not be fully spent as was the case in the previous financial years. The Municipality is urged to place more focus on project implementation plans to get an accurate reflection of the planned capital expenditure which will also assist in capital performance management and ensuring the capital budget is spent within National Treasury Norms of at least 95 per cent of the Capital Budget as per MFMA Circular 71.

Municipality is advised to consider the current and past trends to set as the baseline when budgeting for the MTREF. Sound financial management principles applied in the past should be built on in order to achieve improved revenue generation, greater savings, more efficient and effective spending and increased contributions to capital investment which will ensure sustainable service delivery.

4.3 REVIEW OF THE NEW (2021/22) MTREF

4.3.1 Review of the Budget Assumptions

The District provided an overview of budget assumptions in the tabled budget document as prescribed by the Municipal Budget and Reporting Regulations (MBRR). The assumptions and principles applied in the development of this budget are mainly based upon guidelines from National Treasury (expenditure growth) and other external bodies). These include amongst others policy decisions of different spheres of government affecting district municipal operations, external factors influencing expenditure patterns and the management of internal factors to minimise the impact on both the Municipality and its clients that they serve.

The overall budget assumptions are credible and aligned to the prescribed regulatory framework as contemplated by the Municipal Budget and Reporting Regulations (MBRR), read together with the Municipal Financial Management Act (MFMA) and is also guided by the MFMA Circular 98 and 99.

Any other factors that became known after the tabling of the budget and pre-empts to have an impact to the MTREF budget, should be considered in the adoption of the final budget after the tabling. The municipal budgetary planning should provide for an adequate response on financial sustainability given the impact of COVID-19 regulations.

4.3.2 Budget Overview

Table 7 Budget Overview

R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year +0	Budget Year +1	Budget Year +2	% Change	% Change	% Change
Total Revenue (excluding capital transfers and contributions)	220	412 404	414 996	434 175	414 765	426 770	437 352	443 395	2.9%	2.5%	1.4%
Total Expenditure	(1 598)	361 528	368 844	437 622	416 091	428 226	438 980	444 518	2.9%	2.5%	1.3%
Surplus/(Deficit)	1 818	50 876	46 153	(3 447)	(1 327)	(1 456)	(1 627)	(1 124)	9.8%	11.8%	-30.9%
Non Cash Items											
Depreciatocan & asset impairment	(1 254)	11 758	8 508	11 955	7 727	7 793	8 089	7 789	0.9%	3.8%	-3.7%
Total Restated Result	564	62 634	54 661	8 508	6 400	6 337	6 462	6 666	-1.0%	2.0%	3.2%
Total Capital Expenditure	-	14 248	7 591	29 891	8 573	42 028	20 306	19 881	390.2%	-51.7%	-2.1%
Funded by:											
Transfers recognised - capital	-	-	136	1 733	1 327	1 456	1 368	-	9.8%	-6.1%	-100.0%
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	14 248	7 455	28 158	7 247	40 572	18 939	19 881	459.9%	-53.3%	5.0%
A7 - Cash / cash equivalent at the year end	-	264	662 228	996 020	735 100	693 123	686 367	684 638	-5.7%	-1.0%	-0.3%
A8 - Surplus / Shortfal after application of cash and investments	-	(365)	624 973	944 235	672 294	610 890	567 859	529 097	-9.1%	-7.0%	-6.8%

Source: Cape Winelands District Municipality 2021/22 MTREF Draft Budget A1 Schedule – Table A1

Findings and recommendations:

The District tabled operational deficit budgets over the 2021/22 MTREF which places pressure on the operating revenue budget and cash surpluses. To achieve a balanced budget, the Municipality should consider reducing certain operating expenditure line items. The Municipality is encouraged to move towards a surplus operating budget since the practice of tabling a deficit budget will over time reduce either the contribution to cash backed reserves or reduce the contribution from internal funds towards capital spending. However, it is noted that when the non-cash items such as debt impairment and depreciation and asset impairment are reversed, the Municipality has restated operating surpluses over the MTREF.

The council's approved 2021/22 MTREF budget is funded and supporting table SA10 projects that the MTREF is funded in accordance with section 18 of the MFMA. As per the National Treasury funding tool, the analysis reflected that the Municipality's 2021/22 MTREF budget is funded. Although the Municipality's MTREF is funded, it is noted that there are variances between the data strings for the cash and cash equivalent balances over the MTREF and that of the council's A-schedule. These differences have an impact on the cash flow of the Municipality and its funding outcomes.

As per the National Treasury funding tool the analysis of table A8 indicates that the Municipality has tabled a surplus over the MTREF and the Treasury calculations indicate that the budget is funded throughout the MTREF. However, there are minor differences between the data string information and the A-Schedule of the Municipality as indicated above.

4.3.3 Operating Revenue Budget

DC2 - Cape Winelands DM	Table A4 Budgeted Financial			CURRENT YEAR				MEDIUM TERM REVENUE &					
Description	2017/18	2018/19	2019/20	2020/21	2020/21	2020/21	2020/21	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year +0	Budget Year +1	Budget Year +2	% Change	% Change	% Change
Revenue By Source													
Rental of facilities and equipment	-	248	230	131	240	240	58	240	240	240	0.0%	0.0%	0.0%
Interest earned - external investments	-	54 294	55 406	56 000	35 000	35 000	1 762	39 000	39 000	39 000	11.4%	11.4%	0.0%
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	-	-	70	-	-	-	-	-	-	-	-	-	-
Licences and permits	-	575	648	250	653	653	97	653	653	653	0.0%	0.0%	0.0%
Agency services	220	110 343	107 750	117 505	117 505	117 505	5 418	119 505	125 130	125 130	1.7%	6.5%	0.0%
Transfers and subsidies	-	9 180	239 491	248 405	250 261	250 261	108 821	255 553	259 969	265 443	2.1%	3.9%	2.1%
Other revenue	-	237 738	11 401	11 884	11 106	11 106	2 677	11 819	12 361	12 929	6.4%	11.3%	4.6%
Gains	-	26	-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	220	412 404	414 996	434 175	414 765	414 765	118 832	426 770	437 352	443 395	2.9%	5.4%	1.4%

Source: Cape Winelands District Municipality 2021/22 LG Database

Findings and recommendations:

Grants and subsidies are largely informed by the Local Government Equitable Share (LGES) contributing 96.0 per cent of the total operating grants and subsidies. The District is considerably dependent on this revenue source which constitute 59.9 per cent of the total operating revenue budget, however the LGES is projected to increase by 2.5 per cent and 2.2 per cent in the outer MTREF years respectively. This slow growth will place pressure on a constrained budget. It is noted that revenue sources remain a major challenge ensuing in operating deficits throughout the 2021/22 MTREF and if persistent will have a detrimental impact on operational and financial sustainability for the District. This limitation necessitated the District to embark on turnaround strategies envisioned to raise additional revenue in the long term.

Grants and subsidies for 2021/22 are not in line with all the national transfers as per the Division of Revenue Bill and the Western Cape Provincial Gazette. It is noted that the Municipality did not include R250 000 for Capacity Building Grant and also understated the Financial Management Grant by R550 000 and overstating the Community Development Worker's Grant by R1000.

Over the 2021/22 MTREF, the District has been allocated a total of R2.32 million for the implementation of the Safety Plan (WOSA), the initiative's objective is to enable a sustainable, healthy, and high-quality living environment through the implementation of a Safety Plan; therefore, the grant conditions as specified in the gazette must be followed. The District should clarify how the plan would be implemented, incorporated, and integrated into the District's B-Municipalities' collective roles.

Agency services is the second largest component followed by the **interest on external investments** which contribute 28.0 per cent and 9.1 per cent respectively for the 2021/22 fiscal year. The continuation of the financial sustainability strategy, and an aggressive revenue management framework to increase cash inflow should be implemented, given that economic challenges will continue to exert pressure on the District's revenue sources.

Furthermore, the Municipality should ensure that the underlying assumptions, discount rates and growth rates upon which the asset management plans and long-term financial forecasts are prepared, are regularly reviewed and updated and that additional revenue sources to the District should be fully explored.

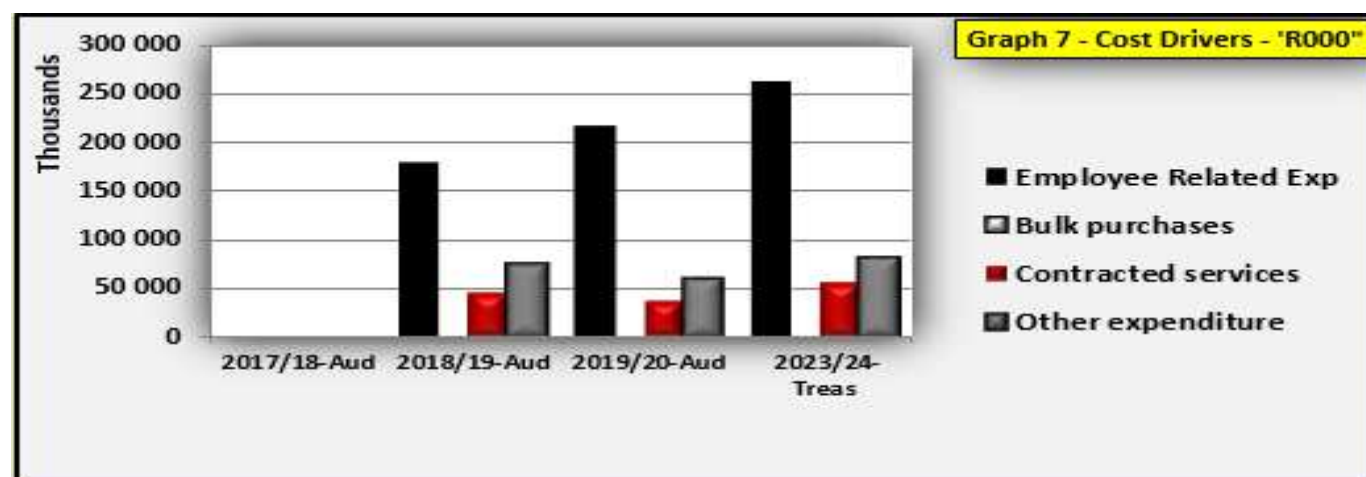
4.3.4 Operating Expenditure Budget

Description	CURRENT YEAR							MEDIUM TERM REVENUE & EXPENDITURE FRAMEWORK					
	2017/18	2018/19	2019/20	2020/21	2020/21	2020/21	2020/21	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year +0	Budget Year +1	Budget Year +2	% Change	% Change	% Change
Expenditure By Type													
Employee related costs	-	178 159	202 286	233 421	230 891	230 891	49 327	232 061	241 883	247 118	0.5%	4.8%	2.2%
Remuneration of councillors	-	12 171	12 610	13 941	12 981	12 981	3 153	13 241	13 505	13 775	2.0%	4.0%	2.0%
Debt impairment	-	56	213	750	502	502	-	500	500	500	-0.4%	-0.4%	0.0%
Depreciation and asset impairment	(1 254)	11 758	8 508	11 955	7 727	7 727	-	7 793	8 089	7 789	0.9%	4.7%	-3.7%
Finance charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Bulk purchases	-	-	-	-	-	-	-	-	-	-	-	-	-
Other materials	-	28 282	28 235	25 018	29 500	29 500	3 442	23 688	26 012	24 087	-19.7%	-11.8%	-7.4%
Contracted services	-	43 485	36 787	58 039	55 878	55 878	2 429	54 238	53 902	54 140	-2.9%	-3.5%	0.4%
Transfers and subsidies	-	11 424	18 838	13 096	13 016	13 016	727	20 171	15 583	15 583	55.0%	19.7%	0.0%
Other expenditure	-	75 243	60 749	81 381	65 584	65 584	13 645	76 524	79 493	81 513	16.7%	21.2%	2.5%
Losses	(344)	951	617	20	12	12	-	12	12	12	0.0%	0.0%	0.0%
Total Expenditure	(1 598)	361 528	368 844	437 622	416 091	416 091	72 722	428 226	438 980	444 518	2.9%	5.5%	1.3%

Source: Cape Winelands District Municipality 2021/22 LG Database

Concern is raised on the budgeted operating deficit signifying the available revenue sources are insufficient for the budgeted operational expenditure. Notwithstanding the fact that the budgeted deficits are fluctuating over the 2020/21 MTREF, it is critical that the District moves towards budget for surpluses to avoid cash and liquidity difficulties in the future.

Graph 1 Operating Expenditure 2021/22 MTREF budget cost drivers



The largest expenditure drivers for the 2021/22 financial year are employee costs (54.2 per cent) other expenditure (17.9 per cent), contracted services (12.7 per cent) and other materials (5.5 per cent). The apportionment against the outer years of the 2020/21 MTREF remains comparable.

Employee-related costs continues to be the most significant contributor to the operating expenditure budget, accounting for 54.2 per cent, 55.1 per cent, and 55.6 per cent over the MTREF, respectively, exceeding the norm of 35 - 40 per cent as per MFMA Circular 71 ratios. The municipal budget document lacks an explanation as to how the Municipality intends to address this institutional problem. Also, table SA24 does not support the budgeted amount as the Municipality has budgeted for a large decrease in the number of positions (91.6) and permanent employees (99.3) which do not look correct, given rising

costs. This might be an error while populating the supporting schedule. Previous MFMA Circulars urged municipalities to resolve the bloated organisational structures. Municipalities including Districts are faced with fiscal decisions that can impact service delivery to communities; thus, addressing operational performance and implementing cost-cutting initiatives are critical.

The Municipality is commended for correctly using the item segment and correctly aligning the budgeted amounts on SA22 and SA23 of the A-Schedule with the data strings. However, the disclosure of other directors / senior managers was not reported in the supporting table SA23 as only amounts were reflected.

Depreciation and asset impairment has been estimated to slightly increase by 0.9 per cent when compared from the 2020/21 adjusted budget, which is concerning given that the non-current assets sub-category of property, plant, and equipment (PPE) estimates capital expenditure additions / acquisitions of R42.03 million. The Municipality should review the budgeted amount when the final budget is adopted by Council in order to accurately make the provisions for the depreciation. Additionally, the Municipality must report depreciation movement under the PPE account accurately, it has been noted that the non-current asset accounts for the intangible assets and PPE estimates is over by R1.00 million as compare to the operating expenditure side. The difference is due to depreciation on computer equipment in-use which was not taken onto account under the operating expense budget.

Debt impairment is budgeted to increase by 0.4 per cent when compared to the 2020/21 adjusted budget. The accumulated impairment allowance recognised has not been accounted for under the statement of financial performance for the trade and other receivables for the services charges which is an amount of R500 000 as outlined in the balance sheet. The debt impairment must be reported correctly regardless of the amount the Municipality estimates it will receive in the future. Additionally, since the Municipality is budgeting for a debt write off, a provision must be made in the balance sheet for the impairment loss or reversal of impairment in the balance sheet under the account for which the debt has been planned to be written off.

Other materials are planned to increase by 19.7 per cent when compared to the 2020/21 adjusted budget and the budget document is lacking explanation to substantiate the cited huge increase. However, the Municipality does have enough stock in the inventory account and the consumed inventory does reconcile with the issues reported under the inventory account, the Municipality is commended for that.

Contracted services contribute 12.7 per cent over the 2021/22 MTREF which is above the National Treasury norm of 2 - 5 per cent of total operating expenditure. Against the backdrop of employee related cost being the main cost driver and already beyond the threshold, it would be recommended that the District weigh up the cost benefit of building in-house capacity versus the increasing budget allocation of outsourcing certain functions to contractors to circumvent ongoing reliance on contractors.

Transfers and subsidies are planned to increase by 55.0 per cent when compared to the 2020/21 adjusted budget. This item is largely informed by the non-profit institutions, departmental agencies and households social security payment & bursaries.

COVID-19 Expenditure

The Municipality is commended for correctly creating the data strings in accordance with MSCOA circular No.9 by using the correct Operational for the budgeting of emergency disaster relief expenditure (Operational: Typical Work Streams: Emergency and Disaster Management: Disaster relief) and further break it down into individual projects indicating the expenditure pertaining to COVID-19.

Implementation of the Cost containment measures.

The Municipality has adopted MFMA Circular 82 guidelines on cost containment measures and has developed a cost containment measures policy as required by MFMA Circular 97 and the cost

containment regulations. Municipality is commended for its efforts in implementing the policy during the current financial year and emphasising on continuing with the implementation throughout the 2021/22 MTREF. The Municipality is advised to continue guard against incurring fruitless, wasteful, unauthorised and irregular expenditure.

The above analysis notes that the District employed concerted effort to reduce a number of expenditure items to give effect to its Cost Containment and Long-Term Financial Plans. However, to attain an affordable and sustainable budget, expenditure must be contained within realistic revenue collections. It is recommended that the excessive projections of expenditure items be reviewed in line with past trends and service delivery needs to ensure that the limited resources and public funds are appropriately utilised ensuring value for money and maximising the quality and quantity of services is achieved.

4.3.5 Capital Budget

Table 8 2020/21 MTREF Capital Expenditure Budget

DC2 - Cape Winelands DM Description	Table A5 Budgeted Capital Expenditure				CURRENT YEAR			MEDIUM TERM REVENUE & EXPENDITURE		
	2017/18	2018/19	2019/20	2020/21	2020/21	2020/21	2020/21	2021/22	2022/23	2023/24
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year +0	Budget Year +1	Budget Year +2
R thousand										
Capital Expenditure - Functional										
Municipal governance and administration	-	4 137	898	8 408	3 476	3 476	34	8 846	4 380	2 614
Executive and council	-	3	-	-	-	-	-	-	-	-
Finance and administration	-	4 134	898	8 408	3 476	3 476	34	8 846	4 380	2 614
Internal audit	-	-	-	-	-	-	-	-	-	-
Community and public safety	-	5 905	6 343	16 491	2 107	2 107	-	27 538	10 400	12 480
Community and social services	-	117	144	4 011	233	233	-	8 415	1 510	4 150
Sport and recreation	-	-	-	-	-	-	-	-	-	-
Public safety	-	5 763	6 090	12 465	1 867	1 867	-	19 088	8 890	8 330
Housing	-	-	-	-	-	-	-	-	-	-
Health	-	25	109	16	7	7	-	36	-	-
Economic and environmental services	-	4 206	350	4 992	2 990	2 990	-	5 644	5 526	4 787
Planning and development	-	2 554	214	3 259	2 709	2 709	-	4 188	4 159	4 787
Road transport	-	1 652	136	1 733	281	281	-	1 456	1 368	-
Environmental protection	-	-	-	-	-	-	-	-	-	-
Trading services	-	-	-	-	-	-	-	-	-	-
Energy sources	-	-	-	-	-	-	-	-	-	-
Water management	-	-	-	-	-	-	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	-	14 248	7 591	29 891	8 573	8 573	34	42 028	20 306	19 881

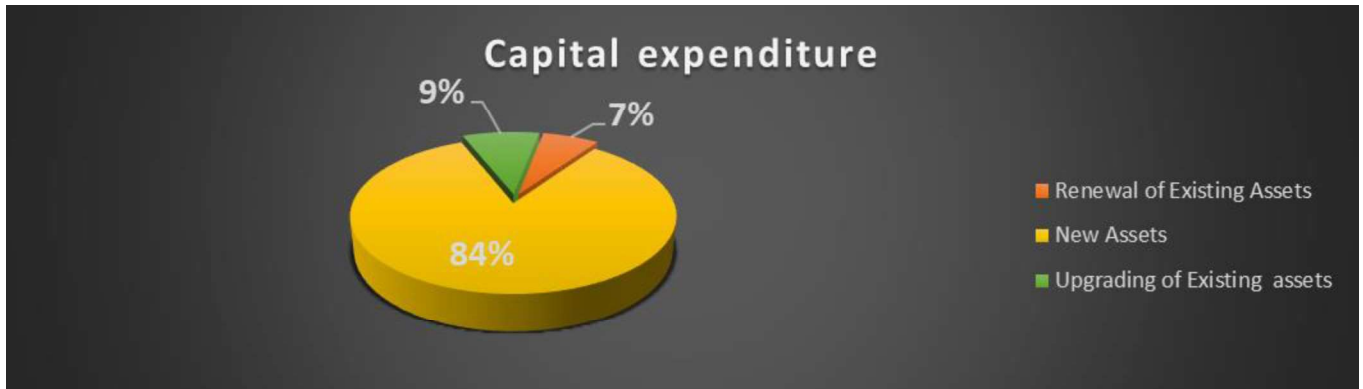
Source: Cape Winelands District Municipality 2021/22 LG Database

The Municipality approved an original capital budget of R29.89 million for the 2020/21 financial year which was then adjusted to R8.57 million during the main adjustments budget in February 2021. This still represents an increase of 390 per cent from the spending in the previous year. The increase is mainly due to major increases budgeted for new transport assets.

The Municipality has as at end of February 2020, spent 12.8 per cent of the total adjusted capital budget and a possibility of underperformance is foreseen, which may cast doubt on the credibility of the overall MTREF capital budget.

The downward trajectory growth in the outer years indicates a neglect of economic growth initiatives and infrastructure demands which could lead to a regression of the District financial health and worsening the quality of life of citizens.

Graph 2 Capital Expenditure – categories



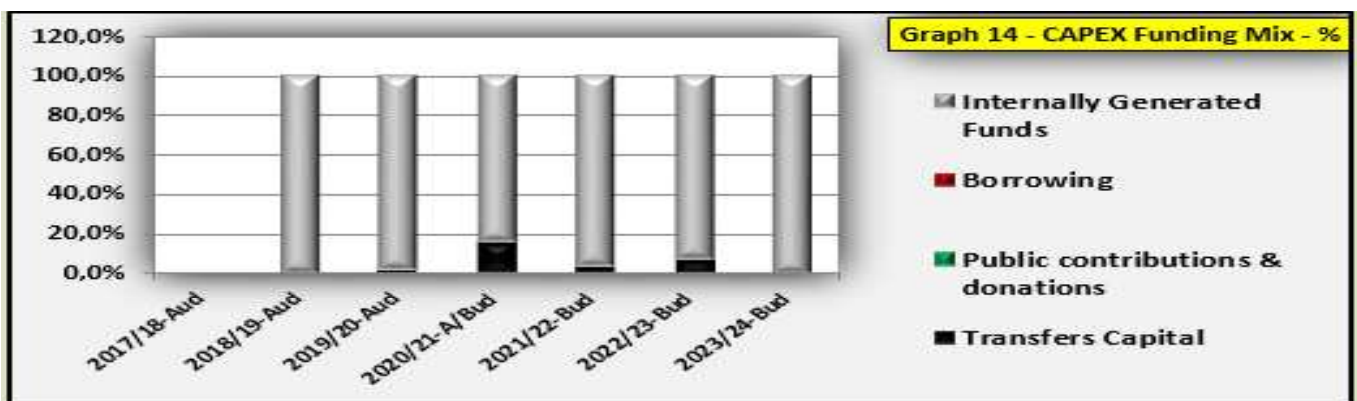
Source: Cape Winelands District Municipality 2021/22 MTREF Draft Budget A1-Schedule - Table A5

As per supporting tables SA34(a) and (b) the Municipality intends to invest R59.62 million or 62 per cent in new capital assets and R1.30 million or 1.4 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 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. It should however be noted that 36.6 per cent of the budget is for upgrading of existing assets which will improve the safeguarding of asset base and the sustainable service delivery.

The allocation for Repairs and Maintenance (3.6 per cent) are far below the 8 per cent of the carrying value of property plant and equipment. The insufficient funds for asset repair can compromise the useful life of the assets and move to more expensive crises management rather than planned maintenance. The District need to take the necessary action to reverse the impact of inadequate budgeting and spending on repairs and maintenance since Asset management must be considered a key spending priority as infrastructure is pivotal to sustainable and continuous service delivery.

The District should ensure adequate reserves for the replacement and refurbishment of assets.

Capital budget Funding mix:



Source: Cape Winelands District Municipality TABB data strings 2021/22

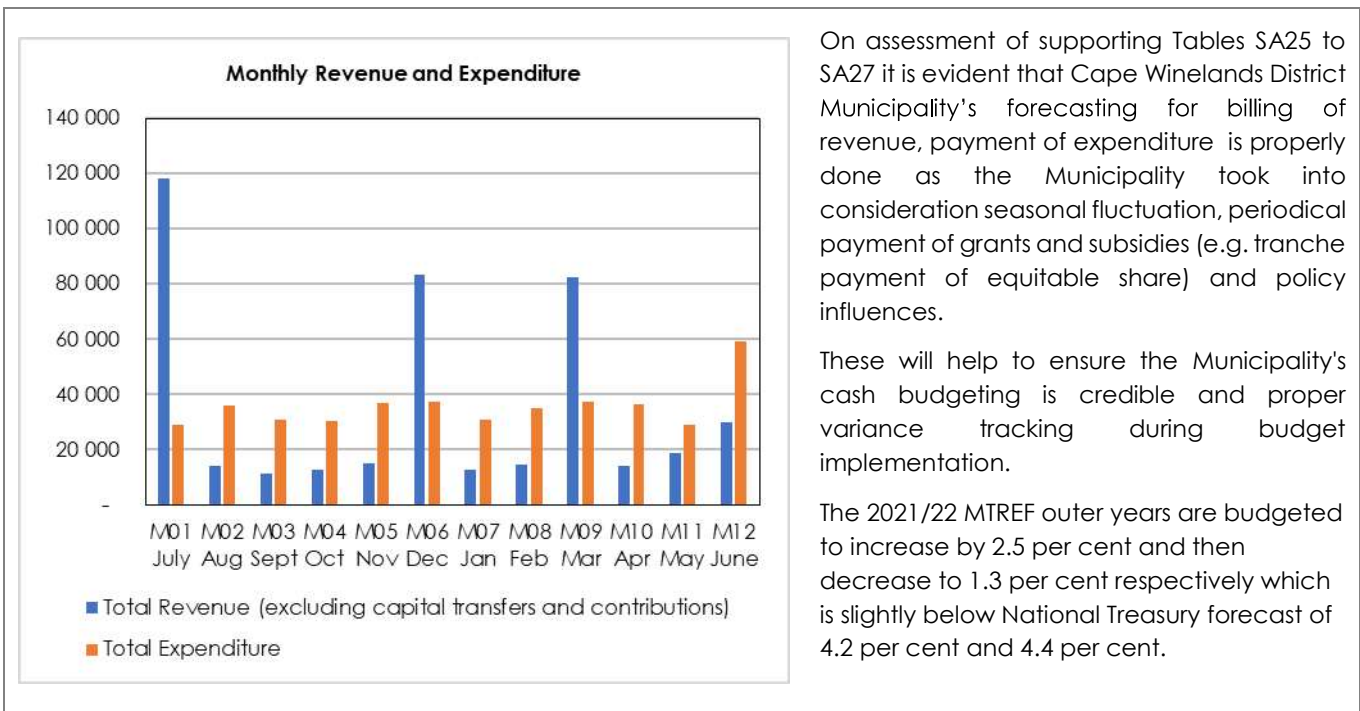
Capital grants contribute 3.5 per cent of capital funding for the 2021/22 budgeted year, reflecting that the Municipality is not reliant on government grants for a major portion of funding for its capital expenditure. Government grant dependence is further decreasing over the outer two years and the Municipality is reminded that Projects funded by grants should be finalised within the required timeframes to avoid the risk of retention or reduced allocations in future years.

Capital spending funded from **internally generated funds** increased by 459.9 per cent, when compared to 2020/21 adjusted budget and constitute 96.5 per cent of the 2021/22 capital budget. The Municipality is projecting a CRR closing balance at an average of R100.77 million over the 2021/22 MTREF. It is noted that the Municipality did not include the Capital Replacement Reserves on table A8, which overstates the surpluses on table A8. However, the budgeted amount to fund the intended capital projects from internally generated funds is within the reserves.

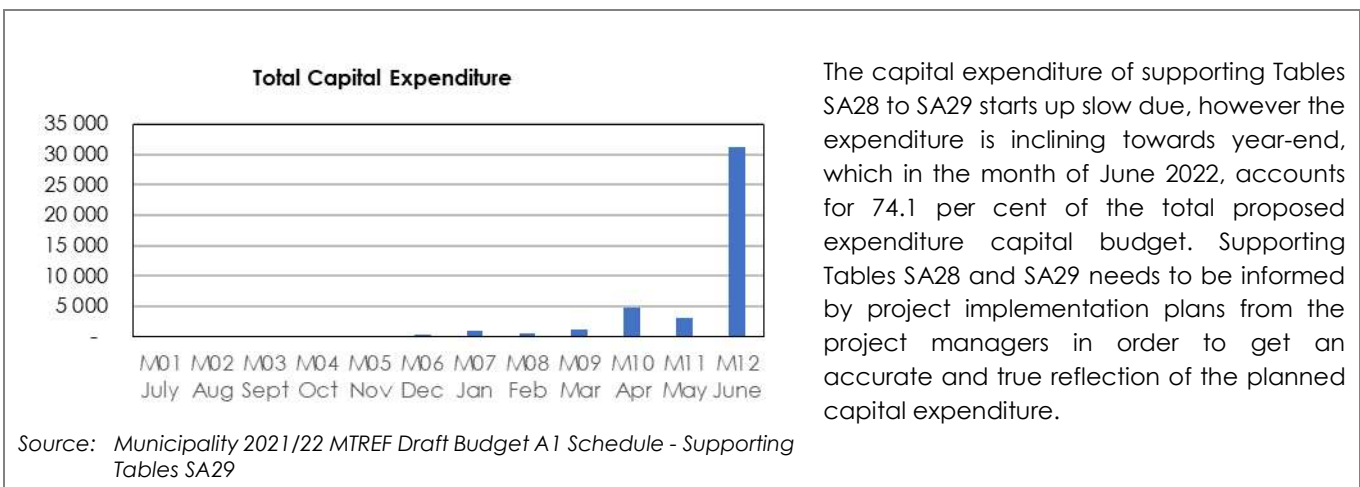
The Municipality does not intend to take up borrowings over the 2021/22 MTREF years. The gearing ratio indicates that the Municipality has the capacity to increase funding from borrowings, however, this should be considered within the cash flow requirements and strategic objectives of the Municipality.

4.3.6 Forecasting Budgeting

Graph 3 Forecasting and Multi-Year Budgeting



4.3.7 Graph 4 Monthly Capital Budgeting



4.3.8 Table A6 – Financial Position

Financial Position

- The analysis of the A6 (Budgeted Financial Position) data strings reported a negative working capital after taking the short-term obligations of the Municipality into account which demonstrates that the Municipality may not have enough funds to meet its short-term liabilities over the MTREF period. However, based on the A-Schedules submitted by the Municipality, the working capital is reported to be positive over the MTREF period.
- The A8 funding tool also indicates that the Municipality forecasted a positive working capital over the MTREF period which indicates that the Municipality has enough funds to meet its short-term liabilities.
- The credibility of the data strings submission remains a concern and distorts the quality of the reporting.

Current Ratio

- The Municipality shows current ratio is decreasing over the MTREF period from 5.44:1 (2021/22), 4.41:1 (2022/23) to 3.63:1 (2023/24). The ratio is favourable and above the National Treasury recommended norm of 1.5-2:1.
- Based on the submitted A-Schedules, the Municipality reported a current ratio of 9.37:1 (2021/22), 7.91:1 (2022/23) and 7.58:1 (2023/24) over the MTREF period which is still above the National Treasury recommended norm of 1.5-2:1.

Liquidity Ratio

- The anticipated liquidity ratio is reported to be 5.04:1 (2021/22), 3.96:1 (2022/23) and 3.17:1 (2023/24). This depicts that the Municipality is anticipating that they will have adequate financial resources to settle its short-term debt when it is due. The Municipality is not exposed to liquidity risk.
- Further analysis was done using the Municipality's submitted A-Schedules with the Municipality reporting a ratio outcome over the MTREF period of 8.97:1 (2021/22), 7.60:1 (2022/23) and 7.30:1 (2023/24) which is still above the National Treasury recommended norm of 1:1.

Cost Coverage Ratio

- The Municipality reflects a cost coverage ratio of 13 months over the MTREF period, demonstrating that the Municipality have adequate cash resources to meet its monthly fixed operating commitments from available cash. The anticipated cash coverage ratio is above the National Treasury recommended norm of 1-3 months.
- The forecasted cost coverage ratio based on the Municipality's submitted A-Schedules are also above the National Treasury recommended norm of 1-3 months.

Debt (total borrowings) to total Operating Revenue

- The debt ratio is reported to be zero per cent over the MTREF period. The anticipated debt ratio is within the National Treasury recommended norm of below 45 per cent which indicates that the Municipality has the capacity to take on additional increase funding from borrowings.

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

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

4.3.9 Table A7 - Cash

- The Municipality budgeted for positive cash and cash equivalents over the MTREF period of R693.12 million, R686.37 million and R684.64 million for the 2021/22, 2022/23 and 2023/24 MTREF years, respectively. It is noted that the closing balances of the cash and cash equivalents at year end of the 2021/22 and 2022/23 years are not accurately carried forward as opening balances in the 2022/23 and 2023/24 years, respectively.
- The outcome of the Treasury calculation based on the funding tool also reflected a positive cash and cash equivalents balance throughout the MTREF period.
- Differences are noted on reported tables A6 and A7 when comparing the data strings submission to the budget submitted by the Municipality. There are core line items such as 'suppliers and employees' that are not similar in amount and differences are identified. This raises a concern in respect of the credibility of the data strings submitted although the Municipality reported a positive cash and cash equivalents balance over the MTREF period.

4.3.10 Table A8 - Application of Cash and Investments

The Municipality has taken into consideration the required applications to the reported cash and cash equivalents. Table A8 of the funding tool indicates that the Municipality will achieve an overall outcome of R696.73 million (2021/22), R689.39 million (2022/23) and R680.93 million (2022/23). The outcome of table A8 of the funding tool reflects that the Municipality's budget is funded and sustainable over the MTREF period.

4.3.11 mSCOA Implementation

The Municipality is commended for submitting their data strings timeously. The data strings submission status as at 25 March 2021 was as follows:

Table 9 mSCOA data strings submission status

			Financial Year	
			2022	
			SUBMISSIONCODE	
			TABB	PRTA
Demarcation	Demarc			
Description	Code	CAP		
Province : WESTERN CAPE (WC)				
Cape Winelands DM	DC2	M		

It should be noted that there are segment errors in the submitted data as noted on the analysis above as well as segment analysis attached below. The Municipality must ensure that the segment errors are corrected to reflect accurate information from the data strings.

Utilisation of financial systems

MFMA Budget Circular 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. However, upon PT communication with the Municipality it was indicated that the 2021/22 MTREF budget was partially prepared in system as Non-financial information completed manually and tables A6 and A7 do not always agree to NT mapping and then manual intervention required. Also, it was indicated that most of the modules on the core financial system are not functional (SCM, General Ledger, Inventory,

creditors and Asset Management) and municipality is making use of a 3rd party system for Payroll which is not seamlessly integrated.

Seamless Integration of Financial Systems

Due to the variances highlighted in the perfect alignment tool below, it is evident that the financial system is not fully integrating with the supporting system as indicated by the Municipality above.

Table 10 Data Strings and A1 Alignment

Western Cape: Cape Winelands DM(DC2) - Table A1 Budget Summary for 4th Quarter ended 30 June 2021									
Description	2021/22 Medium Term Revenue & Expenditure Framework								
	Data Strings Budget Year 2021/22	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 position	-	-	-	-	-	-	-	-	-
Total current assets	721 068	747 031	(25 963)	735 078	751 329	(16 251)	756 264	757 129	(865)
Total non current assets	212 262	225 498	(13 236)	219 947	233 655	(13 708)	227 716	245 735	(18 019)
Total current liabilities	132 566	79 691	52 875	166 520	94 941	71 579	208 081	99 910	108 171
Total non current liabilities	127 272	139 772	(12 500)	115 272	135 484	(20 212)	103 272	135 484	(32 212)
Community wealth/Equity	673 492	753 066	(79 574)	673 751	754 559	(80 808)	674 875	767 470	(92 595)
Cash flows	-	-	-	-	-	-	-	-	-
Net cash from (used) operating	20 959	39 887	(18 929)	27 323	27 323	-	26 863	26 863	-
Net cash from (used) investing	(42 028)	(42 028)	-	(20 306)	(20 306)	-	(19 881)	(19 881)	-
Net cash from (used) financing	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	634 283	714 852	(80 569)	623 813	721 868	(98 055)	621 150	728 851	(107 701)
Cash backing/surplus reconciliation	-	-	-	-	-	-	-	-	-
Cash and investments available	668 138	714 852	(46 714)	659 237	721 868	(62 632)	659 244	728 851	(69 606)
Application of cash and investments	29 534	(208)	29 742	34 000	(2 878)	36 879	45 323	(1 395)	46 718
Balance - surplus (shortfall)	638 604	715 060	(76 456)	625 236	724 747	(99 510)	613 921	730 246	(116 325)
Asset management	-	-	-	-	-	-	-	-	-
Asset register summary (WDV)	204 397	213 202	(8 805)	216 602	225 704	(9 101)	228 982	237 784	(8 801)
Depreciation & asset impairment	7 793	7 793	-	8 089	8 089	-	7 789	7 789	-
Renewal and Upgrading of Existing Assets	6 677	6 677	-	5 035	5 035	-	1 489	1 489	-
Repairs and Maintenance	7 582	7 582	-	7 628	7 628	-	7 675	7 675	-

The table above highlights the differences between the mSCOA data strings and the 2021/22 tabled A1-Schedules. According to MFMA Circular No. 98, it is imperative that municipalities prepare their 2021/22 MTREF budget in their financial systems and that the A1-Schedule be produced directly from their financial system, as this will eliminate alignment problems. The Municipality is urged to make the necessary correction and resubmit the data strings and ensure that the adopted 2021/22 MTREF budget data strings aligns with A1-Schedule approved by the council.

The population of the balance sheet and cash flow reconciliation in tables A6 and A7, is still a challenge as it has been in previous financial years. It is critical that municipalities undertake balance sheet and cash flow budgeting to provide accurate cash flow information. National Treasury has provided guidance in this regard in MFMA Circular No. 98 and mSCOA Circular No. 10 and 11 and have also corrected the errors in the linkages of the MBRR cash flow tables to the mSCOA data strings.

To ensure that the relevant budget data strings are accurate, a segment use analysis on 2021/22 draft budget data strings (TABB) was conducted the following was identified:

Table 11 mSCOA Segment Analysis

No	Segment	Cape Winelands District
1	Project Segment	
1.1	Maintenance	Sufficiently used the Project Operational Maintenance available options
1.1.1	Corrective Maintenance	
1.1.1.1	Planned	Budget Allocated
1.1.1.2	Emergency	Budget Allocated
1.1.2	Preventative Maintenance	
1.1.2.1	Condition Based	Budget Allocated
1.1.2.2	Interval Based	Budget Allocated
1.2	Typical Work Streams	Substantial use of available options
1.3	Municipal Running Costs	Substantial use of available options
1.4	Default	Sufficiently used the project default for revenue items.
2	Fund Segment	
2.1	Use of Fund Segment	Inadequate use of the funding segment. This segment balance should be zero (expenditure equals to income)
3	Function Segment	
3.1	Use of Function Segment	Substantial use of available options. However, the function segment is not balancing to zero since some represent a gain and others reflect a loss.
4	Costing Segment	
4.1	Use of Costing Segment	Adequate use of the costing segment available options have been used (Recoveries, Default and Charges). Also the net effect of the secondary costing (Charges vs. Recoveries) amounts to Zero (0)
5	Region Segment	
5.1	Use of Region Segment	Inadequate use of the region segment.
6	Item Segment :	
6.1	Property Rates	Not applicable to a District Municipality
6.2	Service Charges	Not applicable to a District Municipality
6.3	Fines	No budget allocated
6.4	Employee Related Costs	
6.4.1	Senior Management	Appropriately used the available options
6.4.2	Municipal Staff	Appropriately used the available options
6,5	Councillors Remuneration	Appropriately used the available options
6,6	Bulk Purchases	Appropriately used the available options
6,8	Communication	
6,8	Debt Impairment	Appropriately used the available options
7,1	Contracted Services	
7.1.1	Outsourced	Appropriately used the available options
7.1.2	Consultants and Professional Services	Appropriately used the available options
7.1.3	Contractors	Appropriately used the available options
8.	Other Materials	
7.1.2	Inventory Consumed	Appropriately used the available options
7.1.3	Water Inventory	Not applicable to a District Municipality
8.	COVID - 19 Budget	Created their data strings in accordance with MSCOA circular No.9 the correct Operational Projects with the correct Sub projects for the COVID-19.

Source: Cape Winelands District Municipality 2021/22 MTREF Draft Budget A1-Schedule – mSCOA data strings

The Municipality has used all seven segments in allocating the budget. However, areas of improvements are noted in the above table and the Municipality is encouraged to correct the use of segments when the final budget is adopted by Council.

SECTION 5: KEY FINDINGS, RISKS AND RECOMMENDATIONS

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

Public Value Creation

It is recommended that the Municipality should consider the following in enhancing the Adopted 2021/22 IDP Review:

- Chapter 3 of the 2021/22 Draft IDP Review can be improved by providing a narrative on the interpretation of statistics related to the situational analysis displayed on the socio-economic infographics.
- Service delivery targets delayed due to procurement processes need to be prioritised to ensure that those targets are met by the end of the 2021/22 financial year
- No SDF adjustments or amendments are necessary at this point in time.
- It is recommended that the District makes provision for a system that can steer disinvestment in fossil fuel-linked activities and procurement, as well as risk management that will direct investment away from disaster prone areas. The District should indicate how their Spatial Planning Categories relate to the WCBS (2017) biodiversity conservation priorities, and also develop an invasive species monitoring, control and eradication plan for land under their control.
- The District needs to ensure that the comments provided by stakeholders are included in the IWMP. The council resolution for the approval of the 3rd generation IWMP needs to be submitted to the DEA& DP. The District needs to submit the final 4th generation IWMP for assessment and endorsement by the DEA& DP.
- The CWD is not mandated to implement waste services at local level, thus not being required to have an integrated waste management by-law in terms of NEM: WA - it is, however, recommended that one be developed, to cover municipalities that do not have by-laws, that is also not in conflict with existing by-laws of municipalities that do indeed have in this regard.
- Although the management of waste services and waste initiatives are not implemented by Districts, the CWD can further aid in awareness on waste minimisation, and further support municipal initiatives towards improved waste management, especially for the diversion of organic-, and construction and demolition wastes.
- The Cape Winelands District Municipality must facilitate the appeal process of the waste management licence to expedite it and run the facility when it is operational.
- A budget allocation to implement the Cape Winelands District Municipality's AQMP is to be secured in its IDP to:
 - monitor ambient air quality (passive or continuous monitoring of air pollutants via either a fully equipped ambient air quality monitoring station or low-cost air quality sensors),
 - train Air Quality Officers in air quality management,
 - develop an Air Quality By-law, and
 - implement air quality management intervention strategies in its jurisdiction.

- 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 (DFFE, 2018).

Economic Sustainability

- The District has indicated that the allocation towards road maintenance within the area is not adequate to all the technical maintenance, resealing, regravelling, rehabilitation and reconstruction needs, especially with regards to the provincial gravel roads.
- Overall, the tourism sector has faced the largest contraction in growth over the past year due to travel restrictions as a result of the pandemic. By focusing on regional tourism and development of capacity within the tourism industry, the District is playing a crucial role in sustaining the industry with its limited resources and should continue to prioritise local economic development over the medium term.

Financial Sustainability

- The District appears to be a going concern, and due to substantial short-term investments, does not show any signs of cash flow problems. The District is advised to regularly 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 District appears to have increased employee capacity while decreasing reliance on contracted services. The municipality is encouraged to continue its efforts in this regard.
- Due to the nature of the district municipality's mandate (i.e. disaster management and firefighting services etc), the municipality is advised to regularly perform checks on the condition of assets to determine whether any indications for impairment exist, and to repair and/or replace assets where necessary.
- The District's budget is deemed to be credible, sustainable and funded as there are no immediate sustainability threats, however the impact of the COVID-19 pandemic means that the Municipality needs 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.
- The District is commended for spending its full operating budget, indicative of a credible budgeting. Spending on employee and contracted services costs are both beyond the upper limits of the national norms, which is a cause for concern.
- There are other streams of revenue that the district derives its revenue from, debtors that arise from these streams need to be managed to ensure the Municipality's sustainability. Constantly monitor the debtors' age analysis, implement rigorous debt collection methods, have prudent financial turnaround and revenue strategies in place that will reduce the long outstanding debtors. The District must also strengthen their revenue management system, which should focus on internal controls, cash flow management, operational efficiencies, and the elimination of excessive and unsustainable expenditure.
- Due to low capital expenditure, a roll-over application is possible. The District is advised to make a more concentrated effort to avoid the return of conditional funding to the National and Provincial Revenue Fund.

- Prioritise maintenance and where necessary the refurbishment of essential municipal infrastructure as the projected 6.9 per cent allocation for repairs and maintenance is below the National guideline.