

ANNEXURE "T"

LGMTECH Report with Responses



Western Cape
Government

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CAPE WINELANDS DISTRICT MUNICIPALITY

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

Western Cape Government

MAY 2018

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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
DWS	Department of Water and Sanitation
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
LUPO	Land Use Planning Ordinance
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 and Budget Implementation Plan
SDF	Spatial Development Framework
SOP	Standard Operating Procedure
SWMP	Stormwater Management Plan
WC	Water Conservation
WDM	Water Demand Management
WSDP	Water Service Development Plan
WTW	Water Treatment Works
WWTW	Wastewater Treatment Works

SECTION 1: INTRODUCTION

The annual assessment of municipal budgets and Integrated Development Plans (IDPs) by provincial governments is essential. The importance of this assessment is stipulated in Chapter 5 of the Local Government Municipal Systems Act 32 of 2000 (MSA), the MSA Regulations and the Local Government Municipal Finance Management Act 56 of 2003 (MFMA). Provincial assessments afford the provincial sphere of government an opportunity to exercise its monitoring and support role to municipalities as stipulated by the Constitution. In addition, the assessments provide an indication of the ability and readiness of municipalities to deliver on their legislative and Constitutional mandates.

This report encapsulates comments by the Western Cape Provincial Government on the draft 2018/19 MTREF Budget, 2018/19 reviewed Integrated Development Plan (IDP) and Spatial Development Framework (SDF).

The assessment covers the following key areas:

- Outstanding findings from previous LG MTEC engagements;
- 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 **2 May 2018** 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: SOCIO-ECONOMIC OVERVIEW OF THE MUNICIPALITY

2.1 SOCIO-ECONOMIC OVERVIEW

A municipal budget is informed and influenced by a wide range of national, provincial and local socio-economic variables and assumptions that influence strategic allocations. These assumptions form the baseline from which a municipality makes projections and allocations across the three years of the MTREF.

Municipal sustainability requires successful socio-economic development and spatial transformation. The best way to grow and sustain a municipal revenue base, deliver basic services, and reduce the number of poor households, is by growing the economy in an inclusive way.

Table 1: Socio-Economic Indicators

Indicator	NDP Goals	Western Cape Provincial Data	Municipal Status Quo
Population Growth Rate	0.5% - 1% per annum by 2030 (Nationally)	1.5% per annum (Census 2011, 2016 Community Survey)	7% per annum growth rate (IDP 2017 - 2022)
Poverty	For zero households to be below the R418 monthly income poverty line	516 321 (households below the poverty line) (DLG, 2017)	13.1% of households have no income (IDP 2017 - 2022)
Per capita income	Per capita income of R110 000	R61 199 (Stats SA, own calculations 2017)	R50 239 (SEP-LG 2017)
Unemployment	14% by 2020	18.7% (2016) (Quantec 2017)	11.6% (IDP Review 2018)
Education	A learner retention ratio of 90 per cent.	Learner retention rate - 65.0% (SEP-LG 2017)	Learner retention rate – 67.2% (Municipal data in the 2017 IDP as per SEP-LG 2017)
Health	Maternal mortality to fall from 500 to 100 per 100 000 live births.	Maternal Mortality was 0.1 per 100 000 live births in 2016. (SEP-LG 2017)	Maternal mortality was 0.0 per 100 000 live births in 2016. (Municipal data in the 2017 IDP as per SEP-LG 2017)

Indicator	NDP Goals	Western Cape Provincial Data	Municipal Status Quo
Access to Basic Services	Access to electricity at 95 per cent. Expansion of the renewable energy sources including a national target of 5 million solar water heaters by 2030.	Western Cape average access to electricity in 2016: 96.5% (Stats SA)	Access level: 92.6% (IDP 2017)
	100 per cent access to clean potable water.	Western Cape average access to water in 2016: 99.0% (Stats SA)	Access level: 98.6% (IDP 2017)
	All South Africans will have affordable, reliable access to sufficient safe water and hygienic sanitation by 2030.	Western Cape average access to sanitation in 2016: 94.6% (Stats SA)	Access level: 96.9% (IDP review 2018)
	Housing	Western Cape average access to housing in 2016: 82.4% (Stats SA)	Access level: 81.0% (IDP 2017)

Comments:

- The renewed confidence of developed countries, coupled with optimistic commodity-driven prospects within emerging and developing markets, are driving global growth upwards in 2018 and 2019. Economic growth in South Africa however remains sluggish and appears unable to keep pace with the expansion of the global economy.
- Increased economic hardship at national level is expected to impact on poorer households and their ability to afford quality services. The burden will in turn be passed to local municipalities who must strain their revenue streams to extend services to indigents.
- Despite government making significant progress to extend access to basic services to all households, access to sanitation and refuse removal remains a major concern. Backlogs are particularly profound within rural and informal residential areas as opposed to more affluent suburbs within urban environments that enjoy access to services far above the minimum service level standard set by National Government.

- Although access to primary schooling has improved a great deal since 1994, the overall quality of education has deteriorated, evident from a 2015 OECD report which ranked South Africa 75th out of 76 in a ranking table of education systems. A recent study that placed South Africa near the bottom of several categories measuring international schooling trends in mathematics and science. This does not bode well to improve access to higher education opportunities. The South African schooling system is also plagued by excessively high learner-teacher ratios and high school drop-outs.
- The number of high school drop-outs is expected to increase the unemployment rate amidst a labour market that is demanding more semi- and skilled workers.
- Life-expectancy within South Africa is lower than in any other African country, largely as a result of the prevalence of HIV/AIDS. Mortality in South Africa therefore stands in stark contrast to the global trend which is expecting a boom in older populations.

SECTION 3: INTEGRATED PLANNING

The 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 the Municipality. Each municipal council must annually review and may amend the IDP of the Municipality.

The 2018/19 IDP review is the first of the 2017 - 2022 IDP. An IDP provides the strategic direction for all the activities of the Municipality over the five years and is linked to the council term of office. The 2018/19 IDP review approach takes into consideration the assessment of its performance measurements and to the extent that changing circumstances so demands. Should the review process determine an amendment is required, municipalities are to follow the process as stipulated in the MSA Regulation 3 (Municipal Planning and Performance Management Regulations).

3.1 INTRODUCTION (2018/19 REVIEW)

As indicated, the 2018/19 Draft Reviewed IDP, marks the first review of the Cape Winelands District Municipality's (The Municipality) 5-year strategic framework (2017 - 2022). The 2017 - 2022 IDP was reviewed in accordance with section 34(a) of the MSA and MSA Regulations applicable to annual reviews of the IDP.

The time schedule followed in planning and drafting the Municipality's 2018/19 Draft Reviewed IDP was approved by Council in August 2017. The review process followed by the Municipality complied with legislation and aligns with planning and budgeting cycles of other spheres of government.

The Municipality indicated clearly on the cover page that this is the first Review of the 2017 - 2022 IDP which should be read in conjunction with the 2017 - 2022 IDP. The 2018/19 Draft Reviewed IDP with comments and proposed changes/additions from sector departments will be incorporated into the 2017 - 2022 IDP to be tabled and approved as the 2018/19 Adopted IDP of Cape Winelands District Municipality.

The first review of the 2017 - 2022 Adopted IDP involved no significant adjustments and was based on monitoring and evaluation of the Municipality's performance against set targets.

3.2 DISASTER MANAGEMENT

The Municipality established a fully functional Municipal Advisory Forum that coordinate response actions for the entire District.

The 2018/19 Draft Reviewed IDP does not reflect a list of prevalent hazards and risk reduction initiatives for the Municipality. The 2018/19 Draft Reviewed IDP indicates that

the Municipality budgeted to conduct a Disaster Risk Assessment for the District during the 2018/19 financial year.

It is noted that the 2018/19 Draft Reviewed IDP makes reference to drought assistance provided to local municipalities in the District. However, the 2018/19 Draft Reviewed IDP does not make reference to Disaster Management Plans and other contingency plans of local municipalities in its area. According to the records of the Western Cape Disaster Management Centre, the latest Disaster Management Plan that exists for the District is dated 2016 as well as numerous contingency plans dated from 2008 - 2016.

3.3 AGRICULTURE

The Cape Winelands region is one of the agricultural production intensive areas in the Western Cape and make a significant contribution to the regional economy. However, the 2018/19 Draft Reviewed IDP provides limited information on the agricultural sector.

The Cape Winelands region is home to thousands of agri-workers on farms. However, the socio economic analysis of the Municipality does not reflect much on this segment of the population.

Recommendations:

- The Municipality should consider including the agricultural sector and include a comprehensive section that reflects broader on issues pertaining to the sector, in particular drawing from the Departmental Agricultural Dataset.
- The Municipality should include socio-economic information which is contained in the Agri-Worker Household census report for the Cape Winelands region in the 2018/19 Adopted IDP.

3.4 SOCIAL SERVICES (HEALTH, EDUCATION, SAFETY AND SECURITY, CULTURAL AFFAIRS AND SPORT, SOCIAL DEVELOPMENT, THUSONG, EPWP, CWP)

3.4.1 Community Safety

The Department of Community Safety has noted that the Municipality responds to the safety of its citizens given the strategies, programmes and projects with objectives and targets relating to safety of communities in the 2018/19 Draft Reviewed IDP.

Reference to the promotion of safety and the linkage to the Sustainable Development Goals, National Development Plan, Vision 2030, and Provincial Strategic Plan as well as to the Game Changer on Alcohol Harms reduction is noted.

While the information about partnership projects with Business Against Crime and increased awareness around road safety is noted, the 2018/19 Draft Reviewed IDP provides no information on the Community Police Forum directly involved in communities.

3.5 INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION

The 2018/19 Draft Reviewed IDP reflects that the District Municipality has embarked on a comprehensive process to have all posts on their approved organisational structure redesigned in terms of the TASK Job Evaluation System to promote delivery on the objectives of the IDP. No vacancies exist in the macro structure of the District Municipality according to the 2018/19 Draft Reviewed IDP.

Although the 2018/19 Draft Reviewed IDP makes reference to a performance management system under the Chief Audit Executive/Internal Audit, it provides no clear indication of an adopted performance management system/framework. However, the District Municipality has developed a high-level Service Delivery and Budget Implementation Plan (SDBIP) with projects and targets that is used as an instrument to measure performance management. The District Municipality has recently reviewed its staff establishment in line with legislation and the changes will be implemented with the start of the 2018/19 financial year.

3.6 PUBLIC PARTICIPATION

The District Municipality implements its IDP Communication Plan to effectively execute public participation with all stakeholders and to keep the community informed about the resolutions of council. The 2018/19 Draft Reviewed IDP includes an IDP/Budget Public Participation Road Map that lists all public engagements between October 2017 to June 2018 after the adoption of the final approved IDP and Budget for 2018/19.

The District Municipality acknowledges the importance of public participation processes in compiling the IDP and ensures that all relevant stakeholders provide input, be it through engagements or collecting written input from stakeholders.

3.7 KEY FINDINGS, RISKS AND RECOMMENDATIONS

The review process followed by the Municipality complied with all applicable legislation, aligns with the planning and budgeting cycles of other spheres of government, and involved no significant adjustments as it was based on evaluation of the Municipality's performance.

SECTION 4: ENVIRONMENTAL AND DEVELOPMENT PLANNING ANALYSIS

4.1 STRATEGIC OVERVIEW AND IMPORTANT MATTERS

- A more accurate depiction of population statistics and population projections are required as a matter of urgency as this has a huge impact on the responses to housing, engineering infrastructure and social facility provision. Municipalities are using different approaches to estimate existing population and project growth, but a more uniformed approach is required.
- The SDF does not include a Capital Investment Framework. However, pre-determined objective 1.4 talks to the SDF which is currently being reviewed to bring it into alignment with existing legislative requirements.
- The Draft IDP notes that the Municipality will review the SDF in 2018/2019 with the intention of adopting the reviewed SDF with the IDP cycle in June 2019. The SDF review will need to comply with all content and procedural requirements as set out in the applicable legislation. This includes, but is not limited to, the development of a Capital Investment Framework/Capital Expenditure Framework and an Implementation Plan.
- It is recommended that the Municipality use the new WC Biodiversity Spatial Plan - 2017 (as it is the best available science for Critical Biodiversity Area assessment) in the future when reviewing the SDF.
- The IDP and SDF indicate the Municipality's Alien Clearing effort, however there is no Alien Invasive Management Plan tabled. It is therefore recommended that the Municipality develops and tables an Alien Invasive Management Plan.
- Climate change impacts are being experienced now and additional future impacts are unavoidable. The current drought is but one example of a climate change manifestation. Climate change response is therefore required as everyday risk reduction management, and equally as environmental, economic and social responses. Understanding of reduction of emissions, and risk reduction and management needs to be integrated in general across all sector inputs into the IDP. The ten-page Climate Change Advisory developed for Cape Winelands District Municipality in 2016, is still relevant and should be checked by the Municipality for guidance on enhancing climate change responses from sectors within their IDP implementation.
- The Cape Winelands DM submitted a 2nd generation IWMP to the DEA&DP for assessment and endorsement. The IWMP was assessed but it was not endorsed as it did not meet the NEM: WA requirements. According to the IDP 2017-2021, a

3rd generation IWMP has been drafted by the Municipality and a 4th generation review is underway. However, the DEA&DP has not received a 3rd generation IWMP for assessment and endorsement.

- A Waste Management Officer has not been designated by the Municipality as required in terms of NEM: WA.
- The Cape Winelands Regional Waste Disposal Facility needs to commence with construction as the local municipalities within the district is dependent on it as those have limited airspace. The issued licence is currently being appealed.
- The provincial government has taken a position to institute a 50 per cent ban on organic waste to landfill by 2023 and a total ban by 2028. The diversion of organic waste can divert as much as 38 per cent of waste to landfill if effective strategies are implemented.
- Efforts have recently been made by the Cape Winelands District Municipality to play a leading role with respect to the management of incidents in its area. It is imperative that the District identify and formally designate an already appointed official to carry out this function.
- The Cape Winelands District Municipality is fully compliant to the NEM:AQA.

4.2 CURRENT WORK UNDERTAKEN (E.G. SUPPORT/PROGRAMMES/PROJECTS)

- The Department has subsequently produced guidelines on the management of abattoir and green waste respectively, and hosts workshops on organic waste. The aim of the workshops is to share information on best practice and to create opportunities for partnerships between municipalities and the private sector. In addition, the following needs to be noted in support of this municipality: A waste characterisation guideline was drafted by the DEA&DP in the 2016/17 financial year (which must be workshopped within the Cape Winelands municipal area), a Construction and Demolition Waste (C&DW) Guideline by March 2018, a Status Quo Report on E-waste by March 2018.
- DEA&DP hosted a Green Waste Management workshop with municipal officials and other stakeholders in the green waste management sector. The workshop was held in Worcester on 19 October 2018. The aim of the workshop was to present stakeholders with options for the management of green waste and to create an opportunity for stakeholders in the Cape Winelands region to collectively find solutions to address their green waste challenges.

- In terms of Pollution Management, engagements are envisaged for the latter part of the year to address some of the issues faced with respect to the coordination and administration of the function in the area of jurisdiction of the CWDM.

4.3 KEY FINDINGS/RISKS/RECOMMENDATIONS

- It is recommended that the Municipality use the new WC Biodiversity Spatial Plan - 2017 (as it is the best available science for Critical Biodiversity Area assessment) in the future when reviewing the SDF.
- It is recommended that the Municipality develops and tables an Alien Invasive Management Plan.
- The DEA&DP has not received a 3rd generation IWMP for assessment and endorsement, and the Municipality is urged to submit this plan as a matter of urgency.
- A Waste Management Officer needs to be designated by the Municipality as required in terms of NEM: WA.

SECTION 5: ASSESSMENT OF THE BUDGET RESPONSIVENESS

5.1 ECONOMIC SUSTAINABILITY

5.1.1 Introduction

Although global risk factors remain elevated, the world economy continues to provide a supportive platform for South Africa to expand trade and investment. The world economic growth is at its highest since 2014 and continues to gather pace with Gross Domestic Product (GDP) growth increasing across all major economies.

Nationally, growth has remained stagnant at less than 2 per cent and unemployment remains high at 26.7 per cent. The prerequisites for increased revenue and expanded service delivery are more rapid growth, investment and job creation.¹

The GDP growth rate is forecast at 1.5 per cent in 2018, 1.8 per cent in 2019 and 2.1 per cent in 2020. As the outlook of the National economy improves, the adverse impact of the current drought, particularly on the agricultural sector, continues to weigh on the Western Cape's economic performance and outlook. Growth in the Western Cape is expected to have remained largely flat in 2017, in contrast to a projected growth acceleration for the national economy.²

The drought and the water crisis, disasters as well as other issues relating to climate change (particularly fire, water shortages and floods) continue to be major risks in the Western Cape. Severe consequences resulting from the water crisis includes: the inability to provide basic services to communities impacting on the sustainability of businesses and the economy; impact on the delivery of key infrastructure projects that are water dependent; greater reliance on the provision of government services and an impact on municipal sustainability.

Local government sustainability continues to be the overarching theme against which municipal budgets are assessed. Cognisance should be taken of recent political developments and the associated change in national priorities which will subsequently impact upon the short-term municipal planning and budgeting efforts as well as the medium-term growth and development outlook of local government.

This section examines if the tabled 2018/19 MTREF Budget is responsive from an economic and socio-economic perspective and the Municipality's ability to meet the legitimate expectations of the community and implement its mandated functions in order to contribute to economic sustainability over the long term.

¹ National Treasury, MFMA Circular No. 91 (2018)

² Western Cape Government, Budget Overview (2018)

5.1.2 Overview of the key priorities in terms of IDP Strategic Objectives

The 2018/19 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 R405.107 million and a total capital budget of R31.431 million in the 2018/19 financial year.

Table 2: Strategic Objectives for the 2018/19 Medium Term Revenue & Expenditure Framework

Cape Winelands Supporting Table SA5 & SA6 Reconciliation of IDP Strategic Objectives and Budget (Operating and Capital Expenditure)								
Strategic Objective	2018/19 Medium Term Revenue & Expenditure Framework OPEX				2018/19 Medium Term Revenue & Expenditure Framework CAPEX			
	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21	Average Annual Growth	Budget Year 2018/19	Budget Year 2018/19	Budget Year 2019/20	Average Annual Growth
R thousand								
Strategic Objective 1	135 595	137 431	139 622	1.5%	11 769	10 532	6 390	-26.3%
Strategic Objective 2	147 257	137 705	153 863	2.2%	17 087	15 364	9 252	-26.4%
Strategic Objective 3	122 256	124 595	128 319	2.4%	2 575	1 919	2 434	-2.8%
Total Expenditure	405 107	399 731	421 804	2.0%	31 431	27 815	18 075	-24.2%

Source: Cape Winelands District Municipality 2018/19 tabled budget

Comments

- The Cape Winelands District Municipality has highlighted international, national and provincial policy directives in its 2018 IDP Review as well as the strategic objectives of the local municipalities within its boundaries.
- The Cape Winelands District Municipality has three strategic objectives which are clearly aligned to its budget allocations as well as to national and provincial priorities as stated in the Districts 2018 IDP review. The operating expenditure budget is allocated across all three strategic objectives with Strategic Objective 2 receiving the biggest allocation of 36.3 per cent of the operating budget, followed by Strategic Objective 1 (33.5 per cent) and Strategic Objective 3 (30.2 per cent). The capital budget follows suit with Strategic Objective 2 receiving the biggest proportion of the budget (54.3 per cent).
- Strategic Objective 2 envisions addressing "Promoting sustainable infrastructure services and a transport system which fosters social and economic opportunities." This budget allocation is directed towards implementing the district's road agency function, sustainable infrastructure services, public transport regulation, improving infrastructure for rural dwellers and to implement an effect ICT system for the district. These major projects and functions would account for the fact that this Strategic Objective has the biggest budget allocation.

5.2 BUDGET RESPONSIVENESS ASSESSMENT

Budget responsiveness considers a municipality's ability to interpret the current socio-economic environment impacting upon its citizenry and to accordingly make budget allocations to continue providing essential services within said climate.

Table 3: Service delivery information

MANDATED FUNCTIONS AGAINST THE ANNUAL BUDGET							
Function(s) required by legislation	Legislation	Section	Y/N	Opex (Actual) R'000	Capex (Actual) R'000	Total Capex + Opex R'000	% Total
Solid waste disposal sites, management, control and regulation.	Municipal Structures Act	84(1)(e)	No	0	0	0	0%
Municipal Health services.	Municipal Structures Act	84(1)(i)	Yes	37234	30	37264	9%
Fire-fighting services serving the area of the district municipality as a whole.	Municipal Structures Act	84(1)(j)	Yes	57020	11280	68300	16%
The establishment, conduct and control of fresh produce markets and abattoirs.	Municipal Structures Act	84(1)(k)	No	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%
Establish a Municipal (District) Disaster Management Centre	Disaster Mgt. Act	44,&47-49	Yes	4131	419	4550	1%
Promote Bulk Infrastructure Development and Services.	Municipal Structures Act		No	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%
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	101667	2318	103985	24%
Regulation of passenger transport services.	Municipal Structures Act	84(1)(g)	Yes	9718	0	9718	2%
Potable water supply systems.	Municipal Structures Act	84(1)(b)	Yes	4919	40	4959	1%
Bulk supply of electricity.	Municipal Structures Act	84(1)(c)	No	0	0	0	0%
Domestic waste-water and sewage disposal systems.	Municipal Structures Act	84(1)(d)	No	0	0	0	0%
Municipal airports serving the area of the district municipality as a whole.	Municipal Structures Act	84(1)(h)	No	0	0	0	0%
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%
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	12610	4655	17265	4%
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%
Must have (establish) District Intergovernmental Forums (incl councillors costs).	IGR ACT	24-27	No	0	0	0	0%
Promotion of local tourism. (Resorts)	Municipal Structures Act	84(1)(m)	Yes	7340	300	7640	2%
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%
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%
"NOT CORE FUNCTION BUT A SUPPORT FUNCTION"	MFMA	15	Yes	0	0	0	0%
OTHER EXPENDITURE				170468	12389	182857	42%
				405 107	31 431	436 538	100%
				405107	31431	436538	100%

District municipalities perform their functions based on specific legislation, particularly sections 156 and 229 of the Constitution of South Africa and sections 83 and 84 of the Municipal Structures Act of 1998.

A key risk for district municipalities currently is that they are very dependent on intergovernmental transfers which the Municipality has limited control over. Own revenue raising capacity is constrained under the current funding regime, especially since services have been removed from the District Municipality with no viable funding replacement options. In the interim, district municipalities are becoming increasingly dependent on intergovernmental transfers for institutional sustainability and to deliver on the legislative obligations and services.

The District Municipality's budget often consist of legislative mandates as well as competing priorities. The District has identified its key priorities as disaster management, firefighting services, spatial planning and local economic development as per its IDP Review 2018. These priorities are addressed in its 2018/19 MTREF budget below in the following allocations:

5.2.1 District Functional Area: Road Transport

Total 2018/19 Expenditure Allocation: R103.985 million (24%)

As per its service level agreement, the District Municipality has agreed to the administrative and financial conditions of the Western Cape Government roads agency function agreement as stated in Strategic Objective 2 of its draft 2018 IDP Review.

In addition to upgrades and maintenance of roads, the amount allocated for road transport also includes project funding for clearing of road reserves, road safety awareness programmes and the completion of public sidewalks and embayments.

Major national and regional roads in the Cape Winelands District are transit routes for local and national consumption as well as trading of local manufactured products therefore the maintenance and provision of safe roads is a key driver of economic growth and imperative to economic development both regionally and locally.

5.2.2 District Functional Area: Safety & Security

Total 2018/19 Expenditure Allocation: R72.850 million (17%)

Firefighting services

Due to the prolonged drought, the period when the region normally experiences fires is expected to be extended beyond April. This places pressure on the districts firefighting capacity and resources which are already facing strain. As the region is extremely vulnerable to fires, and it can have a particularly harmful effect on the agricultural sector and it is essential that the Districts allocates sufficient resources to perform this function.

Strategic objective 1 in the draft 2018 IDP Review reaffirms the District's commitment to 'effective planning and coordination of specialised firefighting services throughout the area of Cape Winelands District Municipality'. The District has therefore allocated the total R57.020 million to the provision of firefighting services including the employment of additional manpower and fire training instructors as well as financial support of the Fire Protection Association.

An allocation of R11.280 million in the 2018/19 capital budget has been earmarked for firefighting services. This is mainly allocated to the replacement of firefighting vehicles and equipment.

Disaster Management

In order for the Disaster Management Centre to fulfil its legal mandate, the District has identified and funded the following projects in their 2018/19 budget. The Ward base risk assessment (WBRA) project, the proposed Simulation Exercise project and the purchase of a good electronic communication system to effectively coordinate response actions of advisory forum role-players.

The effects of the current drought have been felt by all local municipalities in the district to varying degrees. In response, the Disaster Management Division has worked with local municipalities to implement a Drought Steering Committee in each high risk municipality and has provided assistance to municipalities for Day Zero planning where required. A drought awareness campaign has also been undertaken to educate communities of the importance of saving water in an effort to avert Day Zero and adhering to water restrictions imposed in their municipal areas.

The District has allocated R4.131 million in its operating budget for this function.

An allocation of R419 000 in the 2018/19 capital budget has been budgeted for disaster management. This is mainly for the provision of new equipment including communication devices.

5.2.3 District Functional Area: Municipal Health Services

Total 2018/19 Expenditure Allocation: R37.264 million (9%)

The District Municipality is legally compelled to provide various municipal health services as per the National Health Act (Act 61 of 2003) which includes water quality monitoring; food control; waste management; health surveillance of premises; surveillance and prevention of communicable diseases, excluding immunisations; vector control; environmental pollution control; disposal of the dead; and chemical safety.

Through Strategic Objective 1, the District plans to provide a comprehensive and equitable municipal health service including Air Quality Management throughout the CWDM. It has allocated R37.234 million of its 2018/19 budget to achieve this objective. R30 000 is allocated in its capital budget for health, which is mainly for new office equipment.

5.2.4 District Functional Area: Planning and Development

Total 2018/19 Expenditure Allocation: R17.265 million (4%)

Local Economic Development

The District Municipality has a Regional Local Economic Development Strategy that was approved in 2012 by council. It has established that numerous gaps exist in the current strategy and has embarked on a new Cape Winelands District Socio-Economic Strategy for the region. This is in partnership with various stakeholders as well as Witzenberg and Langeberg municipalities and should be completed by June 2018.

Through the new strategy, the District hopes to achieve the Strategic Objective 1.4: "To facilitate environmentally sustainable economic development planning through the development and maintenance of strategic partnerships, investment attraction, retention and opportunities, SMME support and development, skills development and information knowledge".

Several projects have been identified and budgeted for across the Districts 2018/19 MTREF to boost economic development in the region. These include an investment, retention attraction and opportunities programme, wine and township tourism, trade shows, exhibitions, expos and road shows.

The District has allocated R7.431 million of its Regional Planning and Development operational budget to Local Economic Development as well as R7.340 million to tourism. There is no capital budget allocated to this function.

It is commendable that the District is investing its energy and resources in creating an enabling policy environment for economic development to thrive as well as allocating its resources across a variety of projects. These projects are also made possible through successful partnership relationships with various stakeholders, civil society organisations and local municipalities.

As many of these projects have been in existence and funded since the previous IDP cycle, it is advised that the District embark on an impact assessment exercise to evaluate that actual outcome and the impact that these projects have had on the region's economic growth and development.

5.3 BUDGET RESPONSIVENESS: MAIN POINTS AND RISKS/FINDINGS

- The Cape Winelands District Municipality has highlighted international, national and provincial policy directives in its 2018 IDP Review as well as the strategic objectives of all the local municipalities within its boundaries. Its strategic objectives are well aligned to its budget allocations and financial commitments have been made across all strategic objectives.
- A key risk for district municipalities currently is that they are very dependent on intergovernmental transfers which the Municipality has limited control over. Own revenue raising capacity is constrained under the current funding regime, especially since services have been removed from the District Municipality with no viable funding replacement options.
- Many LED projects have been in existence and funded since the previous IDP cycle in the Cape Winelands District. It is recommended that the District embark on an impact assessment exercise to evaluate that actual outcome and the impact that these projects have had on the region's economic growth and development.

SECTION 6: CREDIBILITY AND SUSTAINABILITY

6.1 REVIEW OF THE NEW (2018/19) MTREF

6.1.1 Outcomes of the audited financial years

Table 4: Budgeted Performance against the Audited Performance

R thousands	2014/15				2015/16				2016/17			
	Adjusted Budget	Audited Outcome	Difference	Diff %	Adjusted Budget	Audited Outcome	Difference	Diff %	Adjusted Budget	Audited Outcome	Difference	Diff %
CAPE WINELANDS DISTRICT MUNICIPALITY												
Financial Performance												
Property rates	-	-	-	0.00%	-	-	-	0.00%	-	-	-	-
Service charges	160	487	327	204.62%	170	2 302	2 132	1253.87%	170	629	459	269.94%
Investment revenue	32 000	35 342	3 342	10.44%	40 188	43 236	3 048	7.58%	48 000	51 193	3 193	6.65%
Transfers recognised - operational	222 570	219 637	(2 933)	-1.32%	234 979	224 198	(10 781)	-4.59%	237 113	231 374	(5 738)	-2.42%
Other own revenue	104 715	96 580	(8 135)	-7.77%	116 878	118 499	1 621	1.39%	114 413	106 950	(7 463)	-6.52%
Total Revenue (excl. capital transfers and contributions)	359 446	352 046	(7 400)	-2.06%	392 215	388 235	(3 980)	-1.01%	399 696	390 147	(9 549)	-2.39%
Employee costs	166 758	155 153	(11 606)	-6.96%	188 210	155 554	(32 656)	-17.35%	183 880	173 888	(9 993)	-5.43%
Remuneration of councillors	12 385	10 207	(2 178)	-17.59%	11 587	10 779	(808)	-6.97%	11 302	10 216	(1 086)	-9.61%
Depreciation & asset impairment	6 823	8 654	1 832	26.85%	9 313	6 743	(2 570)	-27.59%	10 618	9 703	(915)	-8.62%
Finance charges	29	8	(21)	-72.59%	34	2	(32)	-93.47%	14	1	(13)	-93.56%
Materials and bulk purchases	-	-	-	-	-	-	-	-	-	-	-	0.00%
Transfers and grants	-	-	-	-	-	-	-	-	-	-	-	0.00%
Other expenditure	165 499	139 148	(26 341)	-15.92%	183 071	168 313	(14 758)	-8.06%	193 882	172 490	(21 392)	-11.03%
Total Expenditure	351 483	313 169	(38 314)	-10.90%	392 215	341 392	(50 823)	-12.96%	399 696	366 298	(33 398)	-8.36%
Surplus/(Deficit)	7 962	38 877	30 915	388.26%	-	46 843	46 843	#DIV/0!	(0)	23 849	23 849	-6259491.12%
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	-	-	-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	7 962	38 877	30 915	388.26%	-	46 843	46 843	#DIV/0!	(0)	23 849	23 849	-6259491.12%
Share of surplus/ (deficit) of associate	0	0	-	0.00%	-	-	-	0.00%	-	-	-	0.00%
Surplus/(Deficit) for the year	7 962	38 877	30 915	388.26%	-	46 843	46 843	#DIV/0!	(0)	23 849	23 849	-6259491.12%
				0.00%				0.00%				0.00%
Capital expenditure & funds sources				0.00%				0.00%				0.00%
Capital expenditure	6 496	4 896	(1 600)	-24.63%	18 189	4 758	(13 431)	-73.84%	11 784	11 351	(433)	-3.67%
Transfers recognised - capital	576	488	(88)	-15.20%	1 104	419	(685)	-62.06%	1 008	709	(299)	-29.69%
Public contributions & donations	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	5 920	4 407	(1 512)	-25.55%	17 085	4 339	(12 746)	-74.60%	10 776	10 642	(134)	-1.24%
Total sources of capital funds	6 496	4 896	(1 600)	-24.63%	18 189	4 758	(13 431)	-73.84%	11 784	11 351	(433)	-3.67%

Source: Audited AFS and the Annual Budget Schedules

Investment revenue and service charges continued to perform above the revised budget over the audited financial years which indicates a concern with respect to budgeting/forecasting for these items. There is no consistency in the expenditure line items as they showed fluctuations over the audited financial years.

Capital performance reflects under-performance in the audit years, which illustrates that the Municipality is not able to fully implement the approved budget. All of these variances are indicative of credibility issues regarding budget assumptions and estimates.

Review of the Budget Assumptions

The Municipality has complied with Regulation 16 of Municipal Budget and Reporting Regulations for Schedule A by including the budget assumptions in the budget document however rate of return on invested funds and ability/capacity of the Municipality to spend and deliver on its programmes was not indicated.

6.1.2 Adequacy of Revenue Management Framework

The following table depicts budgeted operating revenue budget and growth trends over the 2018/19 MTREF.

Table 5: Operating Revenue

Description	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework			% Growth rates: MTREF Budget			
	Adjusted Budget	YTD Actual (Feb 2018)	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	2017/18 - 2018/19 (YOY)	2018/19 - 2019/20 (YOY)	2019/20 - 2020/21 (YOY)	2018/19 - 2020/21 (AVE)
Revenue By Source									
Service charges - other	-	47	-	-	-	-	-	-	0%
Rental of facilities and equipment	131	82	131	131	131	0%	0.0%	0%	0%
Interest earned - external investments	51 850	16 604	51 850	51 850	51 850	0%	0%	0%	0%
Interest earned - outstanding debtors	-	2	-	-	-	-	-	-	0%
Licences and permits	350	369	250	250	250	-29%	0.0%	0%	-10%
Agency services	117 635	33 384	120 768	113 261	125 535	3%	-6%	11%	2%
Transfers recognised - operational	232 537	175 184	233 097	238 093	244 378	0.24%	2%	3%	2%
Other revenue	1 331	467	1 330	1 330	1 330	-0.12%	0.0%	0%	0%
Total Revenue (excluding capital transfers and contributions)	403 835	226 140	407 425	404 915	423 474	0.89%	-0.62%	5%	2%

Source: Annual Budget Schedules A4

Financial sustainability of district municipalities is under threat and is dependent on the growth rates of allocations given the high grant dependency but Cape Winelands is financially sound and sustainable. However, a year-on-year revenue growth rate of less than 1 per cent, whilst operating costs are on the rise due to factors out on municipality's control, will result in depletion of municipal investments in the long-term. Reprioritisation of expenditure should be closely monitored in order for the Municipality's financial viability not to be impacted that much.

Rental of facilities and equipment, interest earned on external investments, licences and permits and other revenue show that there will be no movement in budgeted figures over the MTREF which is unlikely given fluctuations in factors like annual adjustments or increases in rental income and interest rates. This questions the credibility and reliability of the budgeted information for these line items.

6.1.3 Adequacy of Expenditure Management Framework

The following table depicts budgeted operating expenditure budget and growth trends over the 2018/19 MTREF.

Table 6: Operating expenditure

Description R thousand	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework			% Growth rates: MTREF Budget			
	Adjusted Budget	YTD Actual (Feb 2018)	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	2017/18 2018/19 (YOY)	2018/19 2019/20 (YOY)	2019/20 2020/21 (YOY)	2018/19 - 2020/21 (AVE)
Expenditure By Type									
Employee related costs	200 765	119 172	208 214	220 158	228 473	4%	6%	4%	4%
Remuneration of councillors	11 483	7 576	11 746	12 450	13 295	2%	6%	7%	5%
Debt impairment	1 370	-	5 571	1 425	1 425	307%	-74%	0%	77%
Depreciation & asset impairment	10 000	-	10 000	10 000	10 000	0%	0%	0%	0%
Finance charges	8	-	8	6	6	0%	-25%	0%	-8%
Other materials	23 111	10 172	27 672	24 263	32 488	20%	-12%	34%	0%
Contracted services	68 488	28 194	62 275	59 082	55 601	-9%	-5%	-6%	-7%
Transfers and grants	9 709	5 140	8 550	8 390	7 890	-12%	-2%	-6%	-7%
Other expenditure	76 895	34 015	71 051	63 937	72 605	-8%	-10%	14%	-1%
Loss on disposal of PPE	20	-	20	20	20	0%	0%	0%	0%
Total Expenditure	401 848	204 269	405 107	399 731	421 804	0.81%	-1.33%	6%	2%

Source: Annual Budget Schedules A4

The reclassification of items due to implementation of mSCOA had an impact on the expenditure budget and abnormal growth trends which will likely stabilise in a few years. However, the Municipality should align the increases to inflation rate and limit non-priority spending whilst implementing stringent cost-containment measures. Debt impairment provision growth is material and highly excessive when compared to age analysis of debtors that was reported in February 2018 and unjustifiable given that the Municipality provide for impairment on those firefighting debtors outstanding for more than 60 days. Depreciation and asset impairment budget will remain the same over the MTREF which is unlikely given the past performance trends and the fact that property, plant and equipment shows a year-on-year growth over the MTREF. Contracted services are at 15 per cent of the total expenditure budget and these services have not been disclosed in supporting Table SA1 for the 2018/19 MTREF. This raises the credibility and reliability of the process that was followed in completing the schedules because the formula in Table A4 should pull from Table SA1 but Table A4 was manually completed. The budget document is silent on the sudden decrease of the transfers and grants line item over the MTREF and the contributing factors thereto. These are cash transfers made by the Municipality, as per Table SA21 which outlines affected recipients, with no narrative to substantiate the decline and possible effect on recipients of these transfers. It is noted that a policy on transfers and grants to other stakeholders has been developed, the Municipality is advised to review the transfers with the restrictions mentioned in the policy to ensure consistency.

The budget document and Schedule A shows no budget for repairs and maintenance, a risk to existing assets and potential disruptions to service delivery if assets are not repaired and maintained. The key findings on adequacy of expenditure management framework lead to a conclusion that the tabled expenditure budget lacks credibility and cannot be relied on given the gaps that have been identified.

6.1.4 Adequacy of Capital Budget

The following table depicts split in capital investment together with growth trends over the 2018/19 MTREF.

Table 7: Capital expenditure

Vote Description R thousand	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework			% Growth rates: MTREF Budget			
	Adjusted Budget	YTD Actual (Feb 2018)	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	2017/18 - 2018/19 (YOY)	2018/19 - 2019/20 (YOY)	2019/20 - 2020/21 (YOY)	2018/19 - 2020/21 (AVE)
Capital Expenditure - Standard									
<i>Governance and administration</i>	7 661	2 640	12 729	4 358	4 655	66%	-66%	7%	2%
Executive and council	733	506	250	200	-	-66%	-20%	-100%	-62%
Budget and treasury office	6 928	203	12 479	4 158	4 655	80%	-67%	12%	8%
<i>Community and public safety</i>	8 965	3 678	11 729	10 532	6 390	31%	-10%	-39%	-6%
Community and social services	577	1	419	2 828	1 244	-27%	575%	-56%	0%
Public safety	8 359	3 665	11 280	7 465	5 130	35%	-34%	-31%	-10%
<i>Economic and environmental services</i>	3 421	479	6 973	12 925	7 030	104%	85%	-46%	48%
Planning and development	2 234	122	4 655	7 741	5 360	108%	66%	-31%	48%
Road transport	1 187	357	2 318	5 184	1 670	95%	124%	-68%	50%
Total Capital Expenditure - Standard	20 320	6 797	31 431	27 815	18 075	55%	-12%	-35%	3%

Source: Budget Schedules A5

The Municipality's 2018/19 capital budget is focusing more on governance and administration and community and public safety with a huge shift from governance and administration to economic services infrastructure in 2019/20. It is not clear what informed this prioritisation and how it will be beneficial to the Municipality. The priority of the Municipality over the 2018/19 MTREF is more on renewal and upgrading of existing infrastructure, with averages of 64 and 36 per cent respectively, however no further information was provided as to what informed this budget allocation. The assessment also found out that there are vehicles that will be replaced, amongst the assets and equipment that will be acquired, however Table SA34(a) is incomplete to show the budget for the new assets. The Municipality has reported performance of 33 per cent as at end of February 2018 and there is a possible under performance on capital budget which may cast a doubt on the credibility and sustainability of the overall MTREF infrastructure budget. The Municipality should adhere to the principle of "no project plans no budget" for the credibility and sustainability of the budget and ensure that procurement plans are in place before the budget is approved.

Funding mix

The following table depicts the breakdown of how the capital budget will be funded over the 2018/19 MTREF.

Table 8: Sources of capital funding

Vote Description	Ref	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework			% Growth rates: MTREF Budget			
		Adjusted Budget	YTD Actual (Feb 2018)	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	2017/18 - 2018/19 (YOY)	2018/19 - 2019/20 (YOY)	2019/20 - 2020/21 (YOY)	2018/19 - 2020/21 (AVE)
R thousand	1									
Funded by:										
National Government		-	-	-	-	-	-	-	-	#DIV/0!
Provincial Government		1 987	357	2 318	5 184	1 670	17%	124%	-68%	24%
District Municipality		-	-	-	-	-	-	-	-	0%
Other transfers and grants		-	-	-	-	-	-	-	-	0%
Transfers recognised - capital	4	1 987	357	2 318	5 184	1 670	17%	124%	-68%	24%
Public contributions & donations	5	-	-	-	-	-	-	-	-	0%
Borrowing	6	-	-	-	-	-	-	-	-	0%
Internally generated funds		18 334	6 441	29 113	22 631	16 405	59%	-22%	-28%	3%
Total Capital Funding	7	20 320	6 797	31 431	27 815	18 075	55%	-12%	-35%	3%

Source: Annual Budget Schedules A5

On average, 88 per cent of the capital budget for the MTREF will be funded through internally generated funds, however the funds are decreasing in the outer two years. The Municipality budgeted for provincial government funding whereas supporting Table SA18 did not disclose any capital grant funding from provincial gazettes, an indication that the capital funding is overstated except there is a contract that binds the transferring department for Roads Agency Function.

6.1.5 Core Systems for Municipal Infrastructure Delivery

A 2002 study by Government on the delivery of infrastructure identified a shortfall in effective and systematic delivery systems as well as a skills deficit as impediments to effective delivery, hence the establishment of the Infrastructure Delivery Improvement Programme (IDIP) in 2004. It was within this Programme that the concept of an Infrastructure Delivery Management System (IDMS) was established and informed by the answers to questions posed to projects, namely: Is it suitable, is it feasible, is it credible, does it deliver value for money and does it add to public value? In 2010 the IDIP Toolkit was released, providing a documented body of knowledge and set of processes, representing good practices in the delivery management of infrastructure.

A number of developments have taken place since the publication of the 2010 Toolkit, namely:

- A Medium Term Expenditure Framework (MTEF): Budgeting for infrastructure and capital planning guidelines (2010);

- A Model Supply Chain Management (SCM) Policy for Infrastructure Procurement and Delivery Management in terms of section 168 of the Municipal Finance Management Act of 2003 (Act 56 of 2003) (MFMA) during November 2015 in support of the MFMA SCM Regulation 3(2);
- MFMA Circular No. 80: Municipal Financial Systems and Processes requirements in support of the Municipal Standard Chart of Accounts (mSCOA) issued in terms of the Municipal Finance Management Act No. 56 of 2003;
- The publication of several South African national standards by the South African Bureau of Standards covering areas such as construction procurement, project management, maintenance and asset management; and
- The development of a Cities IDMS aimed at metropolitan councils. The IDMS is designed to be linked to multi-year budgeting with a strong focus on outcomes, value for money and the effective and efficient functioning of the entire value chain of infrastructure delivery.

Provincial Treasury would like to do assessments on the implementation of the Standard for Infrastructure Procurement and Delivery Management (SIPDM) on a few selected municipalities to get an understanding of the progress made in this regard, any challenges experienced, etc. The intention with these assessments is to provide feedback to National Treasury as well as to get an understanding of the kind of assistance that might be required by municipalities to comply with the SIPDM. It will be appreciated if municipalities could indicate their willingness to be assessed.

6.2 ESTABLISH THE LEVEL OF FUNDING THE BUDGET

6.2.1 Table A4 – Surplus/Deficit

Purpose

The purpose of this measure is to assess the overall credibility of the budget in terms of surplus/deficit. Based on a comparison between the A4 (Financial Performance) and the A7 (Cash Flow Statement, Supporting Schedule SA30) the Municipality reported a surplus on the budgeted financial performance (A4) and the budgeted cash flow (A7) over the MTREF period. A comparison between the expenditures on the A4 budgeted financial performance and the supporting table to the budgeted monthly cash flow was done and found that the Municipality is able to cash back the budgeted expenditures.

6.3 SUSTAINABILITY OVER 2018/19 MTREF

6.3.1 Service Delivery, Financial and Operational Sustainability and Asset Management

Table 9: Funding measures

Description	MFMA section	2018/19 Medium Term Revenue & Expenditure Framework		
		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Funding measures				
Cash/cash equivalents at the year end - R'000	18(1)b	590 609	594 423	601 464
Cash + investments at the yr end less applications - R'	18(1)b	593 671	598 523	603 264
Cash year end/monthly employee/supplier payments	18(1)b	21.1	21.2	20.7
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	-	-	-
Service charge rev % change - macro CPIX target exc	18(1)a,(2)	(6.0%)	(6.0%)	(6.0%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	100.0%	100.0%	100.0%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	0.0%	0.0%	0.0%
Capital payments % of capital expenditure	18(1)c;19	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. trans	18(1)c	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	(5.3%)	(10.6%)	(14.8%)
Long term receivables % change - incr(decr)	18(1)a	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	0.0%	0.0%	0.0%
Asset renewal % of capital budget	20(1)(vi)	77.9%	53.5%	61.1%

Source: Annual Budget Schedule SA10

The Municipality continues to show financial sustainability over the MTREF as the funding measures continue to show year-on-year improvements. The Municipality does not provide services, hence the negative percentage for service charge revenue over the MTREF. The Municipality has not fully completed Table SA10 hence the 0 per cent over the MTREF for Transfers/grants revenue as a percentage of Government transfers/grants available. A percentage that is less than 100 per cent is an indication that DoRA and provincial transfers have not been budgeted and should be reviewed and accurate completion before the approval of the budget is required.

As previously indicated, budgeting for renewal of existing assets over the MTREF is the main focus of the Municipality to protect future revenue and asset sustainability. However, the Municipality has indicated that some vehicles will be replaced resulting in new assets that will be acquired.

6.3.2 Forecasting and Multi-Year Budgeting

The Municipality has applied straight line projections for the budgeted monthly revenue and expenditure when populating the supporting Tables SA25 to SA30 for some of the line items, a clear indication that the Municipality may not have taken past performance trends, seasonal and policy influences into account.

The purpose of monthly projections seeks to improve cash flow planning, management and performance and the Municipality must reflect realistic projections when it adopts the budget for realistic cash flow during the financial year.

SECTION 7: KEY FINDINGS, RISKS AND RECOMMENDATIONS

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

Integrated Planning

- The 2018/19 Draft Reviewed IDP should however reflect the frequency, membership, including external role-players, and terms of reference of the forum for the coordination and implementation of disaster management in the Municipality.
- The Municipality should incorporate the findings upon completion of the Disaster Risk Assessment for the District into future reviews of the 2017 - 2022 IDP.
- The Municipality should consider including the agricultural sector and include a comprehensive section that reflects broader on issues pertaining to the sector, in particular drawing from the Departmental Agricultural Dataset.
- The Municipality should include socio-economic information which is contained in the Agri-Worker Household census report for the Cape Winelands region in the 2018/19 Adopted IDP.
- The review process followed by the Municipality complied with all applicable legislation, aligns with the planning and budgeting cycles of other spheres of government, and involved no significant adjustments as it was based on evaluation of the Municipality's performance.

Environmental and Development Planning Analysis

- It is recommended that the Municipality use the new WC Biodiversity Spatial Plan - 2017 (as it is the best available science for Critical Biodiversity Area assessment) in the future when reviewing the SDF.
- It is recommended that the Municipality develops and tables an Alien Invasive Management Plan.
- The DEA&DP has not received a 3rd generation IWMP for assessment and endorsement, and the Municipality is urged to submit this plan as a matter of urgency.
- A Waste Management Officer needs to be designated by the Municipality as required in terms of NEM: WA.

Budget Responsiveness

- The Cape Winelands District Municipality has highlighted international, national and provincial policy directives in its 2018 IDP Review as well as the strategic objectives of all the local municipalities within its boundaries. Its strategic objectives are well aligned to its budget allocations and financial commitments have been made across all strategic objectives.
- A key risk for district municipalities currently is that they are very dependent on intergovernmental transfers which the Municipality has limited control over. Own revenue raising capacity is constrained under the current funding regime, especially since services have been removed from the District Municipality with no viable funding replacement options.
- Many LED projects have been in existence and funded since the previous IDP cycle in the Cape Winelands District. It is recommended that the District embark on an impact assessment exercise to evaluate that actual outcome and the impact that these projects have had on the region's economic growth and development in order to effect future budgetary decisions and planning.

Credibility and Sustainability

- Some of the financial information has been manually completed, overwriting the formulae in some of Schedule A tables which contributes to misalignment of certain information in main tables when compared to supporting tables.
- Lack of credibility and reliability of operating revenue and expenditure as a result of budgeting methods that show no year-on-year movement for some of the items.
- Non-reliability of budget information as a result on non-completion of supporting tables.
- Budget trends that are not explained in the budget document, especially where there is year-on-year negative growth.
- Capital budget suggests that there will be replacement of assets and equipment but there is no provision of new assets in Table SA34a of Schedule A.
- Forecasting does not take into account past performance trends for future cash flow planning.
- The Municipality is meeting its financial obligations and is not exposed to a liquidity risk as it is reporting good current and liquidity ratios. It should continue with the good financial management practices however is cautioned that the country's economic conditions are deteriorating which influences revenue growth.

Budget Responsiveness: Procurement Findings - Corrected

816

Based on AG finding	Proposed Corrective Action	Progress on Implementation
Municipal Supply Chain Management Regulations paragraph 17 (1) (c)	Management should improve the controls in this regard and document a clear and understandable reason for obtaining less than 3 formal written price quotations	As the correct SCM processes and procedures were followed, no irregular expenditure was incurred. The wording where three quotations were not obtained through a formal process will be enhanced to state: A formal written price quotation process was followed through a competitive bidding process whereby the bid invitation was advertised on the notice board and official website. Only XX number of quotation(s) was / were received during this formal quotation process and therefore three quotations could not be obtained.
Non-disclosure of name and capacity in terms of section 45 of SCM Regulations	Management should disclose the particulars of the person(s) in the services of the state which includes the name and the capacity in which the person is in the services of the state.	The misstatement was corrected.

Budget Responsiveness: Procurement Findings - Uncorrected

817

Based on AG finding	Proposed Corrective Action	Progress on Implementation
Preferential Procurement Policy Framework - BBEE	Management should improve the controls in this regard and ensure that the suppliers who are awarded BBEEE points have submitted valid BBEE Certificates/Sworn affidavits.	Management disagrees that the transactions result in irregular expenditure since the correct process was followed as per the SCM policy of the Municipality. However Management will promote additional capacity to be added/recruited to the SCM unit, subject to the availability of funds, to enhance the existing control measures.
Construction Contract	Management should improve the review processes to ensure that all the construction awards comply with all the relevant legislation.	Management do not agree with the finding as the Standard for Uniformity in Construction Procurement is not legislation but only a best practice. Furthermore, this transaction is not irregular expenditure as there is no contravention of its SCM Policy and relevant legislation,
Payments exceeding contract value	Management should improve the controls in this regard and review payments made against awards regularly to ensure that the Supply Chain Regulations are adhere to by the various departments.	Management envisage to implement an electronic procurement system within the next 12 months that will enhance internal controls.

Credibility and Sustainability

Previous year's Budget

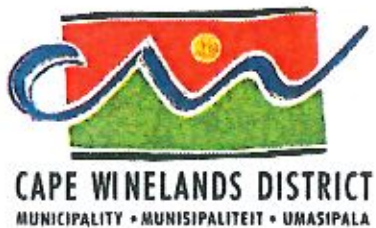
- Expenditure Management:
 - Additional controls were put in place to ensure that irregular expenditure is prevented, but cognisance must be taken of the "nature" of the irregular expenditure that was identified by the Auditor General during the 2017/2018 financial year **(See procurement findings slide)**.
 - *Contracted Services*: Outsourcing of services and the use of consultants contributes mostly to the amount spend as Contracted service which relates to specific projects that the municipality implemented.
- Budget Implementation:
 - *Capital Expenditure*: The nature of the items of the capital budget can easily lead to a high percentage of under expenditure. One capital item can easily reflect a huge % under expenditure. The municipality has a capital budget of ± R20 and 3 items that were unspent of an amount of ±R1.2m or 6%, led to an 89,9 % capital expenditure.
 - *Operational Expenditure*: The municipality had challenges with implementation of a few projects. Management was from the opinion that some of these projects will be completed at the time of the adjustments budget process.
 - *Operating revenue*: The municipality is grant depended and in most cases can only recognise grants if the conditions has been met. A large portion of revenue not realised is within the line item Revenue from Agency Services (R20 512 171) which relates to transfers received from The Department of Public Works and Roads.
- **Credibility & Sustainability of 2019/2020 MTREF Budget**
 - The municipality budgeted for a deficit to accommodate for the expenditure relating to the planning for the regional landfill site.
 - Although the municipalities Current Ratio, Cash Cover Ration Ratio and Cash and cash equivalents is favorable a relook at the RSC Levy Replacement Grant or an alternative revenue source is important to ensure medium term sustainability.

How does the socio-economic reality inform credibility and sustainability

LGmTECH

03 MAY 2019

STELLENBOSCH



A Unified Cape Winelands of Excellence for sustainable development

CONTENT

1. Vision & Mission

2. Background info

3. LGmTECH responses

- Environmental Analysis
- Responsiveness
- Credibility & Sustainability
- Cash Management
- Other
- Conclusion

VISION & MISSION

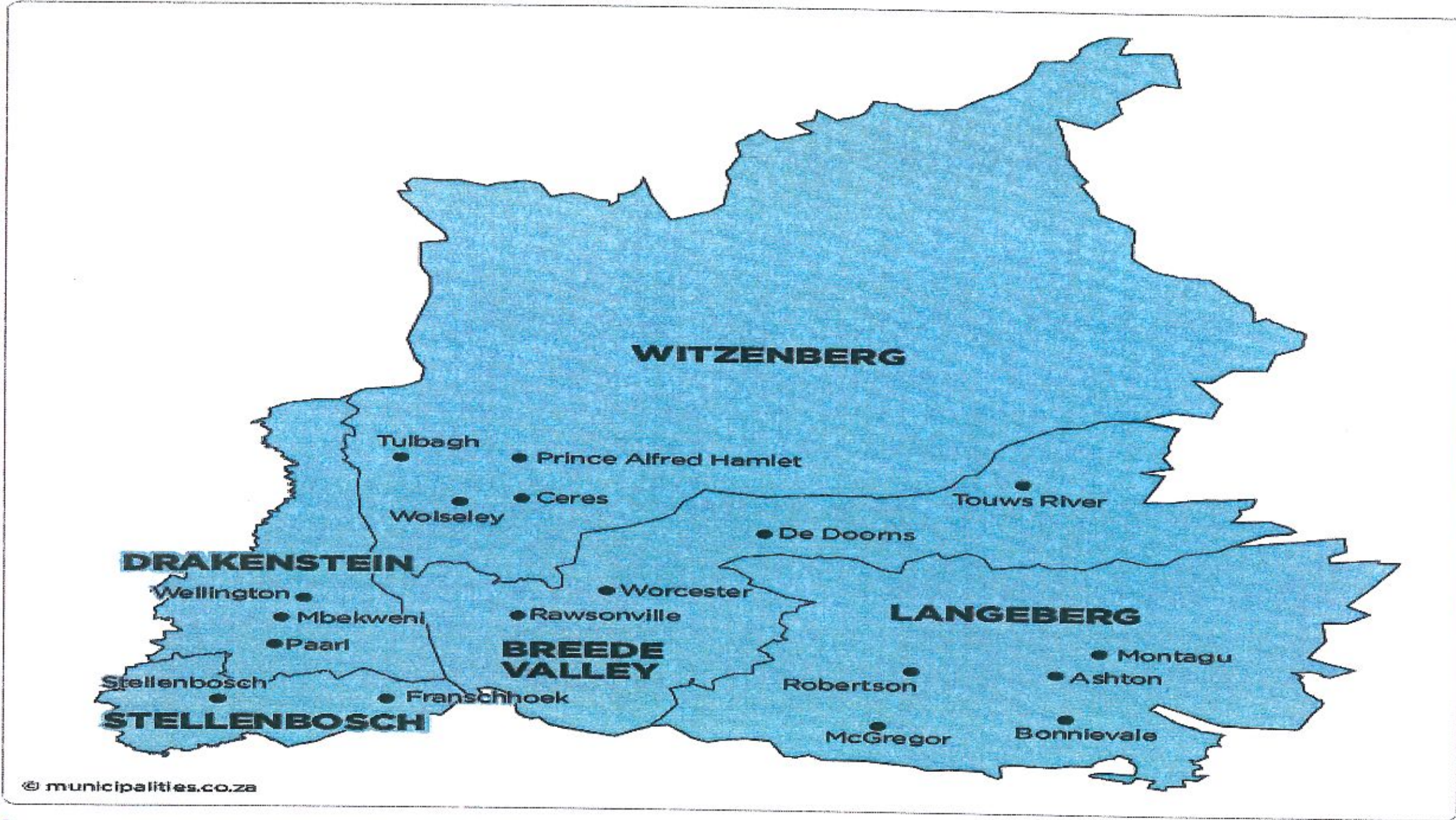
VISION

A unified Cape Winelands of Excellence for sustainable development

MISSION

Working together towards effective, efficient and economically sustainable development

BACKGROUND INFORMATION



BACKGROUND INFORMATION



LGmTECH responses

ENVIRONMENTAL ANALYSIS

LGmTECH RESPONSES – Environmental Analysis

Rapid growth of informal settlements

- Specifically around Paarl/Wellington, Worcester and Robertson is concerning
Noted, reviewed SDF addresses human settlements patterns

Drought

- Farmers applying for additional means to store water, in form of in-stream dams
- Cumulative impact of these on Ecological Flow Requirements of high concern

Noted, as part of our assessment of such applications the necessary consideration will be given to the cumulative impact

Air Quality Management Plan budget

- Budget needs to be secured in IDP –
passive sampling program to be implemented from 1 June 2019 till April 2022
IGR with local municipalities
Part of EHP responsibilities
Regular training sessions and continuous updates to affected officials
Integrated into various projects and operations (MHS example)

RESPONSIVENESS

LGmTECH RESPONSES – Responsiveness

Road Network

- Allocation deemed responsive to priorities and needs of CWD as well as WC
- Noted

Climate Change

- Impact on disaster management, infrastructure and human settlements
- CWDM needs well-capacitated and functioning DM & FF service

Noted

CW Socio-Economic Strategy

- To be prioritised
- Could be one of the main drivers in growing the local and regional economy

To be tabled at Council meeting of 30 May 2019 for approval

LGmTECH RESPONSES – Responsiveness

Procurement Planning process

- Continuous improvement needed between user-department and SCM unit
- Utilise procurement as lever to positively impact socio-economic challenges

Noted; CWDM awaiting feedback after PGWC assessment of SCM in 2018

Solid waste disposal site

- Collective involvement across DEA&DP, Stellenbosch Mun, Drakenstein Mun and maybe CoCT required to address issue of solid waste and site selection/location

Noted



CREDIBILITY & SUSTAINABILITY

LGmTECH RESPONSES – Credibility & Sustainability

Fiscal constraints

- Improve effort to limit non-priority spending, implement stringent cost-containment measures and strive for value for money

Budget assumptions

- Must be clearly captured in budget document, as per Reg 16 of MBRR (sched A)

Outstanding information

- Unexplained material variances and incomplete supporting tables casts doubt on credibility of the budget

Disclosure

- Conditional grants to be disclosed correctly in supporting tables

CASH MANAGEMENT

LGmTECH RESPONSES – Cash Management

Statutory Requirements

- Consider inclusion of statutory requirements on Table A8 in final budget over MTREF

OTHER

LGmTECH RESPONSES – Other - IDP

IDP Overview

- SDF to be adopted as part of the IDP review – can effectively be an amendment process into s34(b)

Please provide further information on this

Energy

- Municipal Emergency Preparedness Teams put in place
- Pre-incident, Incident and Post-incident plans to be developed
- Commence with development of necessary regulatory f/works to derive value out of opportunities emanating out of energy crisis

Noted – BCP currently work-in-progress

Disaster Management

- To incorporate findings of Disaster Risk Assessment for District into future IDP reviews, upon completion

Noted



LGmTECH RESPONSES – Other - IDP

Community Safety

- IDP to include a reflection on services offered by DoCS
DoCS to provide more information for inclusion in IDP

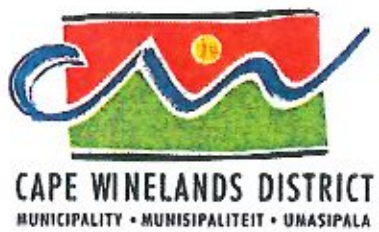
External Human Rights

- Gender equality to be properly reflected in information stated in IDP
Info to be included in next Annual Report

Public Participation

- Mayoral Business Breakfasts
Done, most recent Business Breakfast in April 2019, next planned for October/November 2019

ANY QUESTIONS?



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THANK YOU



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CAPE WINELANDS DISTRICT
MUNICIPALITY • MUNISIPALITEIT • UMASIPALA

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