

# **ANNEXURE "M"**

**BUDGET CIRCULAR 93**



**MFMA Circular No. 93****Municipal Finance Management Act No. 56 of 2003****Municipal Budget Circular for the 2019/20 MTREF****CONTENTS**

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## Introduction

This circular comes at a time where National Treasury needed to respond to a call by the President of the Republic of South Africa for a stimulus package and the implementation of the recovery plan in order to stimulate the economy. The stimulus package call responds to amongst others the recent technical recession, the high percentage of unemployment that sits at 27 per cent, slow economic growth, weakening of the currency amidst rising global interest rates and the strengthening of the US dollar affecting most developing countries.

Local government has a vital role to play in turning around the economy. In many areas of the country, municipal finances are under pressure. This is the result of the rising cost of delivering basic services and weak financial planning and controls, with poor management decisions leading to underinvestment in and insufficient maintenance of infrastructure. In some cases, corrupt practices have taken root in local administrations. Over the period ahead, national transfers to local government will continue to support the delivery of basic services, while incentivising improved performance and the turnaround of troubled municipalities.

In the local space, fiscal prudence cannot be overemphasised, renewed attitude towards revenue management, improvement of governance and financial management to support service delivery including the adoption of funded budgets and implementation of the municipal standard chart of accounts and the long awaited plan to infuse consequence management for maladministration must be the primary way to respond to a stimulus package plan by the President.

**The purpose of the annual MFMA budget circular is to guide municipalities with their compilation of the 2019/20 Medium Term Revenue and Expenditure Framework (MTREF), in particular to ensure that funded budgets are adopted by municipal Councils. This means that expenditure must be contained within realistic revenue projections.**

In 2010 National Treasury introduced the local government budget and financial reform agenda and since then several projects to further this agenda have been introduced. The current implementation of the Municipal Standard Chart of Accounts (*mSCOA*) and the accompanying “game changers” signals a smarter way forward to strengthening local government finances.

Among the objectives of this budget circular is to demonstrate how municipalities should undertake annual budget preparation in accordance with the budget and financial reform agenda and associated “game changers”.

Municipalities are reminded to refer to the annual budget circulars of the previous years for guidance on budget preparation that is not covered in this circular.

### 1. The South African economy at a crossroads

South Africa finds itself at a crossroads. The Medium Term Budget Policy Statement (MTBPS) presented by the Minister of Finance, Mr Tito Mboweni highlights the difficult economic and fiscal choices confronting government over the next several years. In the 2018 MTBPS, the Minister of Finance stated that given *the current economic climate the country faces, the government is confronted by difficult economic and fiscal choices over the medium term*. The Minister further indicated that South Africa needs to choose a path that leads to faster and more inclusive economic growth and strengthens private and public sector investment. The path should also stabilise and reduce the national debt, as South Africa cannot afford to borrow at the rate we are currently borrowing at.

The 2018 Budget set out expectations of improved economic performance that proved premature. During the first half of this year, South Africa experienced a technical recession – that is, declining of the two consecutive quarters of Gross Domestic Product (GDP) – driven primarily by contractions in agriculture and mining.

A strengthening US dollar and rising global interest rates have triggered fiscal crises in several major developing countries. South Africa's inflation targeting regime, flexible exchange rate and prudent debt management strategy have protected the economy from some of the global fallout. However, these events have led to a sharp depreciation of the Rand and large increases in government bond yields. It is important to note that the 2018 projected GDP growth forecast has been revised down from 1.5 per cent to 0.7 per cent. Growth is expected to recover gradually to over 2 per cent in 2021 as confidence returns and investment gathers pace.

To promote a return to faster growth and job creation, the President announced an economic stimulus and recovery plan in September 2018. The initiative focuses on five interventions:

- Implementing growth-enhancing economic reforms;
- Reprioritising public spending to support economic growth and job creation;
- Establishing an infrastructure fund;
- Addressing urgent matters in education and health; and
- Investing in municipal social infrastructure improvement.

Increased investment in social and economic infrastructure will be a focus of economic recovery over the medium term. This requires an increased role for private sector and better implementation of government's existing plans.

Similar to the same period last year (2017), the country's tax collection targets have not been met, further reducing the funds available to allocate across the three spheres of government.

The following macro-economic forecasts must be considered when preparing the 2019/20 MTREF municipal budgets.

**Table 1.1 Macroeconomic projections, 2017 – 2021**

Calendar year	2017 Actual	2018 Estimate	2019	2020	2021
			Forecast		
<i>Percentage change unless otherwise indicated</i>					
Household consumption	2.2	1.6	1.9	2.3	2.6
Gross fixed-capital formation	0.4	0.9	1.5	2.1	2.9
Real GDP growth	1.3	0.7	1.7	2.1	2.3
GDP at current prices (R billion)	4,651.8	4,949.1	5,317.2	5,724.1	6,167.2
CPI inflation	5.3	4.9	5.6	5.4	5.4
Current account balance (% of GDP)	-2.4	-3.2	-3.2	-3.7	-3.9

Source: Reserve Bank and National Treasury

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

## 2. Key focus areas for the 2019/20 budget process

### 2.1 Local government conditional grants and additional allocations

The proposed division of revenue continues to prioritise funding services for poor communities. Allocations to local government subsidise the cost of delivery of free basic services to low-income households, and the infrastructure needed to deliver those services.

The 2018 Medium Term Budget Policy Statement (MTBPS) indicates transfers to local government for the 2019 MTEF are R415.5 billion, of which R269.2 billion is in the form of unconditional allocations while the remainder is conditional grant funding. The allocations for local government over the medium term represent 8.9 per cent of non-interest expenditure and grows to 9.1 per cent during the same period, which constitutes an increase of 7.2 per cent. These are notable increases from 2018 MTEF, which require municipalities, despite the rising cost of providing basic services, find innovative, effective and efficient ways of making better use of the limited resources, given the current economic situation.

The equitable share and the allocation of the general fuel levy to local government constitute unconditional funding. Municipalities are reminded that this funding allocation is formula driven and designed to fund the provision of free basic services to disadvantaged communities.

Conditional grant funding must be utilised for the intended purpose within the stipulated timeframes, as specified in the annual Division of Revenue Act. Monies not spent must be returned to the fiscus and requests for roll-overs will only be considered where unforeseen and unavoidable circumstances led to underspending of conditional grants.

The annual Division of Revenue Bill will be tabled in February 2019 when the Minister of Finance delivers the budget speech. The grant allocations will be specified in this Bill and municipalities must reconcile their budgets to the numbers published therein.

Municipalities are advised to use the indicative numbers presented in the 2018 Division of Revenue Act to compile their 2019/20 MTREF. In terms of the outer year allocations (2021/22 financial year), it is proposed that municipalities conservatively limit funding allocations to the indicative numbers as proposed in the 2018 Division of Revenue Act for 2020/21. The DoRA is available at

<http://www.treasury.gov.za/documents/national%20budget/2018/default.aspx>

### **Changes to local government allocations**

- Over the MTEF period, R415.5 billion will be transferred to local government, including R146.3 billion in infrastructure conditional grants. The largest transfer to municipalities is the local government equitable share, which grows by 9.9 per cent in 2019/20, 9.7 per cent in 2020/21 and 8.6 per cent in 2021/22. These above-inflation increases are due to expected growth in household numbers, and higher bulk water and electricity costs.
- Government will strengthen municipal capacity to improve the use of these allocations. Although the rules have been changed to allow municipalities to use grant funds to refurbish infrastructure, develop water conservation projects and maintain roads if certain conditions are met – few municipalities have taken advantage of these provisions. The national departments that administer these grants are improving their capacity to support municipalities and to assess proposed projects.

- It should be emphasised that the widespread decline in the quality and performance of essential municipal infrastructure significantly constrains the potential for inclusive economic growth. Municipalities should prioritise the maintenance and where necessary the refurbishment of essential municipal infrastructure.
- In many areas of the country, municipal finances are under pressure. This is the result of the rising cost of delivering basic services and weak financial planning and controls, with poor management decisions leading to underinvestment in and insufficient maintenance of infrastructure. In some cases, corrupt practices have taken root in local administrations. Over the period ahead, national transfers to local government will continue to support the delivery of basic services, while incentivising improved performance and the turnaround of troubled municipalities.
- The Department of Cooperative Governance (DCoG) has managed the process to assess applications from municipalities to shift from the Municipal Infrastructure Grant to the new Integrated Urban Development Grant. This new grant has different planning requirements and incentives intended to more integrated developments and greater leveraging of non-grant finance. Several municipalities applied to join this grant during 2018 and the Department of Cooperative Governance (DCoG) will notify those municipalities that have qualified. All other non-metropolitan municipalities should continue to adhere to the Municipal Infrastructure Grant's project registration processes in preparation for 2019/20.
- More than 3.1 million South Africans live in informal settlements, over half of which are in metropolitan municipalities. Over the medium term, informal-settlement upgrading will intensify. On-site upgrading of settlements involves providing municipal services and security of tenure to households. This will encourage residents to improve their own dwellings. Public programmes and funding mechanisms will focus on allowing more flexible and differentiated improvements to settlements. Government will prioritise engagement with communities and their inclusion in upgrading, for example through helping to build and maintain infrastructure. New conditions and ring-fenced funding for upgrading will be included in the urban settlements development grant for metropolitan areas and the human settlements development grant for provinces in 2019/20. Following the pilot phase, government intends to introduce separate metropolitan and provincial grants for informal settlement upgrading. With most electrification backlogs in metros in informal settlements, it is also proposed that allocations for the integrated national electrification programme (municipal) grant be incorporated into the new grant mechanism in these cities.

### ***Reforms to local government fiscal framework***

Metropolitan areas and other large cities fund most of their operational budgets from revenues they raise themselves. There is ample scope for creditworthy municipalities with strong financial management to increase local capital investment by expanding municipal borrowing. In 2017/18, half of infrastructure spending by metros and large cities was still funded from transfers, primarily from national government. Reforms over the medium term will enhance the ability of municipalities to raise revenue to invest in their own development.

Government will introduce: Policy reforms to clarify the role of development finance institutions in municipal borrowing and to regulate municipal development charges are under way to broaden municipal access to private capital markets. Financing arrangements with development finance institutions and multilateral development institutions will include much needed technical assistance to improve project planning, preparation and implementation. Government is also updating the policy framework for municipal borrowing and financial emergencies.

The purpose is to establish a system which not only ensures stability and certainty in local government finances, but also seeks to implicitly create incentives and attract more players in the municipal debt market space, i.e. insurers, pension funds, fund managers and DFIs.

## **2.2 Tabling of funded budgets**

The importance of tabling funded budgets is highlighted in MFMA Circular No. 74 and 89. Adopting a funded budget has become more critical now than before as it has direct bearing on the financial sustainability of the institution. It has been agreed that no municipality will adopt an unfunded budget in the future. There are cases that may warrant a plan as this may not be achievable over one year. As a result, such municipalities must, together with their 2019/20 MTREF budget, table a plan in a municipal council on how and by when the budget will improve from an unfunded to a funded position. This will be essential when the National and provincial treasuries are assessing the budget to determine its credibility. The assessment of the 2018/19 MTREF budgets have shown a deterioration with more budgets being unfunded. Plans and support will have to be re-evaluated to produce a positive outcome.

## **2.3 Addressing the growing financial crisis in municipalities**

In 2018/19, 113 municipalities adopted unfunded budgets, compared to 83 in the prior year. In addition, municipalities owe more than R23 billion in arrears, including to Eskom and water boards. Although the primary responsibility to resolve these financial problems rests with municipalities themselves, the Constitution states that when a municipality is in financial crisis, the provincial government must intervene – and if the province is not able to, then national government must do so. However, few past interventions have succeeded in producing a sustained turnaround.

Over R2.5 billion has been allocated per year over the 2019/20 MTREF to enable National and provincial treasuries to better manage interventions. This will strengthen the National Treasury's Municipal Financial Recovery Service (MFRS) capacity to draft financial recovery plans for municipalities and that of provinces to implement these plans. These recovery plans set revenue and spending targets for the municipality and identify specific revenue-raising measures.

The new grant that government had proposed to help municipalities facing financial crisis will no longer be introduced. The funds set aside for this will instead be reprioritised for other initiatives that will assist the turnaround of municipalities. Ultimately, sustainable financial recovery will require improved governance within the affected municipalities following the intervention. And better use of grants, together with improved maintenance, will also reduce pollution from wastewater treatment works, which has become a more pressing concern in a number of municipalities.

Government also provides extensive support to build municipal capacity, including over R2.5 billion per year allocated for this purpose in the budget. The growing number of distressed municipalities indicates the need to make better use of these resources. The current system will be reviewed during 2019.



## 2.4 Municipal Standard Chart of Accounts (*m*SCOA)

### ***Release of Version 6.3 of the Chart***

On an annual basis, the *m*SCOA chart is reviewed to address implementation challenges and correct chart related errors. Towards this end, Version 6.3 is released with this circular (see Annexure A). Version 6.3 of the chart will be effective from 2019/20 and must be used to compile the 2019/20 MTREF and is available on the link below:

<http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx>

### ***Amendments of adopted budget errors during the adjustments budget***

During the 2018/19 budget verification process it was evident that municipalities are still not able to align *m*SCOA original budget data string to the original budget adopted by municipal council. The root cause for the discrepancies is that municipalities do not plan, test and generate the Schedules A1 directly from the financial systems but prepare the Schedules A1 manually on excel spreadsheets and then captured the tabled and original budgets on the system (or worse, the core system vendor does it for them) after these were tabled and adopted in Council.

Furthermore, some municipalities prepared their tabled budgets in the financial system but made changes to it during community consultation and council meeting(s). These changes were effected to the Schedule A that served before Council but never made on the financial system. Hence, the municipality started transacting against the tabled budget on the system instead of the adopted budget. In terms of the *m*SCOA Regulations, the budget must be approved and locked on the financial system prior to the municipality transacting against it on the financial system.

In terms of the MFMA and Municipal Budget and Reporting Regulations, errors in the budget can only be corrected during the adjustments budget process. Municipalities should therefore ensure that their adjusted budget data strings align to Schedule B adopted by municipal council. National and provincial treasuries will undertake a verification process on the adjusted budgets in relation to the data strings. Municipalities are advised to submit the draft adjusted budget data strings and Schedule B in advance for verification purposes to ensure that aligned documents are adopted by municipal council by 28 February 2019.

### ***Changing of the Core Financial System***

Municipalities must follow the required due diligence processes required in terms of MFMA Circular 80 and *m*SCOA Circulars No. 5 and 6 prior to changing their core financial systems. In terms of these circulars:

1. A municipality must conduct an ICT due diligence of all the existing ICT system(s).
2. Once this ICT Due Diligence has been completed, the municipality's *m*SCOA Project Steering Committee (chaired by the Accounting Officer) must:
  - a) Assess whether the municipality's existing system(s) as a package, meets the systems comply with the functionality requirements for its category and 15 business processes required in terms of *m*SCOA. This should be the main consideration in the decision on whether a new financial system is required;
  - b) Consider the cost of any additional functionality the municipality will have to procure from its existing package of service provider(s) and the affordability

- thereof to the municipality considering its budget. Importantly, if a municipality did not budget to purchase or upgrade their core financial system or any component thereof in the budget adopted by Council, then the purchase will have to be deferred to the next financial year to avoid irregular expenditure;
- c) Compare the total cost of its existing 'package of system(s)', including the cost for any additional functionality with the other available service offerings for its category; and
  - d) Consider the penalties and reasons for contract termination in any of its contracts with existing service providers.
3. The project steering committee must document its decision and recommendation(s) on the way forward (relating to the items listed above) for the municipality and its municipal entities (on the municipality's 'package of existing system(s)'), clearly setting-out its findings.
  4. Once the municipality's *m*SCOA project steering committee has made its decision and recommendation(s), the municipality must solicit the comments of the National Treasury and Provincial Treasury. A detailed motivation on the need to change the core financial system should be provided to the National and Provincial Treasuries, the Municipal Manager and Council.
  5. Once the municipality has received the comments of the National Treasury and the Provincial Treasuries, the *m*SCOA Project Steering Committee and Municipal Manager should consider such comments and prepare a recommendation to the Municipal Council in this regard.
  6. The municipal manager must submit a copy of the municipal council's decision to the National Treasury and Provincial Treasury within five (5) working days after the meeting during which the Municipal Council has made the decision in this regard.
  7. **The municipality should then follow its own tender processes to procure a financial system on the open market until such time that a new transversal tender for the procurement of integrated municipal financial and internal control systems are in place.** Thereafter, municipalities may request permission from National Treasury's Office of the Chief Procurement Officer to use the transversal tender to procure a financial system.
  8. The municipality should ensure that the Service Level Agreement entered into with the system provider provides for specific and realistic milestones and include penalties and termination clauses for failing to meet milestones. In addition, municipalities should implement proper contract management and exercising tight control over contractual obligations by system providers.

The National Treasury has also secured funding to conduct independent audits on all municipal core financial systems to determine to what extent these systems comply with the functionality requirements and 15 business processes required in terms of *m*SCOA. These results will also inform the new transversal tender for the procurement of municipal financial and internal control systems in 2019. Until these audits have been concluded and the results have been released, municipalities should exercise caution when changing their financial system to avoid purchasing a system that do not comply with the necessary *m*SCOA functionality requirements.

Municipalities are advised to use their internal audit function to ensure that the correct process was followed. Internal audit must ensure that the municipality has complied with the requirements of *m*SCOA and the reports of internal audit must be tabled at audit committee and at municipal council for their consideration.

### 3. The revenue budget

The economic situation has not improved since the previous financial year. Therefore, municipalities are reminded as it was communicated in MFMA Circular No. 89 that weak economic growth has put stress on consumers' ability to pay for services, while transfers from national government are growing more slowly than in the past. Some municipalities have managed these challenges well, but others have fallen into financial distress and face liquidity problems. These include municipalities that are unable to meet their payment obligations to Eskom, water boards and other creditors. There is a need for municipalities to focus on collecting revenues owed to them, and eliminate wasteful and non-core spending. Municipal budgets will be scrutinised to ensure that municipalities adequately provide to service their debt obligations. Municipalities must ensure that expenditure is limited to the maximum revenue collected and not spend on money that they do not have.

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation is forecasted to be within the upper limit of the 3 to 6 per cent target band; therefore, municipalities are required to **justify all increases in excess of the projected inflation target for 2019/20** in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups. In addition, municipalities should include details of their revenue growth assumptions for the different service charges in the budget narrative.

#### 3.1 Maximising the revenue generation of the municipal revenue base

Municipalities must comply with Section 18 of the MFMA and ensure that they fund their 2019/20 MTREF budgets from realistically anticipated revenues to be collected. Subsequently, municipalities are cautioned against assuming collection rates that are unrealistic and unattainable as this has been identified as a fundamental reason for municipalities in financial distress.

It is critical to compare the valuation roll data to that of the billing system to ensure that revenue anticipated from property rates are realistic. The list of exceptions derived from this reconciliation will provide an indication of where the municipality may be compromising its revenue generation in respect of property rates. A further test would be to reconcile this with the deeds office registry. This reconciliation should be undertaken quarterly. Towards this end, municipalities are requested to submit the following information to the National Treasury:

1. A copy of the approved current General Valuation Roll of the municipality;
2. A copy of the approved Supplementary Valuation Roll of the municipality;
3. An extract from the financial system showing the property rates information (preferably in excel);
4. The detail of the reconciliation between the GVR and the financial system illustrating the variances; and
5. The proposed process to rectify the variances.

In addition, the format below (excel) is required that captures a high level summary of the exercise.

Rates Category	Approved General Valuation Roll		Financial System		Variance	Comments
	Number of Properties	Consolidated Value of Properties	Number of Properties	Consolidated Value of Properties		

The above information must be submitted on a CD or USB to the LGBA, for attention:

**For couriered documents**

Ms Linda Kruger  
National Treasury  
40 Church Square  
Pretoria, 0002

**For posted documents**

Ms Linda Kruger  
National Treasury  
Private Bag X115  
Pretoria, 0001

In addition, municipalities that maintain an indigent register and not utilise a targeted approach, are requested to periodically review the indigent register to verify that beneficiaries are still legible for the subsidy that they obtain. Municipalities are also encouraged to revise their Local Economic Development strategies to have a targeted approach to alleviate the situation of the indigents as part of poverty alleviation.

**3.2 Eskom bulk tariff increases**

The National Energy Regulator of South Africa (NERSA) develops the municipal tariff guideline increase based on Eskom's approved bulk price increase of electricity to municipalities and the increase on the municipalities' cost structures. Eskom has made a revenue application for the 2019/20 financial year, but NERSA has yet to make a decision on the application. Municipalities should refer to [www.nersa.org.za](http://www.nersa.org.za) for updates on the outcome of this process. Municipal bulk tariff increases will depend on the outcome of that process.

Municipalities are also urged to examine the cost structure of providing electricity services and to apply to NERSA for electricity tariff increases that reflect the total cost of providing the service so that they work towards achieving fully cost-reflective tariffs that will help them achieve financial sustainability. Municipalities in arrears with Eskom should ensure that their payment arrangements are effected in their 2019/20 MTREF budget.

**3.3 Water tariff increases**

Drought conditions makes it difficult for some municipalities to improve revenue generation from this service. It is now more important to improve demand management, infrastructure maintenance, loss management, meter reading and tariff setting in respect of water services.

Municipalities must ensure that the tariffs charged are able to cover for the cost of bulk purchases, ongoing operations as well as provision for future infrastructure. There are municipalities that are struggling to pay water boards due to a number of issues, one of which is poor financial sustainability and cost recovery. All municipalities in arrears with bulk suppliers must ensure that their payment arrangements are effected in their 2019/20 MTREF budget.

Accounting officers should take note that failure to undertake proper due diligence in terms of the affordability of payment arrangements and making the necessary provision in the municipality's budget will be considered as an act of financial misconduct and the necessary action in terms of chapter 15 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014, will have to be taken.

**4. Funding choices and budgeting issues**

As a result of the economic landscape and weak tariff setting, municipalities are under pressure to generate additional revenue. The ability of customers to pay for services continues to decline, leading to limited revenue collection. Therefore, municipalities must consider the following when compiling their 2019/20 MTREF budgets:

- improving the effectiveness of revenue management processes and procedures;

- paying special attention to cost containment measures by, amongst other things, controlling unnecessary spending on nice-to-have items and non-essential activities as was highlighted in MFMA Circular No. 82;
- ensuring value for money through the procurement process;
- the affordability of providing free basic services to all households; and
- curbing consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

Accounting officers are reminded of their responsibility in terms of Section 62(1)(a) of the MFMA to use the resources of the municipality effectively, efficiently and economically. Failure to do this will result in the accounting officer committing an act of financial misconduct which will trigger the application of Chapter 15 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

#### **4.1 Employee related costs**

The *Salary and Wage Collective Agreement* for the period 01 July 2018 to 30 June 2021 dated 15 August 2018 through the South African Local Government Bargaining Council Circular No. 6 of 2018 should be used when budgeting for employee related costs for the 2019 MTREF. Municipalities are encouraged to perform an annual head count and payroll verification process by undertaking a once a year manual salary disbursement, in order to root out ghost employees.

#### **4.2 Remuneration of councilors**

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette No. 20 of 1998 on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance (DCoG). Any overpayment to councilors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of Section 167 of the MFMA and must be recovered from the councilor(s) concerned.

#### **4.3 Budgeting for Trade Payables on Table SA3**

Municipalities raised concerns about the calculation used for determining the creditors' payment period ratio. As a result, an analysis was undertaken of the note in the Annual Financial Statements relating to Trade Payables from Exchange Transactions as it is disclosed on the face of the Statement of Financial Position. The analysis revealed that this liability includes creditors which do not have a direct impact on the ratio, such as payments received in advance, funds administered on behalf of third parties, retention, accrued staff leave, license fees etc.

The inclusion of such liabilities as "Trade and Other-Payables from Exchange Transactions" under "Working Capital – Creditors due" on Table A8 has an impact on the funding assessment as they are considered when determining whether the budget is funded as per the Municipal Budget and Reporting Regulations schedules. Table A8 is separated into three disclosures which are:

- Unspent Grants – linked by a formula from Table SA3;
- Working Capital – Creditors due - linked by a formula from Table SA3 that currently includes all Trade and Other-Payables from Exchange Transactions as explained above; and

- **Statutory Requirements** – This refers to VAT and taxation and is not linked by a formula to any table as it may include VAT and taxation receivable included under Other Debtors in Table A6 and/or VAT and taxation payable included in Table SA3.

The disclosure above may be adequate in terms of the requirements to determine the funding of the budget on Table A8, but it does not assist with disclosing Trade Payables (“true trade creditors”) for the purpose of calculating the expenditure management efficiency ratio “Creditors Payment Period (Trade Creditors)” in terms of the National Treasury Circular No. 71.

Accordingly, Table SA3 has been amended to separate Trade and Other Creditors into two separate lines. The revised disclosure will be as follows:

- Trade payables - (should be “true creditors” only);
- Other creditors – (should include all the above liabilities, except VAT that is disclosed separately);
- Unspent conditional transfers; and
- VAT.

“Trade Payables” and “Other Creditors” will be added together for the purpose of calculating “Creditors Due” in row 31 under the working capital calculation on Table A8.

#### **4.4 Budgeting for Inventory: Water**

Bulk water purchases meet the criteria of the definition of inventory as per GRAP 12, paragraph .07. Therefore, water bulk purchases should be treated as inventory and should be budgeted and accounted for accordingly. National Treasury issued guidance on the treatment of non-revenue water and electricity in Annexure B to the MFMA Circular No. 70 for the 2014/15 MTREF. However, since the issue of that circular, National Treasury has allowed municipalities to either budget for water bulk purchases as a direct expense in the Statement of Financial Performance as an interim measure or to account for water under inventory. The *m*SCOA chart also makes provision for such. However, to ensure compliance to GRAP 12 the necessary amendments must be effected to the Schedule A tables and the chart.

National Treasury considered the impact that the changes to the Schedule A tables will have on municipalities, as a result it was resolved that they are significant and should not be implemented in the 2019/20 MTREF. This entails a change in approach where water bulk purchases will be processed as a cash transaction in the Statement of Financial Position – Acquisition of Inventory (Table A6). The system input volume (acquisitions) of water stock includes the following:

- Bulk purchases - Supply from bulk or other water service providers recognised by the amount paid;
- Water purified - Potable supply from Water Treatment Works. Value is to be determined by calculating primary and secondary cost components; and
- Natural sources - Supply from boreholes, springs, fountains if not supplied through the water treatment plant. Value is to be determined by calculating primary and secondary cost components.

It is therefore evident that the total input volume of water as it relates to water purified and water from natural sources should include both primary and secondary cost components. The allocation of secondary cost to the input volume of water will necessitate the utilisation of the Costing Segment of the *m*SCOA chart.

Municipalities are cautioned that the Schedule A for the 2020/21 MTREF will be amended in line with the prescripts of GRAP12 and *m*SCOA in relation to the treatment of water bulk purchases as inventory. Therefore, municipalities will be required to budget accordingly and should now in advance consider the requirements necessary to facilitate this conversion and to ensure accurate configuration of their financial systems as it is a *m*SCOA requirement that the schedules must be extracted directly from the system. Municipalities are urged to refer to the *m*SCOA chart on the definitions and the detail of what constitutes water inventory consumed (cost of sales). Furthermore, reference should be made to the Department of Water and Sanitation (DWS) Municipal Water Balance Guideline for guiding principles which is accessible on the link below:

[Department of Water and Sanitation \(DWS\) Municipal Water Balance Guideline](#)

## 5. Conditional Grant transfers to Municipalities

### 5.1 Summary of changes in the Division of Revenue Amendment Bill, 2018

An adjustments budget provides for unforeseen and unavoidable expenditure; appropriation of monies already announced during the tabling of the annual budget (but not allocated at that stage); the shifting of funds between and within votes where a function is transferred; the utilisation of savings; and the roll-over of unspent funds from the preceding financial year. If the adjustments budget effects changes to the division of revenue as contained in the Division of Revenue Act for the relevant year, the Minister of Finance must table a Division of Revenue Amendment Bill with the revised framework. There are amendments to the 2018 Budget that affect the Division of Revenue Act, 2018 which will be effected through the Division of Revenue Amendment Act, 2018, once enacted. The amendments as they impact on provinces and municipalities are discussed below.

#### ***Funding for drought relief***

The Minister of Finance announced during the 2018 Budget Speech that, "a provisional allocation of R6 billion has been set aside in 2018/19 for several purposes, including drought relief and to augment public infrastructure investment." National Treasury managed a process to determine the allocation of drought relief funds that included two windows for applications. All applications were reviewed together with inputs from sector departments and the National Disaster Management Centre. A total of R3.4 billion in drought response funding has been allocated to all three spheres of government, including several direct and indirect grant allocations, which are included in this Bill.

A total of R1.98 billion is added to direct conditional grants for drought relief. These amounts have already been gazetted on 4 October 2018, after the Minister of Finance approved that the funds could be spent in terms of Section 6(1) of the Appropriation Act, 2018, (Act No. 4 of 2018). This section provides for the Minister of Finance to approve expenditure before an adjustment appropriation bill is enacted if that expenditure cannot reasonably be delayed without negatively affecting service delivery and such expenditure was announced during the tabling of the 2018/19 national annual budget. The following amounts have been added to direct conditional grants to municipalities:

- R288.1 million for the water services infrastructure grant to local government. This allocation will fund a variety of water supply augmentation projects for drought affected municipalities, including drilling and equipping boreholes to access groundwater and implementing water conservation measures where the reduction of water losses will improve the sustainability of supply.

- R1.03 billion for the municipal disaster recovery grant to local government. Funds allocated through this grant will be transferred to three metropolitan municipalities that have been severely impacted by the drought: Cape Town, Nelson Mandela Bay and Mangaung. The funds will subsidise the costs of water augmentation projects, including groundwater development and water conservation measures where the reduction of water losses will improve the sustainability of supply. All of these cities are also expected to contribute funds from their own revenue base to their water augmentation projects.

The following amounts have been added to indirect conditional grants that benefit local government:

- R1.01 billion for the indirect water services infrastructure grant. This allocation will fund a variety of water supply augmentation projects for drought affected municipalities, including drilling and equipping boreholes to access groundwater and implementing water conservation measures where the reduction of water losses will improve the sustainability of supply.
- R6 million for the indirect regional bulk infrastructure grant. This allocation will fund a water supply augmentation project in Ndlambe Local Municipality affected by drought. The municipality is already receiving an allocation managed through this indirect grant in the 2018/19 financial year.

#### ***Additional changes to local government allocations***

- ***Additional allocations to support disaster recovery***

R143.3 million is added to the municipal disaster recovery grant for post disaster repair and rehabilitation projects in a number of municipalities in KwaZulu-Natal and Western Cape. The municipalities in KwaZulu-Natal are allocated a total of R138.7 million for the repair and rehabilitation of roads, storm water and sanitation infrastructure and community facilities that were damaged by floods. R4.6 million is allocated for the repair and rehabilitation of water and electricity infrastructure in the Bitou Local Municipality in Western Cape.

- ***Additional allocation for the public transport network grant***

R33 million is added to the public transport network grant for the City of Cape Town to begin detailed design on a new phase of the MyCiti public transport network approved through the Budget Facility for Infrastructure.

- ***Conversion of the municipal systems improvement grant from Schedule 6, Part B (indirect) to Schedule 5, Part B (direct)***

R23.2 million of the municipal systems improvement grant will be converted from Schedule 6, Part B (indirect) to Schedule 5, Part B (direct) for 22 municipalities affected by major boundary changes that took effect after the 2016 local government elections. This amount was made available in the indirect municipal systems improvement grant in 2018/19, to assist with the completion of transitional work in the affected municipalities, following the end of the municipal demarcation transition grant (Schedule 5, Part B (direct)) at the end of the 2017/18 financial year.

These municipalities have been implementing the institutional and administrative changes that were required as a result of the boundary changes, including with funding from the former municipal demarcation transition grant. This conversion supports these 22 municipalities to complete the implementation of these transitional matters.



## **5.2 Conditional grant monitoring support and Non-compliance of in year monitoring**

National Treasury has through its in-year Division of Revenue Act monitoring observed that certain departments that administer municipal grants have not fully complied with the provisions of the Act. Notably the national departments of Transport and Water Services have not fully transferred some of the transfers that were due to the municipalities. Stringent measures are being put in place to ensure compliance to the Division of Revenue Act, 2018 (Act No 1 of 2018) in that regard.

Furthermore, National Treasury has facilitated an adjustment gazette in terms of the Division of Revenue Act in terms of distressed municipalities that could not safeguard the transfers bestowed to them but also to reallocate some of these grants to the respective district municipalities in support of their distressed locals. Government gazette No. 42067 of 28 November 2018 provides for the following in this regard:

### ***Municipal Infrastructure Grant (MIG)***

National Treasury in consultation with the Department of Cooperative Governance (DCoG), concluded that municipalities reflecting significant uncommitted underspending would have their funds stopped within four provinces, namely: Eastern Cape, Free State, Northern Cape and North West, and be re-allocated to the respective District Municipalities for delivery on behalf of their locals.

### ***The Municipal Emergency Housing Grant (MEHG)***

The Department of Human Settlements (DHS) recommended to National Treasury that an allocation of an amount of R3.9 million is allocated through MEHG following a fire disaster that damaged most of the informal settlements within the Bitou LM in the Western Cape in order to fund the relocation costs and Transitional Residential Area units.

### ***The Neighbourhood Development Partnership Grant (NDPG)***

Based on Msunduzi Local Municipality's (LM) request, R27.4 million is stopped from Msunduzi's 2018/19 allocation and re-allocated to West Rand District Municipality (DM) in Gauteng province and City of Matlosana LM in North West province. West Rand DM will receive R20 million, while City of Matlosana LM will be allocated R7.4 million of the R27.4 million stopped from Msunduzi LM.

## **5.3 Support afforded to municipalities reflecting significant underspending**

The municipalities that are affected by the stopping process due to governance and financial challenges will continue to receive support from National Treasury, DCoG and the relevant stakeholders on the MIG cost reimbursement and invoice verification which has been ongoing in the current financial year.

## **5.4 2017/18 Unspent conditional grant process**

National Treasury has concluded the assessment of the 2017/18 conditional grant rollovers and the verification of the unspent conditional grants. This is a process that is governed by Section 22 of the 2017 Division of Revenue Act.

National Treasury through this process undertakes to travel to all provinces on a roadshow and set-up a combined session with all provincial treasuries and all sector departments responsible for administering conditional grants. In these sessions, rollover requests from municipalities are assessed in accordance to the division of revenue act and the guiding MFMA Circular. It is a process that begins on 31 August 2018 and ends 03 December 2018.

Municipalities with unspent conditional grants that were not approved for rollover, are afforded an opportunity to refund the portion of the unspent funds to the National Revenue Fund (NRF). In instances wherein the unspent funds are not refunded to the NRF, National Treasury in accordance to Section 22 of the Division of Revenue Act, offsets these funds against the equitable share allocations.

## 6. Preparation of Municipal Budgets for 2019/20 MTREF

### 6.1 Schedule A1 version to be used for the 2019/20 MTREF

National Treasury has released Version 6.3 of the Schedule A1 (the Excel Formats) which is aligned to Version 6.3 of the mSCOA classification framework and must be used when compiling the 2019/20 MTREF budget. Refer to Annexure B for the changes to this version of the Schedule A1.

**ALL** municipalities **MUST** use this version for the preparation of their 2019/20 MTREF budget.

It is imperative that all municipalities prepare their 2019/20 MTREF budgets in their financial systems and that the Schedule A1 be produced directly from their financial system. Vendors have recently demonstrated their budget modules to the National Treasury and provincial treasuries. All financial systems have this functionality to assist and prepare budgets and to generate the prescribed Schedule A1 directly from the financial system. Municipalities **must** start early enough to capture their tabled budget (and later the adopted budget) in the budget module provided and **must** ensure that they produce their Schedule A1 directly out of the budget module.

To promote this approach, from the **2020/21 MTREF** the National Treasury will only accept a Schedule A1 in PDF format, containing ALL sheets as prescribed and with each worksheet displaying an embedded system stamp to certify that it has been produced directly from the system. For purposes of collecting additional data which we previously did using the Schedule A1 in Excel, a prescribed data string containing the data must be populated and uploaded by each municipality (refer to the attachment to MFMA Budget Circular No 93 on the website).

<http://mfma.treasury.gov.za/Circulars/Pages/default.aspx>

Special attention must be given to the supporting schedules in the prescribed Schedule A1. Where detailed data is lying in a sub-system e.g. human resource data for SA22 to SA24, this data must be pulled from the sub-system into the applicable supporting sheet and must form part of the complete endorsed Schedule A1.

Version 6.3 of Schedule A1 is available on the following link:

The Municipal Budget and Reporting Regulations, formats and associated guides are available on National Treasury's website at <http://mfma.treasury.gov.za/RegulationsandGazettes/Pages/default.aspx>

## 6.2 Assistance with the compilation of budgets

If municipalities require advice with the compilation of their respective budgets, specifically the budget documents or Schedule A1, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury officials:

Province	Responsible NT officials	Tel. No.	Email
Eastern Cape	Bernard Mokgabodi	012-315 5936	<a href="mailto:Bernard.Mokgabodi@treasury.gov.za">Bernard.Mokgabodi@treasury.gov.za</a>
	Matjatji Mashoeshoe	012-315 5553	<a href="mailto:Matjatji.Mashoeshoe@treasury.gov.za">Matjatji.Mashoeshoe@treasury.gov.za</a>
Free State	Jordan Maja	012-315 5663	<a href="mailto:Jordan.Maja@treasury.gov.za">Jordan.Maja@treasury.gov.za</a>
	Cethekile Moshane	012-315 5079	<a href="mailto:Cethekile.moshane@treasury.gov.za">Cethekile.moshane@treasury.gov.za</a>
Gauteng	Kgomotso Baloyi	012-315 5866	<a href="mailto:Kgomotso.Baloyi@treasury.gov.za">Kgomotso.Baloyi@treasury.gov.za</a>
KwaZulu-Natal	Bernard Mokgabodi	012-315 5936	<a href="mailto:Bernard.Mokgabodi@treasury.gov.za">Bernard.Mokgabodi@treasury.gov.za</a>
	Johan Botha	012-315 5171	<a href="mailto:Johan.Botha@treasury.gov.za">Johan.Botha@treasury.gov.za</a>
Limpopo	Una Rautenbach	012-315 5700	<a href="mailto:Una.Rautenbach@treasury.gov.za">Una.Rautenbach@treasury.gov.za</a>
	Sifiso Mabaso	012-315 5952	<a href="mailto:Sifiso.Mabaso@treasury.gov.za">Sifiso.Mabaso@treasury.gov.za</a>
Mpumalanga	Willem Voigt	012-315 5830	<a href="mailto:WillemCordes.Voigt@treasury.gov.za">WillemCordes.Voigt@treasury.gov.za</a>
	Mandla Gilimani	012-315 5807	<a href="mailto:Mandla.Gilimani@treasury.gov.za">Mandla.Gilimani@treasury.gov.za</a>
Northern Cape	Jordan Maja	012-315 5663	<a href="mailto:Jordan.Maja@treasury.gov.za">Jordan.Maja@treasury.gov.za</a>
	Anthony Moseki	012-315 5174	<a href="mailto:Anthony.Moseki@treasury.gov.za">Anthony.Moseki@treasury.gov.za</a>
North West	Willem Voigt	012-315 5830	<a href="mailto:WillemCordes.Voigt@treasury.gov.za">WillemCordes.Voigt@treasury.gov.za</a>
	Makgabo Mabotja	012-315 5156	<a href="mailto:Makgabo.Mabotja@treasury.gov.za">Makgabo.Mabotja@treasury.gov.za</a>
Western Cape	Kgomotso Baloyi	012-315 5866	<a href="mailto:Kgomotso.Baloyi@treasury.gov.za">Kgomotso.Baloyi@treasury.gov.za</a>
	Kevin Bell	012-315 5725	<a href="mailto:Kevin.Bell@treasury.gov.za">Kevin.Bell@treasury.gov.za</a>
Technical issues with Excel formats	Elsabe Rossouw	012-315 5534	<a href="mailto:ldataqueries@treasury.gov.za">ldataqueries@treasury.gov.za</a>

National and provincial treasuries, will undertake a compliance check and, where municipalities have not provided complete budget information, the municipal budgets will be returned to the mayors and municipal managers of the affected municipalities for the necessary corrections. Municipal managers are reminded that the annual budget must be accompanied by a quality certificate and council resolution in accordance with the format specified in item 31 of Schedule A of the Municipal Budget and Reporting Regulations.

The National Treasury would like to emphasise that where municipalities have not adhered to the Municipal Budget and Reporting Regulations, **they will be required to go back to the municipal Council and table a complete budget document aligned to the requirement of the Municipal Budget and Reporting Regulations. In addition, where municipalities have adopted an unfunded budget, they will be required to correct the budget to ensure they adopt and implement a funded budget. However, where there are challenges the process indicated in paragraph 2.2 above will be applied.**

Municipalities with municipal entities are once again reminded to prepare consolidated budgets and in-year monitoring reports for both the parent municipality and its entity or entities. The following must be compiled:

- An annual budget, adjustments budget and monthly financial reports for the parent municipality in the relevant formats;
- An annual budget, adjustments budget and monthly financial reports for the entity in the relevant formats; and
- A consolidated annual budget, adjustments budget and monthly financial reports for the parent municipality and all its municipal entities in the relevant formats.

The A Schedule that the municipality submits to National Treasury must be a consolidated budget for the municipality (including entities) and the budget of the parent municipality. D schedules must be submitted for each entity

## 7. Budget process and submissions for the 2019/20 MTREF

### 7.1 Submitting budget documentation and schedules for 2019/20 MTREF

To facilitate oversight of compliance with the Municipal Budget and Reporting Regulations, accounting officers are reminded that:

- Section 22(b)(i) of the MFMA requires that, **immediately** after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in both printed and electronic formats. If the annual budget is tabled to council on 29 March 2019, the final date of submission of the electronic budget documents and corresponding electronic returns is **Monday, 01 April 2019**. The deadline for submission of hard copies including council resolution is **Friday, 05 April 2019**.
- Section 24(3) of the MFMA, read together with regulation 20(1) of the Municipal Budget and Reporting Regulations, requires that the approved annual budget must be submitted to both National Treasury and the relevant provincial treasury **within ten working days** after the council has approved the annual budget. E.g. if the council approves the annual budget on 31 May 2019, the final date for such a submission is Friday, 14 June 2019.

The municipal manager must submit:

- the budget documentation as set out in Schedule A (version 6.3) of the Municipal Budget and Reporting Regulations, including the main Tables (A1 - A10) and ALL the supporting tables (SA1 – SA38) in PDF format with stamp that will confirm production directly out of the financial system;
- the draft service delivery and budget implementation plan in both printed and electronic format;
- the draft integrated development plan;
- the council resolution;
- signed Quality Certificate as prescribed in the Municipal Budget and Reporting Regulations; and
- schedules D specific for the entities.

Budget related documents and schedules must be uploaded by approved registered users using the LG Upload Portal at:

<https://lguploadportal.treasury.gov.za/>

Please note that the LG Upload Portal does not have size restrictions to the documents but requires all documents to:

1. be in PDF format; and
2. each PDF file must NOT contain multiple document e.g. council resolution and quality certificate within the budget document.

Municipalities may still send electronic versions of documents and the Schedule A1 to [lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za) but only when experiencing problems with the LG Upload Portal. Any problems experienced in this regard can be addressed with Elsabe Rossouw at [Elsabe.Rossouw@treasury.gov.za](mailto:Elsabe.Rossouw@treasury.gov.za).

Note: [lgbigfiles@gmail.com](mailto:lgbigfiles@gmail.com) is no longer available.

Municipalities are required to send printed submissions of their budget documents and council resolution to:

***For couriered documents***

Ms Linda Kruger  
National Treasury  
40 Church Square  
Pretoria, 0002

***For posted documents***

Ms Linda Kruger  
National Treasury  
Private Bag X115  
Pretoria, 0001

In addition to the above-mentioned budget documentation, metropolitan municipalities must submit the draft Built Environment Performance Plan (BEPP) tabled in council by 29 March 2019 to [Yasmin.coovadia@treasury.gov.za](mailto:Yasmin.coovadia@treasury.gov.za). If the BEPP documents are too large to be sent via email (exceeds 4MB) please submit to [yasmin.coovadia@gmail.com](mailto:yasmin.coovadia@gmail.com) or send to Yasmin Coovadia via Dropbox; any problems experienced in this regard can be addressed with [Yasmin.Coovadia@treasury.gov.za](mailto:Yasmin.Coovadia@treasury.gov.za). Hard copies of the BEPP may be sent to Yasmin Coovadia, National Treasury, 3<sup>rd</sup> floor 40 Church Square, Pretoria, 0002 or Private Bag X115, Pretoria, 0001.

## **7.2 Retirement of the Budget reform returns (Appendix B)**

From 2019/20 onwards, municipalities will no longer be required to continue with the use of the Budget Reform Returns to upload budget and monthly expenditure to the National Treasury Local Government Database for publication purposes. The National Treasury will use only the *m*SCOA data strings required for submission as prescribed and all publications will use the data collected from the *m*SCOA data strings.

This places the responsibility on each municipality to ensure that:

1. Budgets are accurately locked into the financial system;
2. Each transaction is accurately recorded on a daily base;
3. Data collected from sub-systems is accurately represented in the General Ledger (GL);
4. At the end of the reporting period, all reconciliations are done, sub-systems are in balance and the Municipal Manager and CFO agrees with the figures as presented in the Schedule C and other management reports or dashboards;
5. The reporting period is **CLOSED** for further transactions; and
6. The data string for the period is produced directly out of the financial system and uploaded using the LG Upload Portal.

While the National Treasury will still share control reports and Schedule C as produced from the data uploaded by municipalities, the verification process before each quarterly Section 71 publication will fall away as the responsibility now lies with the municipality **BEFORE** submitting the data strings to ensure that the data is an accurate reflection of the state of municipal finances.

The tabled and adopted budget data strings submitted to the Local Government Database and Reporting system should also be consolidated figures.

**NOTE:** Municipalities must conclude all reporting for 2018/19 up to restated audit outcomes on the Appendix B (old electronic returns) to [lqdatabase@treasury.gov.za](mailto:lqdatabase@treasury.gov.za) before we can retire the returns.

### 7.3 Budget verification process

Annually during the budget verification process, it is noted that municipalities have challenges to align the audited years, which results in amendments to the Schedule A. Municipalities must ensure that the audited figures and adjusted budget figures captured on the Schedule A aligns to the annual financial statements and Schedule B respectively.

### 7.4 Publication of budgets on municipal websites

In terms of section 75 of the MFMA, all municipalities are required to publish their tabled budgets, adopted budgets, annual reports (containing audited annual financial statements) and other relevant information on the municipality's website. This will aid in promoting public accountability and good governance.

All relevant documents mentioned in this circular are available on the National Treasury website, <http://mfma.treasury.gov.za/Pages/Default.aspx>. Municipalities are encouraged to visit it regularly as documents are regularly added / updated on the website.

## Contact



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

**Post** Private Bag X115, Pretoria 0001

**Phone** 012 315 5009

**Fax** 012 395 6553

**Website** <http://www.treasury.gov.za/default.aspx>

JH Hattingh

Chief Director: Local Government Budget Analysis

07 December 2018

## Annexure A – Changes to mSCOA Version 6.3

No.	Segment	Amendment
1	Item Revenue: National transfers and subsidies	Included all national transfers and subsidies as per MTBPS and allowed for the split between operating and capital as per the grant frameworks
2	Item Revenue: Provincial transfers and subsidies	Allowed provincial transfers and subsidies to be breakdown required where municipalities will specify the names of the grants
3	Item Revenue: Property rates	Included the new property categories as per section 8 of the Municipal Property Rates Act (MPRA)
4	Item Revenue: Sale of goods: Agricultural products	Added a separate line for fresh produce
5	Item Revenue	Added availability charges under non-exchange revenue
6	Item Expenditure: Operational costs	Included breakdown for Speaker under entertainment
7	Item Expenditure: Depreciation	Retired sport and recreation facilities as an asset category as it is included in community assets as per CIDMS
8	Item Expenditure	Changed the spelling for Eskom
9	Item gains and losses	Aligned the high level structure for impairment and reversal of impairment to depreciation and amortisation
10	Item gains and losses and Item assets	Added a line for impairment of construction work in progress assets as per GRAP 21
11	Item assets	Retired libraries as an asset category as it is included in community assets as per CIDMS
12	Item assets: Construction Work In Progress	Added a line to transfer assets from construction work in progress to completed assets
13	Item assets	Changed the definition for general plant to align to the ASB guideline
14	Function	Retired the line item for Budget and Treasury Office as it is part of Finance
15	Function	Retired public forces, traffic and street parking control from Road Transport and included it as Public Safety
16	Region	Included ward / township breakdown as requested by municipalities
17	Region	Retired decommissioned municipalities due to demarcation
18	Region	Swapped municipalities included under DC 36 and DC 30
19	Region	Retired duplicated municipality

## Annexure B – Changes to Schedule A1 – the ‘Excel formats’

As noted above, National Treasury has released Version 6.3 of Schedule A1 (the Excel Formats). It incorporates the following changes:

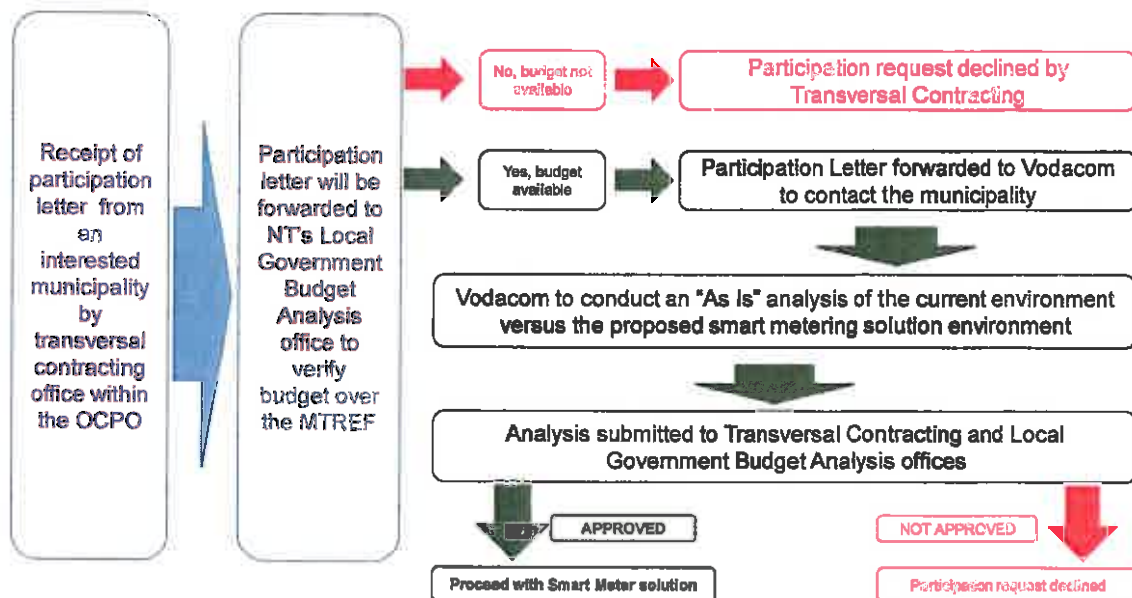
No.	Sheet	Amendment	Reason
1	A2A	Budget and Treasury office has been removed	It is a duplication of Finance
2	A4	Line 10 Service charges – other is no longer available	Not available on the mSCOA chart
3	A6	Line 20 Agriculture is no longer available	Not available on the mSCOA chart
2	A6	Formula link change on line 32 Trade and other payables	Adjustments made on SA3
4	A8	Formula link change on line 31 Creditors due	Adjustments made on SA3
5	A9	Adjustments made to lines 134 to 165 Asset Register Summary – PPE (WDV)	Only high level summary required
6	SA3	Line 35 and 36 – split Trade payables and Other creditors	To refine calculation of creditors days ratio
8	SA8	Note: Formula in line 23 now only take into account Trade payables	Due to change made on SA3
9	SA25	Line 10 Service charges – other is no longer available	Not available on the mSCOA chart
11	SA30	Line 10 Service charges – other is no longer available	Not available on the mSCOA chart



## Annexure C – Participation in RT15-2016 Vodacom transversal contract

### Participation in RT15-2016 Vodacom transversal contract for the supply and delivery of mobile communication services to the state

It has become apparent that an increasing number of municipalities are intending to embrace smart technology to augment their operations. One such opportunity is through the RT15-2016 transversal contract that provides the option for an account management service offering in respect of smart meters. The pre-requisite, however, is that the municipality intending to participate must demonstrate evidence of adequate operating budget provision over the MTREF. The following process is applicable for the approval to participate.



In this regard the municipality should engage the Office of the Chief Procurement Officer (OCPO) in the National Treasury as the first point of contact. Kindly contact Ms. Kwanele Mtembu, Tel: (012) 406 9188 or email: [Kwanele.Mtembu@treasury.gov.za](mailto:Kwanele.Mtembu@treasury.gov.za) for guidance.

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## **Annexure D – MFMA Circular No. 71 aligned *m*SCOA Dashboard**

The objective of the attached excel spreadsheet is to assist municipalities and system vendors to populate the indicators contained in MFMA Circular No. 71 automatically. Secondly, all system vendor dashboards should host as a minimum these indicators. It will assist the Accounting Officer to understand the overall financial management position of the municipality before submitting the regulated Budget and Reporting Schedules and *m*SCOA data strings to the Local Government Database and Reporting System (LGDRS).

# **ANNEXURE “N”**

**BUDGET CIRCULAR 94**



**MFMA Circular No. 94****Municipal Finance Management Act No. 56 of 2003****Municipal Budget Circular for the 2019/20 MTREF****CONTENTS**

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## Introduction

This budget circular is a follow-up to the one issued on 07 December 2018 and it complements the many other circulars that have been issued previously. It guides municipalities with their preparation of the 2019/20 Medium Term Revenue and Expenditure Framework (MTREF) and, as with previous annual budget circulars it should be read within this context. Among the objectives of this Circular, is to support municipalities with giving effect to National Treasury's Municipal Budget and Reporting Regulations (MBRR) within the current economic climate. The key focus of this Circular is the grant allocations per the 2019 Budget Review and the 2019 Division of Revenue Bill.

### 1. The South African economy and inflation targets

The economic and revenue outlook has deteriorated since the October 2018 Medium Term Budget Policy Statement (MTBPS). Funding pressures from state-owned companies have increased and require government financial support. Given these developments, the 2019 Budget proposes large-scale expenditure reprioritisation and tax measures that narrow the deficit from 4.5 per cent of GDP in 2019/20 to 4 per cent by 2021/22.

The 2018 MTBPS noted that weak economic performance and revenue shortfalls had contributed to some slippage in fiscal projections. Since then, economic growth has remained subdued and the domestic GDP outlook has been revised down. In the current year, tax revenue will be R15.4 billion below the 2018 MTBPS estimate. Funding pressures from Eskom and other financially distressed state-owned companies have increased, with several requesting state support to continue operating. In this context, the 2019 Budget proposes a series of tax and expenditure measures aimed at narrowing the deficit and stabilising the debt-to-GDP ratio. Additions to spending amount to R75.3 billion over the medium term, consisting mainly of transfers to support the reconfiguration of Eskom. These additions are partially offset by reductions to expenditure baselines and proposed savings from compensation adjustments totalling R50.3 billion. Tax measures raise an additional R15 billion in 2019/20 and R10 billion in 2020/21.

In combination, these measures are expected to narrow the consolidated budget deficit from a projected 4.5 per cent of GDP in 2019/20 to 4 per cent of GDP in 2021/22. Gross national debt is projected to stabilize at 60.2 per cent of GDP in 2023/24. Net loan debt (gross loan debt excluding government's cash balances) stabilises at 57.3 per cent of GDP in 2024/25.

The GDP growth rate is forecasted at 1.5 per cent in 2019, 1.7 per cent in 2020 and 2.1 per cent in 2021. The revisions take into account weaker investment outcomes in 2018, a more fragile recovery in household income and slower export demand than expected due to moderating global growth. Consumer inflation has also been revised down due to lower oil prices and food inflation than previously assumed.

The main risks to the economic outlook are continued policy uncertainty and deterioration in the finances of state-owned entities. These factors, alongside continued high unemployment and slow growth will continue to exert pressure on municipal revenue generation and collection levels hence a conservative approach is advised for municipal revenue projections. Municipalities affected by the drought should also consider its impact on revenue generation. In this context, municipalities will have to improve their efforts to limit non-priority spending and to implement stringent cost-containment measures.

The following macro-economic forecasts must be considered when preparing the 2019/20 MTREF municipal budgets.

**Table 1: Macroeconomic performance and projections 2018 -2021**

Fiscal Year	2018/19 Estimates	2020/21		
		2019/20	Forecast	2021/22
Consumer Price Inflation (CPI)	4.7%	5.2%	5.4%	5.4%
Real GDP Growth	0.7%	1.5%	1.7%	2.1%

Source: 2019 Budget Review.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

## 2. Key focus areas for the 2019/20 municipal budget process

Over the medium-term expenditure framework (MTEF) period, after budgeting for national government's debt-service costs, the contingency reserve and provisional allocations, 47.9 per cent of nationally raised funds are allocated to national government, 43 per cent to provinces and 9.1 per cent to local government.

Local government receives the smallest share of the division of nationally raised revenue because it has significant own revenue-raising powers. These revenue raising powers must be exercised more than ever before in the current dispensation. Local government raises about 70 per cent of its own revenue, but would be able to raise more if municipalities improved municipal revenue policies, billing and collection practices. In 2017/18, almost half of all municipalities collected less than 80 per cent of their billed revenue.

Spending outcomes for 2017/18 varied across the 257 municipalities. Many municipalities continue to adopt unrealistic spending plans. As a result, 217 municipalities underspent their operating budgets and 220 municipalities underspent their capital budgets. Of the R30 billion in conditional grants transferred to municipalities in 2017/18, R28 billion (93 per cent) was spent – an improvement from 86.8 per cent in 2016/17.

### 2.1 Local government grants and municipal revenue strength

Since the 2018 Medium Term Budget Policy Statement (MTBPS) reprioritisation and reductions undertaken have affected planned spending for 2018/19. Over the next three years there is strong growth in allocations to the local government equitable share, while growth in conditional grants recovers following significant reductions made in the 2018 MTEF. Total direct allocations to local government will now grow at an annual average rate of 7.6 per cent over the MTEF period.

Over the 2019 MTEF period, R414.7 billion will be transferred directly to local government and a further R22.5 billion has been allocated to local government through indirect grants. Direct transfers to local government over the medium term account for 9 per cent of national government's non-interest expenditure. When indirect transfers are added to this, total spending on local government increases to 9.4 per cent of national non-interest expenditure.

While there are some reductions in some grant programmes, they do not affect all conditional grants and not all grants were reduced by the same percentage. The infrastructure conditional grants, particularly the larger ones, were mainly affected as this was considered the most practical approach. However strong growth is realized in the local government equitable share with an average annual rate of 9.4 per cent over the MTEF period, while the conditional transfers see slower growth at an annual average rate of 7.6 per cent.

Conditional grant funding targets delivery of national government's service delivery priorities. It is imperative that municipalities understand and comply with the conditions stipulated in the Division of Revenue Act (DoRA) in order to access this funding. The equitable share and the sharing of the general fuel levy constitute unconditional funding, of which the equitable share is designed to fund the provision of free basic services to disadvantaged communities.

Government has repeatedly emphasised the importance of municipalities focussing on growing their own revenue base in order to expand resources available for local service delivery. Municipalities with significant revenue bases are expected to invest more of their own resources, offsetting some of the impact of reductions to infrastructure grants, while building partnerships with the private sector for infrastructure delivery over the period ahead.

Legislation governing local planning and budgeting emphasises community participation in decision-making. The partnership between municipalities and communities relies on households and businesses recognising the value of, and paying for, municipal services. While government subsidises municipal services for low-income households, these services are only sustainable if people who can afford them – and use larger quantities – pay their bills. Therefore, the sustainability of municipalities depends on how they collect and spend their own revenues.

Municipalities are reminded that all allocations included in their budgets must correspond to the allocations listed in the Division of Revenue Bill. All the budget documentation can be accessed from the National Treasury website by clicking on the link below:  
<http://www.treasury.gov.za/documents/national%20budget/2019/>

## **2.1.1 Changes to local government allocations**

### **2.1.1.1 Unconditional grants**

In the process of determining the baseline for the outer year (2021/22) of the 2019 MTEF period, the local government equitable share allocation has grown by 8.6 per cent of the baseline. This will cover the anticipated increase in the costs of providing free basic services to a growing number of households, and takes account of likely above-inflation increases in the costs of bulk water and electricity. It will also allow for above-inflation increases in the allocations to poorer and rural municipalities through the redistributive components of the equitable share formula.

### **2.1.1.2 Conditional grants**

- A total of R295.9 million has been cut from direct local government conditional grant allocations for the MTEF period ahead to fund other government priorities. Indirect grants to local government have been reduced by an additional R600 million.
- An amount of R60.7 million is shifted from the incentive component of the integrated urban development grant in 2019/20 and added to the municipal disaster recovery grant to fund the repair of roads damaged by floods in Joe Gqabi District Municipality in the Eastern Cape.
- A total of R2.8 billion is added to the public transport network grant for the construction of a new public transport corridor on the MyCiti bus network in Cape Town. This corridor, connecting Mitchells Plain and Khayelitsha to the city, was approved through the Budget Facility for Infrastructure and will be implemented over a nine-year period.



## 2.2 Technical adjustment and continued funding of Drought disaster relief

The following technical adjustments were made to grant programmes:

- R2.9 billion over the MTEF period from the municipal infrastructure grant to a new integrated urban development grant.
- R814.5 million over the MTEF period from the integrated national electrification programme (municipal) grant to the urban settlements development grant, as electrification projects in municipal licenced areas in metropolitan municipalities will now be funded as part of this integrated grant.
- R3 billion in 2020/21 and R4.4 billion in 2021/22 from the urban settlements development grant to create a new informal settlements upgrading partnership grant for municipalities.

### 2.2.1 Funding for Disaster Relief

After the initial response to a disaster has been addressed, including funding from the municipal disaster relief grant discussed below, the repair of damaged municipal infrastructure is funded through the municipal disaster recovery grant.

The municipal disaster relief grant is administered by the National Disaster Management Centre in the Department of Cooperative Governance as an unallocated grant to local government. The centre is able to disburse disaster-response funds immediately, without the need for the transfers to be gazetted first. The grant supplements the resources local government would have already used in responding to disasters. To ensure that sufficient funds are available in the event of disasters, section 21 of the Division of Revenue Bill allows for funds allocated to the provincial disaster relief grant to be transferred to municipalities if funds in the municipal grant have already been exhausted, and vice versa. Over the MTEF period, R1 billion is available for disbursement through this grant. To ensure that sufficient funds are available for disaster relief, clause 20(6) of the Division of Revenue Act allows funds from other conditional grants to be reallocated for this purpose, subject to the National Treasury's approval.

### 2.3 Response to the Finance and Fiscal Commission (FFC)'s recommendations

Government continues to provide responses to the FFC's recommendations on an annual basis. These annual recommendations by the FFC are required in terms of section 9 of the Intergovernmental Fiscal Relations Act. The FFC, amongst other recommendations, indicated that government should develop and strengthen control measures on the financial transfers in order to ensure compliance and that these funds be properly spent for their intended purposes, typically of improving service delivery and related specific priority outcomes.

The commission further highlighted that control measures should be underpinned by tighter monitoring of and reporting by sub-national governments on the use of grant funding and associated outcomes of such spending, and that National Treasury should ensure that decisive action, such as withholding of funds, is taken by national sector departments as soon as cases where inefficient, ineffective, wasteful or irregular spending of these funds are detected.

National Treasury in its response indicated that in terms of the annual Division of Revenue Act, the transferring officer of the grant (the department administering a conditional grant) is responsible for monitoring performance and withholding funds where necessary. However, the National Treasury is also empowered by section 216(2) of the Constitution to stop the transfer of funds to any organ of state that commits a serious or persistent breach of the

measures prescribed to promote transparency, accountability and the effective financial management of the economy, debt and the public sector. A legislative framework and related policies, including guidelines and circulars, already exists to assist with early detection of issues that warrant withholding funds (by transferring officers or the National Treasury). Chapter 6 of the Budget Review describes complementary efforts to build municipal capacity. National Treasury will strengthen this role in the 2019/20 financial year in support of the recommendation by FFC.

## 2.4 Borrowing for capital infrastructure

The Circular also provides clarity and updates the December 2017 MFMA Circular No. 89 specifically with regards to long-term borrowing.

National Treasury has taken the position that municipalities may not incur long-term debt to replenish internally generated funds which were spent in prior financial years, even if such spending was for capital expenditure. Borrowing to replace municipal funds previously spent is inconsistent with section 46 of the MFMA, which provides that a municipality can only incur long-term debt for the purpose of capital expenditure on property, plant, and equipment to be used for lawful purposes, and in certain circumstances, for refinancing existing long-term debt. Borrowing proceeds must be used to fund current and future capital expenditure, and may not be attributed to expenditures in previous years.

**PLEASE NOTE** that the sentence contained on MFMA Circular No. 89 stating that *"The incurring of the expenditure against a different source of finance that was approved will be regarded as unauthorised expenditure"* has been revoked.

## 3. The revenue budget

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation is forecasted to be within the upper limit of the 3 to 6 per cent target band; therefore, municipalities are required to **justify all increases in excess of the projected inflation target for 2019/20** in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups. In addition, municipalities should include details of their revenue growth assumptions for the different service charges in the budget narrative.

Local government also confronts tough fiscal choices in the face of financial and institutional problems that result in service-delivery breakdowns and unpaid bills. Municipalities can offset these trends by improving own revenue collection, working more efficiently and implementing cost containment measures. Addressing bloated organizational structures that have been observed to contribute towards this problem warrants decisive action across all municipalities.

### 3.1 Eskom bulk tariff increases

The National Energy Regulator of South Africa (NERSA) published their new multi-year price determination for the period from 2019/20 to 2021/22 on 7 March 2019.

NERSA will shortly publish their "Municipal Tariff Guideline Increase, Benchmarks and Proposed Timelines for Municipal Tariff Approval Process for the 2019/20 financial year". Municipalities are encouraged to download the full guideline document when it becomes available (at [www.nersa.org.za](http://www.nersa.org.za)) and study it carefully. The guideline includes an update to the average cost structure used to determine the municipal tariff increase. It will set out proposed timeframes for the approval of municipal tariffs.

Municipalities are urged to examine the cost structure of providing electricity services and to apply to NERSA for electricity tariff increases that reflect the total cost of providing the service so that they work towards achieving fully cost-reflective tariffs that will help them achieve financial sustainability. Municipalities in arrears with Eskom should ensure that their payment arrangements are effected in their 2019/20 MTREF budget.

The 2019 Budget Review notes that, the NERSA tariff increases would be announced after the equitable share allocations had been calculated and tabled in the Division of Revenue Bill. In the absence of approved tariff increases for the period ahead, the equitable share formula allocations were calculated using the previously approved Multi-Year Price Determination of an 8 per cent annual bulk price increase for electricity in its calculations. If the approved tariff increases are higher than this, the equitable share allocations will not be increased in 2019/20. The Budget Review then explains that municipalities are expected to offset the increased cost of providing free basic services against above cost increases that they have received in the past. In recent years, municipalities have benefited from equitable share funding that has grown faster than actual increases in electricity costs (in 2017/18 the formula calculation used a bulk electricity price increase of 8 per cent, but NERSA only approved a bulk price increase of 0.3 per cent for the municipal financial year, and in 2018/19 a bulk increase of 8 per cent was used in the formula, but the actual increase was only 7.3 per cent). Municipalities have also benefited from increased allocations that were provided to cover household growth projections that were higher than the revised estimates in the 2017 General Household Survey. To provide for the possibility of larger cost increases in future, amounts of R1 billion in 2020/21 and R1.1 billion in 2021/22 remain unallocated in the equitable share.

#### 4. Conditional Grant Transfers to Municipalities

This section provides guidance to municipalities with regard to the preparation for the 2018/19 unspent conditional grant and roll-over process and should be referenced against previous annual budget circulars.

##### 4.1 Criteria for the rollover of conditional grant funds

Section 22 of the 2018 Division of Revenue Act (DoRA) requires that any conditional grants which are not spent at the end of the municipal financial year must revert to the National Revenue Fund, unless the receiving officer, provincial treasury and transferring national officer proves to the satisfaction of National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.

When applying to retain unspent conditional allocations committed to identifiable projects or requesting a rollover in terms of section 22(2) of the DoRA, municipalities must include the following information with their submission to National Treasury:

1. A formal letter, signed by the accounting officer must be addressed to the **National Treasury** requesting the rollover of unspent conditional grants in terms of section 22(2) of the 2018 DoRA;
2. A list of all the projects that are linked to the unspent conditional grants and a breakdown of how much was allocated and spent per project;
3. The following evidence indicating that work on each of the projects has commenced, as applicable to the specific rollover(s):
  - a) Proof that the project tender was published and the period for tender submissions closed before 31 March;
  - b) Proof that a contractor or service provider was appointed for delivery of the project before 31 March; or

- c) Proof of a project tender, appointment of contractor or service provider for delivery of service before 30 June in cases where additional funding was allocated during the course of the final year of the project;
  - d) Incorporation of the Appropriation Statement;
  - e) Evidence that all projects linked to an allocation will be fully utilised by 30 June 2019 (attach cash flow projection for the applicable grant).
4. A progress report (also in percentages) on the status of each project's implementation that includes an attached, legible **implementation plan**);
  5. The value of the committed project funding, and the conditional allocation from the funding source;
  6. Reasons why the grants were not fully spent during the year of original allocation per the DoRA;
  7. Municipalities must not include previous year's unspent conditional grants as a rollover request. Rollover of rollovers will not be considered;
  8. An indication of the time-period within which the funds are to be spent if the roll over is approved; and
  9. Proof that the Municipal Manager and Chief Financial Officer are permanently appointed.

***No rollover requests will be considered for municipalities with vacant or acting Chief Financial Officers and Municipal Managers for a period exceeding 6 months from the date of vacancy.***

**If any of the above information is not provided or the application is received by National Treasury (Intergovernmental Relations Division) after 31 August 2019, the application will be declined.**

In addition, National Treasury will also consider the following information when assessing rollover applications; and reserves the right to decline an application should there be non-performance by the municipality in any of these areas:

1. Compliance with the in-year reporting requirements in terms of sections 71 and 72 of the MFMA and section 12 of the 2018 DoRA, **including the municipal manager and chief financial officer signing-off on the information sent to National Treasury**;
2. Submission of the pre-audited Annual Financial Statements information to National Treasury by 31 August 2019;
3. Accurate disclosure of grant performance in the 2018/19 pre-audited Annual Financial Statements, (i.e. correct disclosure of grant receipts and spending in the notes to the AFS);
4. Cash available in the bank (net position including short term investments) as at 30 June 2019 is in line with the cash flow statements to finance the roll-over request. If the full amount that is requested for roll over is not entirely cash backed, such a roll over will not be approved. National Treasury will not approve portions of roll over requests.

It should be noted that under no circumstances will the National Treasury consider requests to roll-over:

1. The entirety of any allocation to the municipality, as there should be a minimum spend of 50 per cent of the allocation per programme;
2. Funding from the same grant for the third consecutive time;
3. Funding for projects constituted through Regulation 32 of the Municipal Supply Chain Management Regulations (Gazette No.27636). Projects linked to additional funding and disasters are exempted; and
4. Funding where there is evidence that the roll over application is linked to invoices that were issued within the last 30 days of the municipal financial year end.

#### 4.2 Unspent conditional grant funds for 2018/19

The process to ensure the return of unspent conditional grants for the 2018/19 financial year will be managed in accordance with section 22 of the DoRA. In addition to the previous MFMA Circulars, the following practical arrangements will apply:

- Step 1: Municipalities must submit their June 2019 conditional grant expenditure reports according to section 71 of the MFMA reflecting all accrued expenditure on conditional grants and further ensure that expenditure reported to both National Treasury and national transferring officers reconcile.
- Step 2: When preparing the Annual Financial Statements, a municipality must determine the portion of each national conditional grant allocation that remained unspent as at 30 June 2019. These amounts MUST exclude all interest earned on conditional grants, retentions and VAT related to conditional grant spending that has been reclaimed from SARS, which must be disclosed separately.
- Step 3: If the receiving officer wants to motivate in terms of section 22(2) of the 2018 DoRA that the unspent funds are committed to identifiable projects, the roll over application pack must be submitted to National Treasury by 31 August 2019.

***National Treasury will not consider any rollover requests that are incomplete or received after this deadline.***

- Step 4: National Treasury will confirm in writing whether or not the municipality may retain any of the unspent funds as a rollover based on criteria outlined above by 22 October 2019 or whether it will agree to any alternative payment arrangement or schedules.
- Step 5: National Treasury will communicate the unspent conditional grants amount by 05 November 2019. A municipality must return the remaining unspent conditional grant funds that are not subject to a specific repayment arrangement to the National Revenue Fund by 18 November 2019.
- Step 6: Any unspent conditional grant funds that should have, but has not been repaid to the National Revenue Fund by 18 November 2019, and for which a municipality has not requested a repayment arrangement, will be offset against the municipality's 02 December 2019 equitable share allocation.

*All other issues pertaining to Appropriation Statement and reporting on approved roll overs are addressed in the Annexure to MFMA Circular No. 86.*

## 5. The Municipal Budget and Reporting Regulations

### 5.1 Tabling of budget documents

The slow spending of capital budgets by most municipalities is a national concern as it has a negative impact on service delivery. In most cases the hockey stick phenomenon that exists (i.e. spending increases in the last six months of the year) is a direct result of poor planning by municipalities. Going forward and to address weak planning process, all municipalities will be required to table the following supporting documents to Council, as part of the budget pack, when they table their budgets by 29 March 2019:

- 1) Service Delivery and Budget Implementation Plan (SDBIP); and
- 2) Procurement Plan.

This is also in terms of the requirements and spirit of the MFMA and its Municipal Budget and Reporting Regulations.

### 5.2 The impact of VAT on tariffs

VAT remains at 15 per cent, which was an increase from 1 April 2018 in the previous year. To mitigate the effects of this increase on low income households, the MTBPS announced various zero rated items, wherein the VAT would be charged at 0 per cent.

Whether the additional amount is recoverable from the customer or not, the supplier must account for VAT on any supplies made on or after 1 April 2018 at the increased VAT rate. (See MFMA Circular No. 91 on the relevant supporting documentation regarding the VAT guides).

### 5.3 Schedule A - version to be used for the 2019/20 MTREF

National Treasury has released Version 6.3 of the Schedule A1 (the Excel Formats) which is aligned to Version 6.3 of the *m*SCOA classification framework and must be used when compiling the 2019/20 MTREF budget.

**ALL municipalities MUST** use this version for the preparation of their 2019/20 MTREF budget.

It is imperative that all municipalities prepare their 2019/20 MTREF budgets in their financial systems and that the Schedule A1 be produced directly from their financial system. Vendors have recently demonstrated their budget modules to the National Treasury and provincial treasuries. All financial systems have this functionality to assist and prepare budgets and to generate the prescribed Schedule A1 directly from the financial system. Municipalities **must** start early enough to capture their tabled budget (and later the adopted budget) in the budget module provided and **must** ensure that they produce their Schedule A1 directly out of the budget module.

To promote this approach, from the **2020/21 MTREF** the National Treasury will only accept a Schedule A1 in PDF format, containing ALL sheets as prescribed and with each worksheet displaying an embedded system stamp to certify that it has been produced directly from the system. For purposes of collecting additional data which we previously did using the Schedule A1 in Excel, a prescribed data string containing the data must be populated and uploaded by each municipality (refer to the attachment to MFMA Budget Circular No 93 on the NT Website).

<http://mfma.treasury.gov.za/Circulars/Pages/default.aspx>

Special attention must be given to the supporting schedules in the prescribed Schedule A1. Where detailed data is lying in a sub-system e.g. human resource data for SA22 to SA24, this data must be pulled from the sub-system into the applicable supporting sheet and must form part of the complete endorsed Schedule A1.

The following supporting tables will be included for perusal and sign-off during the verification process of the 2019 MTREF: SA11, SA12a, SA13a, SA14, SA22, SA23, SA24, SA25, SA27, SA36, SA37 and SA38.

It is therefore important to focus on the additional supporting data as well as the financial data submitted on A1 to A10 during the verification process undertaken with National Treasury, the provincial treasuries and all municipalities.

Download Version 6.3 of Schedule A1 by clicking [HERE](#)

The Municipal Budget and Reporting Regulations, formats and associated guides are available on National Treasury's website at:

<http://mfma.treasury.gov.za/RegulationsandGazettes/Pages/default.aspx>

#### 5.4 Assistance with the compilation of budgets

In cases where the municipality requires advice with the compilation of their respective budgets, specifically the budget documents or Schedule A1, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury officials:

Province	Responsible NT officials	Tel. No.	Email
Eastern Cape	Bernard Mokgabodi	012-315 5936	<a href="mailto:Bernard.Mokgabodi@treasury.gov.za">Bernard.Mokgabodi@treasury.gov.za</a>
	Matjatji Mashoeshoe	012-315 5553	<a href="mailto:Matjatji.Mashoeshoe@treasury.gov.za">Matjatji.Mashoeshoe@treasury.gov.za</a>
Free State	Jordan Maja	012-315 5663	<a href="mailto:Jordan.Maja@treasury.gov.za">Jordan.Maja@treasury.gov.za</a>
	Cethekile Moshane	012-315 5079	<a href="mailto:Cethekile.moshane@treasury.gov.za">Cethekile.moshane@treasury.gov.za</a>
Gauteng	Kgomotso Baloyi	012-315 5866	<a href="mailto:Kgomotso.Baloyi@treasury.gov.za">Kgomotso.Baloyi@treasury.gov.za</a>
KwaZulu-Natal	Bernard Mokgabodi	012-315 5936	<a href="mailto:Bernard.Mokgabodi@treasury.gov.za">Bernard.Mokgabodi@treasury.gov.za</a>
	Johan Botha	012-315 5171	<a href="mailto:Johan.Botha@treasury.gov.za">Johan.Botha@treasury.gov.za</a>
Limpopo	Una Rautenbach	012-315 5700	<a href="mailto:Una.Rautenbach@treasury.gov.za">Una.Rautenbach@treasury.gov.za</a>
	Sifiso Mabaso	012-315 5952	<a href="mailto:Sifiso.Mabaso@treasury.gov.za">Sifiso.Mabaso@treasury.gov.za</a>
Mpumalanga	Willem Voigt	012-315 5830	<a href="mailto:Willem.Voigt@treasury.gov.za">Willem.Voigt@treasury.gov.za</a>
	Mandla Gilimani	012-315 5807	<a href="mailto:Mandla.Gilimani@treasury.gov.za">Mandla.Gilimani@treasury.gov.za</a>
Northern Cape	Jordan Maja	012-315 5663	<a href="mailto:Jordan.Maja@treasury.gov.za">Jordan.Maja@treasury.gov.za</a>
North West	Willem Voigt	012-315 5830	<a href="mailto:Willem.Voigt@treasury.gov.za">Willem.Voigt@treasury.gov.za</a>
	Makgabo Mabotja	012-315 5156	<a href="mailto:Makgabo.Mabotja@treasury.gov.za">Makgabo.Mabotja@treasury.gov.za</a>
Western Cape	Vuyo Mbunge	012-315 5661	<a href="mailto:Vuyo.Mbunge@treasury.gov.za">Vuyo.Mbunge@treasury.gov.za</a>
	Kevin Bell	012-315 5725	<a href="mailto:Kevin.Bell@treasury.gov.za">Kevin.Bell@treasury.gov.za</a>
Technical issues with Excel formats	Elsabe Rossouw	012-315 5534	<a href="mailto:lgdataqueries@treasury.gov.za">lgdataqueries@treasury.gov.za</a>

National Treasury, together with the provincial treasuries, will undertake a compliance check and, where municipalities have not provided complete budget information, the municipal budgets will be returned to the mayors and municipal managers of the affected municipalities for the necessary corrections. Municipal managers are reminded that the annual budget must be accompanied by a quality certificate and council resolution in accordance with the format specified in item 31 of Schedule A of the Municipal Budget and Reporting Regulations. In addition to the above compliance check, the mSCOA data strings will be assessed to determine whether the municipalities are compliant.

The National Treasury herewith emphasises that where municipalities have not adhered to the Municipal Budget and Reporting Regulations, **they will be required to return to the municipal council and table a complete budget document aligned to the requirement of the Municipal Budget and Reporting Regulations.**

Municipalities with municipal entities are once again reminded to prepare consolidated budgets and in-year monitoring reports for both the parent municipality and its entity or entities. The following must be compiled:

- An annual budget, adjustments budget and monthly financial reports for the parent municipality in the relevant formats;
- An annual budget, adjustments budget and monthly financial reports for the entity in the relevant formats; and
- A consolidated annual budget, adjustments budget and monthly financial reports for the parent municipality and all its municipal entities in the relevant formats.

The Schedule A that the municipality submits to National Treasury must be a consolidated budget for the municipality (plus entities) and the budget of the parent municipality. Schedules D must be submitted for each entity.

## 6. Municipal Chart of Accounts (*m*SCOA)

### 6.1 Virement in an *m*SCOA environment

The MFMA and the Municipal Budget and Reporting Regulations, 2009, allow for the shifting of funds between items, projects, programmes and votes in the budget in line with a Council approved virement policy. MFMA Circulars No. 12, 51 and 88 provide the principles municipalities must consider when doing a virement.

With the promulgation of the *m*SCOA Regulation in 2014, municipalities should have aligned their virement policies to *m*SCOA. *m*SCOA provides a uniform and standardised financial transaction classification framework for municipalities and their entities to transact in and record its transactions using seven (7) segments. Six of these *m*SCOA segments are compulsory<sup>1</sup>.

### 6.2 *m*SCOA training

The National Treasury has developed *m*SCOA training materials on the fundamentals and reporting requirements of *m*SCOA. Officials from National and Provincial Treasuries and the Preferred Trainers on *m*SCOA from the Chartered Institute of Government Finance, Auditors and Risk Officers (CIGFARO) have been trained to provide training in this regard.

While the CIGFARO Preferred Trainers have been issued with certificates of competence to provide training on the "On the fundamentals and reporting requirements of *m*SCOA", it should be emphasized that this training is **unaccredited**. There is currently not any accredited training available on *m*SCOA that has been endorsed by the National Treasury. Therefore, municipalities and other role-players that require training on *m*SCOA should not request for accredited training or trainers in their adverts.

The contact details of the CIGFARO Preferred Trainers is available on the CIGFARO website, [www.CIGFARO.co.za](http://www.CIGFARO.co.za).

## 7. Budget process and submissions for the 2019/20 MTREF

### 7.1 Budgeting for the audited years on Schedule A (*m*SCOA)

According to international learning practices, it is appropriate to reclassify historical information in accordance with the changes that occur in the Standard Chart of Accounts. Municipalities must capture the reclassified audit outcomes for 2015/16 to 2017/18 in version 6.3 of the Schedule A when compiling 2019/20 MTREF budgets.

<sup>1</sup> Refer to Municipal SCOA Circular No 1. An introduction to the seven (7) segments.



## 7.2 Submitting budget documentation and schedules for 2019/20 MTREF

To facilitate oversight of compliance with the Municipal Budget and Reporting Regulations, accounting officers are reminded that:

- Section 22(b)(i) of the MFMA requires that, *immediately* after an annual budget is tabled in the municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in both printed and electronic formats. If the annual budget is tabled to council on 29 March 2019, the final date of submission of the electronic budget documents and corresponding data strings is **Wednesday, 03 April 2019**. The deadline for submission of hard copies including council resolution is **Friday, 05 April 2019**.
- Section 24(3) of the MFMA, read together with regulation 20(1), requires that the approved annual budget must be submitted to both National Treasury and the relevant provincial treasury *within ten working days* after the council has approved the annual budget. If the council only approves the annual budget on 30 June 2019, the final date for such a submission is **Friday, 12 July 2019**, otherwise an earlier date applies.

The municipal manager must submit:

- the budget documentation as set out in Schedule A (version 6.3) of the Municipal Budget and Reporting Regulations, including the main Tables (A1 - A10) and ALL the supporting tables (SA1 – SA38) in both printed and electronic formats;
- the draft Service Delivery and Budget Implementation Plan (SDBIP) in both printed and electronic format;
- the draft Integrated Development Plan (IDP);
- Procurement Plan;
- the council resolution;
- signed Quality Certificate as prescribed in the Municipal Budget and Reporting Regulations;
- the budget locking certificate; and
- schedules D specific for the entities.

Municipalities are required to send electronic versions of documents and the A1 schedule to [lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za). Any problems experienced in this regard can be addressed with Elsabe Rossouw at [Elsabe.Rossouw@treasury.gov.za](mailto:Elsabe.Rossouw@treasury.gov.za). Budget related documents and schedules may also be uploaded using the LG Upload Portal at <https://lguploadportal.treasury.gov.za/sites/iguploadportal/SitePages/Home.aspx>

Municipalities are required to send printed submissions of their budget documents and council resolution to:

***For couriered documents***

Ms Linda Kruger  
National Treasury  
40 Church Square  
Pretoria, 0002

***For posted documents***

Ms Linda Kruger  
National Treasury  
Private Bag X115  
Pretoria, 0001

In addition to the above-mentioned budget documentation, metropolitan municipalities must submit the draft Built Environment Performance Plan (BEPP) tabled in council by 29 March 2019 to [yasmin.coovadia@treasury.gov.za](mailto:yasmin.coovadia@treasury.gov.za). If the BEPP documents are too large to be sent via email (exceeds 4MB) please submit to [yasmin.coovadia@gmail.com](mailto:yasmin.coovadia@gmail.com) or send to Yasmin Coovadia via Dropbox; any problems experienced in this regard can be addressed with [yasmin.coovadia@treasury.gov.za](mailto:yasmin.coovadia@treasury.gov.za). Hard copies of the BEPP may be sent to Yasmin

Coovadia, National Treasury, 3<sup>rd</sup> floor 40 Church Square, Pretoria, 0002 or Private Bag X115, Pretoria, 0001.

### 7.3 Retirement of the Budget reform returns (Appendix B)

From 2019/20 onwards, municipalities will no longer be required to continue with the use of the Budget Reform Returns to upload budget and monthly expenditure to the National Treasury Local Government Database for publication purposes. The National Treasury will use only the *mSCOA* data strings required for submission as prescribed and all publications will use the data collected from the *mSCOA* data strings.

This places the responsibility on each municipality to ensure that:

1. Budgets are accurately locked into the financial system;
2. Each transaction is accurately recorded on a daily base;
3. Data collected from sub-systems is accurately represented in the General Ledger (GL);
4. At the end of the reporting period, all reconciliations are done, sub-systems are in balance and the Municipal Manager and CFO agrees with the figures as presented in the Schedule C and other management reports or dashboards;
5. The reporting period is **CLOSED** for further transactions; and
6. The data string for the period is produced directly out of the financial system and uploaded using the LG Upload Portal.

While the National Treasury will still share control reports and Schedule C as produced from the data uploaded by municipalities, the verification process before each quarterly Section 71 publication will fall away as the responsibility now lies with the municipality **BEFORE** submitting the data strings to ensure that the data is an accurate reflection of the state of municipal finances.

The tabled and adopted budget data strings submitted to the Local Government Database and Reporting system should also be consolidated figures.

**NOTE:** Municipalities must conclude all reporting for 2018/19 up to restated audit outcomes on the Appendix B (old electronic returns) to [lgdatabase@treasury.gov.za](mailto:lgdatabase@treasury.gov.za) before we can retire the returns.

### 7.4 Upload of the *mSCOA* budget data strings to the LG upload portal

Municipalities must upload the *mSCOA* data strings for the tabled (**TABB**) and adopted (**ORGB**) budget to the upload portal. The budget data strings must be accompanied by the IDP project details data strings (**PRTA** and **PROR**). The deadlines for submission of the MBRR documents are also applicable to the *mSCOA* data strings. Refer to paragraph 7.2 above.

### 7.5 Publication of budgets on municipal websites

In terms of section 75 of the MFMA, all municipalities are required to publish their tabled budgets, adopted budgets, annual reports (including the audited annual financial statements) and other relevant information on the municipality's website. This will aid in promoting transparency and good governance.

All relevant documents mentioned in this circular are available on the National Treasury website, <http://mfma.treasury.gov.za/Documents/Forms/AllItems.aspx>. Municipalities are encouraged to visit it regularly as documents are regularly added / updated on the website.

### 7.6 The process to be followed to issue version 6.4 of the *m*SCOA chart

Municipalities have raised concerns that National Treasury issue the *m*SCOA chart changes late in the budget process. Therefore, to address this challenge, the FAQ database will be closed on 31 August 2019 for logging new queries. As a result, the new version of the chart will be issued by 31 October 2019.

## Contact



**national treasury**

Department  
National Treasury  
REPUBLIC OF SOUTH AFRICA

**Post** Private Bag X115, Pretoria 0001

**Phone** 012 315 5009

**Fax** 012 395 6553

**Website** <http://www.treasury.gov.za/default.aspx>

**JH Hattingh**

**Chief Director: Local Government Budget Analysis**

**08 March 2019**



# ANNEXURE "O"

AIR QUALITY MANAGEMENT PLAN



# **Cape Winelands District Municipal Air Quality Management Plan**

**May 2018**

## ACRONYMS

### ABBREVIATIONS AND DEFINITIONS

<b>AEL</b>	Atmospheric Emission Licence
<b>APPA</b>	Atmospheric Pollution Prevention Act (No. 45 of 1965)
<b>AQMP</b>	Air Quality Management Plan
<b>AQM</b>	Air Quality Management
<b>AQO</b>	Air Quality Officer
<b>AQOF</b>	Air Quality Officer's Forum
<b>CBA</b>	Clay Brick Association
<b>CH<sub>4</sub></b>	Methane
<b>CO</b>	Carbon Monoxide
<b>CO<sub>2</sub></b>	Carbon Dioxide
<b>CWDM</b>	Cape Winelands District Municipality
<b>DAFF</b>	Department of Agriculture, Forestry and Fisheries
<b>D:AQM</b>	Directorate Air Quality Management
<b>DEROs</b>	Desired Emission Reduction Outcomes
<b>DoE</b>	Department of Energy
<b>DEA</b>	Department of Environmental Affairs
<b>DEA&amp;DP</b>	Department of Environmental Affairs and Development Planning
<b>DMR</b>	Department of Mineral Resources
<b>DoT</b>	Department of Transport
<b>DTI</b>	Department of Trade and Industry
<b>EIA</b>	Environmental Impact Assessment
<b>EMI</b>	Environmental Management Inspector
<b>GHG</b>	Greenhouse Gas
<b>GN</b>	Government Notice
<b>H<sub>2</sub>S</b>	Hydrogen Sulphide
<b>MHS</b>	Cape Winelands District Municipality Division Municipal Health Services
<b>MSA</b>	Municipal Systems Act (No. 32 of 2000)
<b>NAAQS</b>	National Ambient Air Quality Standards
<b>NAEIS</b>	National Atmospheric Emissions Inventory System
<b>NEMA</b>	National Environmental Management Act (No. 107 of 1998)
<b>NEM: AQA</b>	National Environmental Management Air Quality Act (No. 39 of 2004)



<b>N<sub>2</sub>O</b>	Nitrous Oxide
<b>NO<sub>2</sub></b>	Nitrogen Dioxide
<b>NO<sub>x</sub></b>	Nitric Oxides
<b>O<sub>3</sub></b>	Ozone
<b>PAEL</b>	Provisional Atmospheric Emission Licence
<b>PM</b>	Particulate Matter
<b>PM<sub>10</sub></b>	Particulate matter with an aerodynamic diameter of 10µm and smaller
<b>PM<sub>2.5</sub></b>	Particulate matter with an aerodynamic diameter of 2.5µm and smaller
<b>PPP</b>	Public Participation Process
<b>SAELIP</b>	South African Atmospheric Emission Licensing and Inventory Portal
<b>SAAQIS</b>	South African Air Quality Information System
<b>SEMA</b>	Specific Environmental Management Act
<b>SNAEL</b>	System National Atmospheric Emission Licensing
<b>SO<sub>2</sub></b>	Sulphur Dioxide
<b>VOCs</b>	Volatile Organic Compounds
<b>WC AQMP</b>	2 <sup>nd</sup> Generation Western Cape Air Quality Management Plans
<b>WCG</b>	Western Cape Government
<b>WHO</b>	World Health Organization

# CHAPTER 1

## INTRODUCTION

The National Environmental Management: Air Quality Act (NEM: AQA) has outlined the responsibility of air quality management between the various spheres of government (i.e. national, provincial, district and local authorities). This includes responsibilities such as:-

- air quality monitoring;
- emissions monitoring;
- development of Air Quality Management Plans (AQMP's);
- collaboration between spheres government;
- issuing atmospheric emissions licenses for all Listed Activities;
- governing controlled emitters; and the
- appointment of dedicated Air Quality Officer to fulfil these functions.

The Cape Winelands District Municipality's (CWDM) 1<sup>st</sup> AQMP was developed in 2009 in terms of Section 15(1)(b) of NEM: AQA, which stated that "each municipality must include in its Integrated Development Plan (IDP) contemplated in Chapter 5 of the Municipal Systems Act (MSA)". This AQMP was adopted by the CWDM Council and with subsequent inclusion of the AQMP into the CWDM IDP, the CWDM illustrated commitment to actively implement the statutory obligations of the AQA to Air Quality Management as placed on the district. The CWDM showed dedication to pursue the vision of its AQMP and it ensured that the CWDM fulfilled the role and responsibilities placed on the district in terms of implementing the NEM: AQA by the designation and appointment of an AQO.

The purpose of the AQMP 2009 was:-

- to help CWDM to improve and maintain good air quality standards;
- to identify and reduce the negative effects of air pollution on people's health and wellbeing;
- to address the effects of emissions from various sources, including industry, transportation, residential fuel burning and agriculture;
- to give effect to best practice in air quality management; and
- to describe how implementation will be effected.

The plan was a strategic plan with a vision and mission, supported by short and longer-term goals and objectives for the implementation of the defined management measures.

CWDM embarked to evaluate, review and update the CWDM 2009 AQMP, in accordance with the requirements of the National Environmental Management: Air Quality Act (NEM:AQA), to develop the 2<sup>nd</sup> Generation AQMP for the CWDM.

To ensure proactive and effective air quality management and planning within the CWDM, the 2<sup>nd</sup> Generation AQMP was developed upon the strengths and successes of the 2009 AQMP. Ultimately, the planning was to ensure significant sources of air quality impacts, within the CWDM, are controlled with the best air quality management practices implemented to warrant the air quality rendered are not harmful to human health and to ensure minimum adverse impacts on the receptor community and the environment.

Since the CWDM generally can boast with good air quality, it is imperative that the 2<sup>nd</sup> Generation AQMP for the CWDM continue to protect and manage air quality within the district.

## OVERVIEW OF THE CAPE WINELANDS DISTRICT MUNICIPALITY

### 1.1. GEOGRAPHICAL SETTING

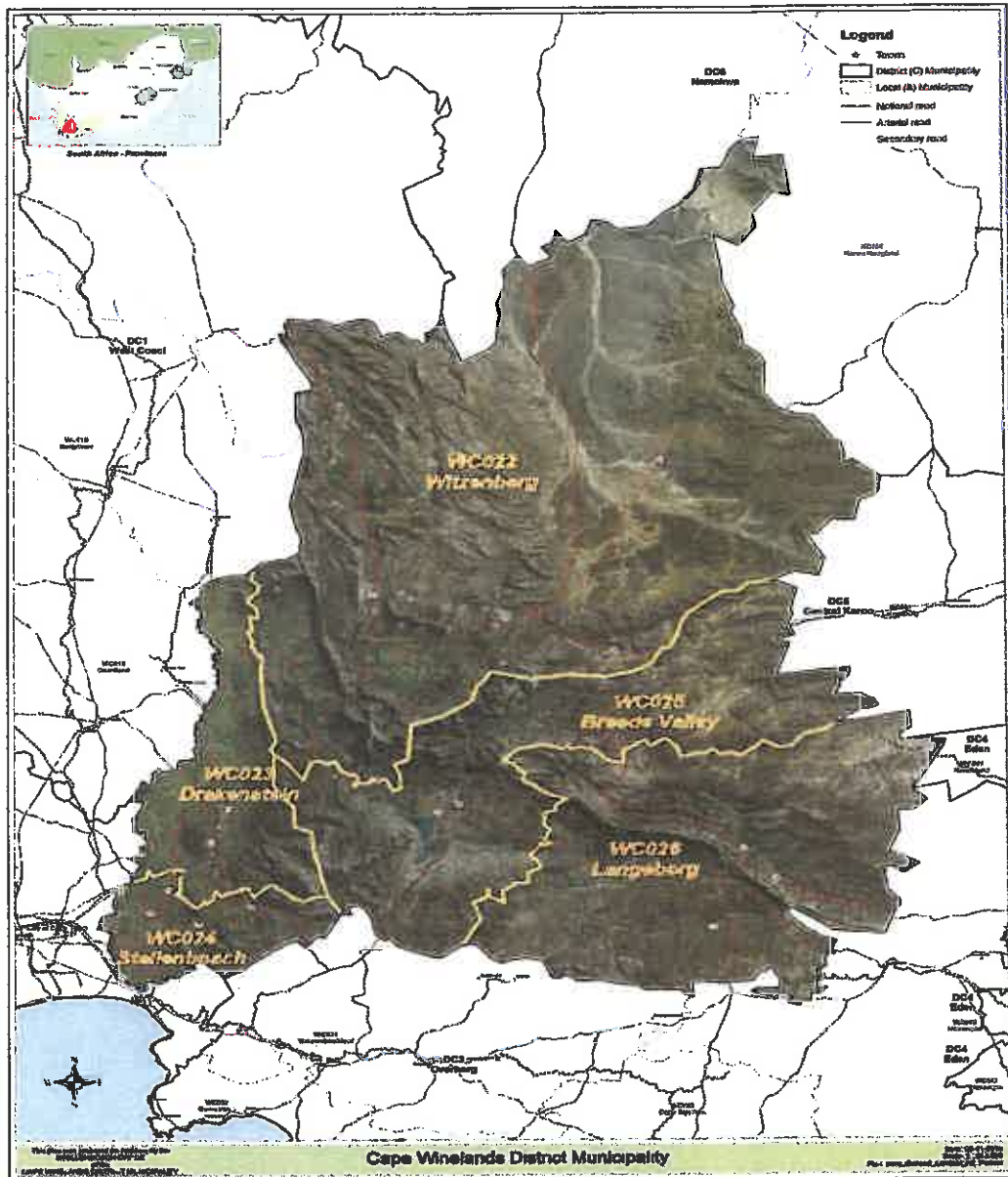
The Cape Winelands District Municipality (CWDM) is a district municipality located in the Boland region as one of five district municipalities located within the Western Cape Province and covers an area of approximately 22 318 square kilometres. The CWDM is landlocked between the coastal districts of the West Coast, Overberg and Eden and City of Cape Town Metropolitan Municipality. The CWDM also shares its eastern border with the Central Karoo District and its northern border with the Northern Cape Province (Namakwa District Municipality).

Cape Winelands District Municipality comprises of five local municipalities, namely:-

- Witzenberg Local Municipality
- Drakenstein Local Municipality
- Stellenbosch Local Municipality
- Breede Valley Local Municipality
- Langeberg Local Municipality



**MAP 1.1:** The local municipalities located within the district, as well as the hierarchy of the main towns within each local municipality.



**MAP 1.2:** The location of the CWDM within the Western Cape Province, as well as the location of the five local municipalities located within the Cape Winelands.

## 1.2. SOCIO-ECONOMIC CONTEXT

In the Western Cape the Cape Winelands has the largest population of all districts (excluding the Cape Metro), which was estimated to be 853 423 in 2017. The CWDM 4<sup>th</sup> Generation IDP forecast approximately a further 7 per cent (7%) growth of the 2017 base estimate, across the next 5-year planning cycle. The Local Municipalities in the CWDM are also among the 10 largest Local Municipalities in the Province, with the main towns being Stellenbosch, Paarl, Worcester, Ceres, Wellington and Robertson.

The main economic activities within the CWDM are agricultural, commercial services and manufacturing, with smaller contributions from construction. The district is located in one of the most agricultural productive belts in the province with agricultural activities dominated by wine and deciduous fruit production. Hex River, Paarl, Robertson, Worcester and Stellenbosch are considered the main wine producing areas with deciduous fruit mostly grown and processed in Ceres.

### 1.3. CLIMATE AND WEATHER OVERVIEW

CWDM experiences a Mediterranean, sub-tropical climate with hot and generally dry summers (December to February), and cold and wet winters (June to August). The summer months are characterized by warm, dry days with little wind, with the daily temperature in towns such as Paarl and Stellenbosch can rise up to 38°C during the hottest months between January and March. The winter months may experience heavy rains, strong north-westerly winds and low temperatures, with occasional snow on the surrounding mountains peaks during August and September.

The topography of the region, however results in significant changes in the micro-climate, particularly mean annual precipitation in different areas, ranging from 3 000 mm in the high-lying mountains to less than 100 mm in the north and north eastern parts of the CWDM.

## CHAPTER 2

### KEY MANAGEMENT PLANS AND POLICIES PERTAINING TO THE MANAGEMENT OF AIR QUALITY

NEM: AQA provides an objectives-based approach to the management of air quality at different governance and operational levels and is the legislative means to ensuring that the rights described above are upheld. Section 16(1) of NEM: AQA provides the framework for the contents of an AQMP to ensure uniform execution thereof throughout South-Africa. A number of plans, frameworks and policies pertaining to air quality management were prepared on various government levels that inform and provide context for the 2<sup>nd</sup> Generation CWDM AQMP. A synopsis is provided below in respect of the key matters of relevance to air quality management in the CWDM:

#### 2.1. NATIONAL MATTERS OF RELEVANCE TO THE CWDM 2<sup>nd</sup> GENERATION AQMP

##### 2.1.1. NATIONAL FRAMEWORK FOR AIR QUALITY MANAGEMENT IN SOUTH AFRICA (2007, REVISED 2012)

In terms of Section 7 of the NEM: AQA, the National Department of Environmental Affairs developed the National Framework for Air Quality Management to ensure the efficient and effective implementation of the NEM: AQA throughout the country.

The purpose of the National Framework is to achieve the objectives of NEM: AQA, and as such the National Framework provides a medium- to long-term plan of the practical implementation of NEM: AQA.

It provides mechanisms, systems and procedures to promote holistic and integrated air quality management through pollution prevention and minimisation at source, and through impact management with respect to the receiving environment from local scale to international issues. Hence, the National Framework provides norms and standards for all technical aspects of air quality management.

##### 2.1.2. REGULATIONS AND / OR GUIDELINES GAZETTED UNDER NEM: AQA

**Table 1: GAZETTED REGULATIONS AND GUIDELINES UNDER NEM: AQA**

LEGISLATION	COMMENCEMENT DATE
National Ambient Air Quality Standards	24 December 2009 (GN 1210 of GG No. 32816)
List of Activities which Result in Atmospheric Emissions which have or may have a Significant Detrimental Effect on the Environment, including Health, Social Conditions, Economic Conditions, Ecological Conditions or Cultural Heritage	01 April 2010 (GN 248 of GG No. 33064)

<b>National Ambient Air Quality Standard for Particulate Matter with Aerodynamic Diameter less than 2.5 micron metres (PM2.5)</b>	29 June 2012 (GN 486 of GG No. 35463)
<b>National Dust Control Regulations</b>	01 November 2013 (GN 827 of GG No.36974)
<b>Declaration of a small boiler as a controlled emitter and establishment of emission standards</b>	01 November 2013 (GN 831 of GG No. 36973)
<b>Regulations Prescribing the Format of the Atmospheric Impact Report</b>	11 October 2013 (GN 747 of No. 36904)
<b>Amendments to Regulations Prescribing the Format of the Atmospheric Impact Report</b>	02 April 2015 (GN R284 of No. 38633)
<b>National Atmospheric Emission Reporting Regulations</b>	02 April 2015 (GN 283 of GG No. 38633)
<b>Amendments to the List of Activities which Result in Atmospheric Emissions which have or may have a Significant Detrimental Effect on the Environment, Including Health, Social Conditions, Economic Conditions, Ecological Conditions or Cultural Heritage</b>	12 June 2015 (GN 551 of GG No. 38863)
<b>Declaration of Small-scale Char And Small-scale Charcoal Plants as Controlled Emitters and Establishment of Emission Standards</b>	18 September 2015 (GN 602 of GG No. 39220)
<b>Regulations Prescribing the Atmospheric Emission Licence Processing Fee</b>	11 March 2016 (GN 250 of GG No. 39805)
<b>Air Quality Offsets Guideline</b>	18 March 2016 (GN 333 of GG No. 39833)
<b>Regulations for the Procedure and Criteria to be followed in the Determination of an Administrative Fine in terms of section 22A of the Act</b>	20 JULY 2017 (GN 698 of GG No 40994)

### **2.1.3. NATIONAL LEGISLATIVE AND POLICY DEVELOPMENTS: LINKAGES WITH CLIMATE CHANGE**

The phenomenon known as “climate change” refers to an ongoing trend of changes in the earth’s general weather conditions as a result of an average rise in the temperature of the earth’s surface often referred to as global warming. South Africa’s climate change response is guided by the principles set out in the Constitution, the Bill of Rights and NEMA.

Given the cross-cutting nature of climate change impacts and responses, the Government recognised that an effective response to climate change required national policy to ensure a coordinated, coherent, efficient and effective response to the global challenge of climate change. Section 10.2.6 of the National Climate Change Response White Paper recognises the important role of provincial and local government in meeting the challenges of climate change. Draft legislation and policies have been

developed to formally address climate change in relation to emissions limits and for tax incentives to reduce carbon emissions; to indirectly ensure the management of air quality in the country.

**Table 2: LEGISLATIVE AND POLICY DEVELOPMENTS TO ADDRESS CLIMATE CHANGE**

<b>LEGISLATION</b>	<b>DATE PUBLISHED FOR COMMENT / COMMENCEMENT</b>
National Climate Change Response White Paper	19 October 2011
Draft Carbon Tax Bill	02 November 2015
Draft Regulations on the Carbon Offset	20 June 2016

DEA has published draft regulations, in terms of the NEM: AQA that directly addresses both the management of air quality and climate change matters.

**Table 3: REGULATORY DEVELOPMENTS IN RESPECT OF CLIMATE CHANGE AND AIR QUALITY MANAGEMENT**

<b>LEGISLATION</b>	<b>COMMENCEMENT DATE</b>
Regulations regarding the phasing-out and management of ozone-depleting substances	08 May 2014 (GN 351 of GG No. 37621)
Declaration of Greenhouse Gases as Priority Air Pollutants	08 January 2016 (GN 6 of GG No. 39578)
National Pollution Prevention Plans Regulations	08 January 2016 (GN 5 of GG No. 39578)
National Greenhouse Gas Emission Reporting Regulations	03 April 2017 (GN 275 of GG No 40762)



## 2.2. PROVINCIAL MATTERS OF RELEVANCE TO THE CWDM 2<sup>nd</sup> GENERATION AQMP

### 2.2.1. 2<sup>ND</sup> GENERATION WESTERN CAPE AIR QUALITY MANAGEMENT PLAN

#### ***Vision Statement***

“Clean and healthy air for all in the Western Cape”

#### ***Mission Statement***

To ensure the effective and consistent implementation of sustainable air quality management practices, by all spheres of government, relevant stakeholders and civil society to progressively achieve and efficiently maintain clean and healthy air in the Western Cape

#### ***Air Quality Management Goals:-***

##### ***Goal 1: Ensure Effective and Consistent Air Quality Management, Linked to Climate Change Response***

This goal aims to address the establishment of the necessary institutional arrangements, i.e. the development and maintenance of the varied systems, skills and capacity for effective air quality management.

- Strengthen and build capacity in air quality management and compliance and enforcement
- Promote cooperation amongst all spheres of government, business, industry and civil society
- Develop institutional mechanisms to improve air quality and climate change response
- Develop, implement and maintain air quality management systems
- Ensure adequate funding for the implementation of air quality management by municipalities

##### ***Goal 2: Continually Engage With Stakeholders to Raise Awareness With Respect To Air Quality Management and Climate Change Response***

- Develop comprehensive education and communication mechanisms, strategies and programmes with respect to air quality management and climate change response

##### ***Goal 3: Ensure Effective and Consistent Compliance Monitoring and Enforcement***

- Improve air quality compliance monitoring and enforcement
- Promote continuous improvement in respect of industry air quality compliance
- Develop and implement air quality regulatory processes

##### ***Goal 4: Support Air Quality and Climate Change Response Programmes, Including Promoting and Facilitating the Reduction of Greenhouse Gas Emissions***

- Reduce ozone depleting substances and greenhouse gas emissions, in line with national and international requirements

### 2.2.2. CLIMATE CHANGE

Western Cape Government had the following policy developments, initiatives and reports to assess and address climate change, ultimately contributes to managing air quality within the province.

**Table 4: WESTERN CAPE GOVERNMENT LEGISLATIVE AND POLICIES TO ADDRESS CLIMATE CHANGE**

POLICY DEVELOPMENTS	DESCRIPTION
<b>2014 Western Cape Climate Change Response Strategy</b>	<p>In line with the National Climate Change Response Policy, the Strategy takes a two-pronged approach to addressing climate change through:</p> <ul style="list-style-type: none"> <li>○ <i>Mitigation</i>: Contribute to national and global efforts to significantly reduce GHG emissions and build a low carbon economy</li> <li>○ <i>Adaptation</i>: reduce climate vulnerability and develop the adaptive capacity</li> </ul>
<b>2014 Western Cape Climate Change Response Implementation Framework</b>	<p>Framework outlines each focus area to identify impact potential or benefit for priority programmes and to discuss the opportunities for and barriers to the implementation of priority programmes, as identified in the Change Response Strategy.</p>
<b>2012 Western Cape Energy Consumption and CO<sub>2</sub> Emissions Database Reports</b>	<p>Provide an overarching energy consumption and CO<sub>2</sub>e emissions inventory. The database disaggregates the information by sector, as well as at district and local government levels. It provides a 2009 baseline for the tracking of energy consumption and CO<sub>2</sub>e emissions reductions over time. It includes a report for the Western Cape, as well as district summary reports.</p>
<b>SmartAgri</b>	<p>The Smart Agriculture for Climate Resilience (SmartAgri) project was a collaborative project between the Western Cape Department of Agriculture and the Western Cape Department of Environmental Affairs &amp; Development Planning, and the University of Cape Town's African Climate and Development Initiative. SmartAgri has provided a road map for actionable and prioritised initiatives that will take the agricultural sector road towards greater resilience in the face of climate challenges.</p>

## 2.3. LOCAL MUNICIPAL AIR QUALITY MANAGEMENT PLANS OF RELEVANCE TO THE CWDM 2<sup>nd</sup> GENERATION AQMP

All five Local Municipalities within the CWDM have had their AQMP's formulated and adopted by their respective Councils.

### 2.3.1. DRAKENSTEIN MUNICIPAL AQMP

***Vision Statement:-***

"Clean and healthy air for all in the Drakenstein Municipality"

***Mission:-***

The mission is to ensure the effective and consistent implementation of sustainable air quality management practices by the local municipality. Stakeholders and civil society must work together to progressively achieve and efficiently maintain clean and healthy air in the Drakenstein Municipality.

***Air Quality Management Goals:-***

- **Goal 1:** Maintain areas where existing levels of air pollution are below the legal limits (i.e. in areas where air quality is already acceptable).
- **Goal 2:** Develop clear air quality management objectives and strategies for improving ambient air quality within the Drakenstein Municipality.

### 2.3.2. STELLENBOSCH MUNICIPALITY AQMP

***Vision Statement:-***

"Air quality in the Stellenbosch Municipality is clean and healthy"

***Mission:-***

Air quality in the Stellenbosch Municipality is co-operatively managed for the benefit of present and future generations according to the principles of sustainable development to safeguard health and quality of life, promoting economic and social development.

***Air Quality Management Goals:-***

- **Goal 1:** Air quality governance meets requirements to effectively implement the AQMP.
- **Goal 2:** Systems and tools are established to effectively implement the AQMP.
- **Goal 3:** Air quality management is transparent and participatory.

### 2.3.3. WITZENBERG MUNICIPALITY AQMP

***Vision Statement:-***

"To be the local municipality with the cleanest air in the Cape Winelands District which will contribute to the well-being of all our communities."

**Mission:-**

To implement sustainable air quality management practises throughout the municipality to progressively achieve air quality goals.

**Air Quality Management Goals:-**

- **Goal 1:** Effective Air Quality Management.
- **Goal 2:** Promote communication in relation to Air Quality Management.
- **Goal 3** Compliance monitoring and enforcement.

**2.3.4. LANGEBERG MUNICIPALITY AQMP****Vision Statement:-**

“To be a Municipality where the constitutional right of all residents, to a high level of air quality, is continuously upheld, to benefit economic and social development and promote the health of all its residents.”

**Mission:-**

To implement sustainable air quality management practices throughout the Langeberg Municipal area to progressively achieve and maintain air quality goals.

**Air Quality Management Goals:-**

- **Goal 1:** To ensure effective and consistent air quality management by including all spheres of Government and other relevant stakeholders.
- **Goal 2:** To continually engage with all stakeholders to raise awareness with respect to air quality, in order that the Air Quality Management Plan can be successfully implemented.
- **Goal 3:** To ensure effective and consistent compliance, monitoring and enforcement and to keep industry abreast with new developments.
- **Goal 4:** To support climate change protection programmes, including promoting the reduction of greenhouse gas emissions.

**2.3.5. BREEDE VALLEY MUNICIPALITY AQMP****Vision Statement:-**

“Ensure the constitutional right of all inhabitants to live in a clean and healthy air environment is maintained on a continuous basis”.

**Mission:-**

Implementing and progressively achieving the goals as set out in the AQMP, thereby ensuring that all current and future generations and the environment’s air quality is safeguarded utilising principles of sustainable methods to ensure a healthy quality of life as well as promoting social and economic development.

**Air Quality Management Goals:-**

- **Goal 1:** Meeting Air Quality Regulations to implement the AQMP – refers to the regulatory framework and the institutional capacity required in Breede Valley Municipality to perform the Air Quality function.
- **Goal 2:** Reduces atmospheric emissions of potentially harmful pollutants - manage the activities that impacts on air quality by reducing emissions that may have detrimental effect on humans and the environment.
- **Goal 3:** Establish systems and tools to implement the AQMP – refers to the systems, tools and skills sets available to the institution as essential requirements, which forms the cornerstone effective implementation of the Air Quality Management Plan.

## 2.4. DISTRICT MUNICIPAL MATTERS OF RELEVANCE TO THE CWDM 2<sup>ND</sup> GENERATION AQMP

Several district plans and frameworks, with an integral or secondary link to air quality management, gave strategic direction to the 2<sup>nd</sup> Generation AQMP, by interlinking departments within the CWDM with the air quality management objectives of the 2<sup>nd</sup> Generation AQMP.

**Table 5: CWDM DISCUSSION DOCUMENTS LINKED TO AIR QUALITY MANAGEMENT**

POLICY /FRAMEWORK	DESCRIPTION
<b>4<sup>th</sup> Generation Integrated Development Plan for the CWDM</b>  <b>2017/18 – 2021/22</b>	The IDP is a planning and strategic framework to help municipalities fulfil their development needs. The CWDM established its development plan for the short, medium and long term through the IDP process.
<b>Strategic Environmental Assessment for the management of Ecosystem Services within the CWDM</b>  <b>2007</b>	The CWDM Strategic Environmental Assessment (SEA) provide a decision-aiding tool for the management of ecological resources within the District. This is a strategy and implementation plan for the CWDM to sustain the ecosystem services on which the development of quality human settlements and the diversification of the economy depend.
<b>CWDM Spatial Development Framework (SDF)</b>  <b>2011</b>  <b>1st Draft CWSDF Discussion Document</b>  <b>2018</b>	The CWDM SDF is the strategic framework guiding spatial distribution of current and desirable land uses within a municipality in order to give effect to the vision, goals and objectives of the CWDM. This framework aims to promote sustainable functional and integrated human settlements, maximise resource efficiency, and enhance regional identity and unique character of a place.

The CWDM recognises climate change as a threat to the environment, its residents, and to future development. The strong causal linkage between air quality management and climate change, require co-operative working relationship to achieve air quality and climate change targets in an integrated manner.

**Table 6: POLICIES TO ADDRESS CLIMATE CHANGE WITHIN CWDM**

<b>POLICY /FRAMEWORK</b>	<b>DESCRIPTION</b>
<b>Cape Winelands District Municipality Discussion Document - Framework for a Draft Climate Change Response Adaptation Strategy</b> <b>2014</b>	Document was developed in-house with to give strategic direction to departments in a coordinated manner within the CWDM in responding to challenges posed by the climate change phenomenon.
<b>Cape Winelands District Municipality Climate Change Adaption Summary Report</b> <b>2018</b>	The Climate Change Adaption Summary Report was developed through the Local Government Climate Change Support (LGCCS) program in partnership with the Western Cape Climate Change Municipal Support Programme. Through this program key climate change vulnerability indicators for the CWDM were identified. These indicators demonstrate areas that maybe at high risk of climate change impacts.

## CHAPTER 3

### REVIEW OF THE CAPE WINELANDS DISTRICT MUNICIPAL AIR QUALITY MANAGEMENT PLAN 2009

The CWDM developed and implemented an AQMP in 2009. The plan was a strategic document that assists the Municipality to set and achieve air quality management goals in a structured, co-ordinated and measured manner. The AQMP 2009 took into account the roles and responsibilities of the district in respect of air quality management, as outlined in the National Framework for Air Quality Management in South Africa.

The CWDM developed and adopted the CWDM AQMP in 2009, with the following:

**VISION:**

*To be a district within which the constitutional right of all inhabitants to clean and healthy air is maintained in a sustainable manner without compromising economic and social development for the benefit of present and future generations.*

**MISSION:**

*To implement sustainable air quality management practices throughout the district to progressively achieve air quality goals.*

The CWDM embarked on a project to assess, evaluate and review the CWDM AQMP 2009 in accordance with the requirements of the NEM: AQA, and involved the following steps, namely:

- o assess progress made in air quality management in the CWDM;
- o establish whether the identified goals and targets have been effectively implemented;
- o establish whether the goals and targets were still valid; and
- o identify air quality management gaps and risks from the assessment that could be translated into new goals and objectives, where required.

Air quality management gaps and issues identified according to the gap and problem analysis, and short and longer term goals with realistic, implementable and appropriate intervention strategies to ensure that the desired outcome will be achieved through the implementation of the AQMP.

The intervention strategies include:

- o Action plans with activities; and
- o Timeframes for implementation and indicators to monitor implementation and, the efficacy on the interventions.

#### 3.1. ASSESSMENT OF THE CWDM AQMP2009 GOALS

Section 15(1) of NEM: AQA requires that each national department or province responsible for preparing an environmental implementation or management plan in terms of Chapter 3 of the National Environmental Management Act (NEMA), must include an Air Quality Management Plan. Furthermore, Section 15(2) of NEM:AQA states that “each municipality must include in its Integrated Development Plan contemplated in Chapter 5 of the Municipal Systems Act, an Air Quality Management Plan”.

The CWDM developed and adopted the CWDM AQMP in 2009, with the following goals: -

- **Goal 1: Effective Air Quality Management**
- **Goal 2: Promote communication in relation to Air Quality Management**
- **Goal 3: Compliance monitoring and enforcement**

To ensure effectiveness, the AQMP2009 that identified goals and objectives was reviewed to assess successful implementation, have been implementation successful and whether they were still valid under current conditions and for the future.



### 3.1.1.1. GOAL 1 - EFFECTIVE AIR QUALITY MANAGEMENT

OBJECTIVE 1.1: ENSURE EFFECTIVE AND CONSISTENT AIR QUALITY MANAGEMENT		
TARGET	ACTIVITY	ASSESSMENT
Build capacity in air quality management within the Municipal Health Services Department	Provide EHP's within the MHS directorate with continuous training and development in air quality management.	The CWDM strengthened the development of skills for effective AQM amongst the CWDM officials. Investments were made into personnel with opportunities to attend several air quality courses in the key performance areas of AQM, AQM planning and Atmospheric Emission Licensing.

OBJECTIVE 1.2: TO DEVELOP AND IMPLEMENT AN EFFECTIVE AIR EMISSIONS LICENSING SYSTEM		
TARGETS	ACTIVITIES	ASSESSMENTS
Build capacity in air emissions licensing	<ol style="list-style-type: none"> <li>a. Provide EHP's within the MHS directorate with training and development in Air Emissions Licensing.</li> <li>b. Secure assistance from the provincial department in relation to air emissions licensing</li> </ol>	<ol style="list-style-type: none"> <li>a. Officials attended formal training to ensure the management, coordination and compliance with the statutory requirements of the air quality licensing function as detailed in the NEM: AQA. The CWDM as atmospheric emission licensing authority in terms of NEM: AQA, has licensed all Section 21 listed activities within the CWDM.</li> <li>b. The district build and maintained sound inter-governmental relationship between all spheres of government in the CWDM, through lateral engagements on regular basis between the DEA&amp;DP, local municipalities and the CWDM related to Section 21 listed activities and Section 23 controlled emitters. When needed Inter-Governmental Task Team's (IGTT) are establish to address air quality related matters.</li> </ol>
Develop an air emission licensing administration and management system.	<ol style="list-style-type: none"> <li>a. Develop forms, procedures, documentation and protocols for the administration of air emissions licensing.</li> </ol>	The CWDM adopted an internal licensing system to ensure atmospheric emission licensing is administrated in accordance to the legislated requirements of NEM: AQA. All Section 21 listed activities within the CWDM had been issued with atmospheric emission licenses (AEL's).

	<p>b. Incorporate the air emissions licensing function into the MHS management system.</p>	<p>South African Atmospheric Emission Licensing and Inventory Portal (SAAELIP) is an online portal for the management of Atmospheric Emission Licences developed by DEA. This singular platform via the System for National Atmospheric Emission Licensing (SNAEL) aims to standardize the application, processing and issuing of AEL's, which provides for industries who have Section 21 Listed Activities to apply for an AEL online.</p>
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<b>OBJECTIVE 1.3: DEVELOP, IMPLEMENT AND MAINTAIN AN AIR QUALITY MANAGEMENT SYSTEM</b>		
<b>TARGETS</b>	<b>ACTIVITIES</b>	<b>ASSESSMENTS</b>
<p>Compilation of a comprehensive emissions inventory.</p>	<ul style="list-style-type: none"> <li>a. Compile an emission inventory of all line sources.</li> <li>b. Compile an emission inventory of all area sources.</li> <li>c. Compile an emission inventory of all industrial sources.</li> </ul>	<p>The CWDM has a comprehensive emission inventory of all the Section 21 Listed Activities and Section 23 Controlled Emitters as mandated under the NEM: AQA and the National Framework.</p> <p>Local Municipalities within the CWDM are mandated to compile emission inventories of all non-listed activities within their jurisdiction.</p> <p>The Western Cape Air Pollutant and Greenhouse Gas Emissions Inventory also serve as a decision-supporting tool to inform air quality management planning in the CWDM.</p>
<p>Air Quality monitoring agreement with Province.</p>	<p>Engagements with Province to assist with air quality monitoring within the district.</p>	<p>DEA&amp;DP Directorate Air Quality Management (D: AQM) operates two ambient air quality monitoring stations within the CWDM as part of the Western Cape Ambient Air Quality Monitoring Network. A station is operated in Stellenbosch and one in Worcester.</p> <p>The set of air quality parameters measured at each monitoring station primarily determined by the air quality conditions at the location and can provide an indication of the possible causes of air pollution in an area.</p>

<b>OBJECTIVE 1.4: ESTABLISH AN ANNUAL AQMP REVIEW PROCESS</b>		
<b>TARGET</b>	<b>ACTIVITY</b>	<b>ASSESSMENT</b>
Review systems, structures and processes to review progress in relation to the AQMP.	<ul style="list-style-type: none"> <li>a. Establish a committee to review the AQMP.</li> <li>b. Establish review mechanism, systems, criteria and procedures.</li> <li>c. Establish a comprehensive complaint register.</li> </ul>	<ul style="list-style-type: none"> <li>a-b. The CWDM annually report to DEA&amp;DP on the progress made in terms of the CWDM AQMP.</li> <li>c. Complaints on air quality are registered in the MHS electronic records management system.</li> </ul>

<b>OBJECTIVE 1.5: ESTABLISH AN EMISSION REDUCTION STRATEGY.</b>		
<b>TARGETS</b>	<b>ACTIVITIES</b>	<b>ASSESSMENTS</b>
Industries	<ul style="list-style-type: none"> <li>a. Electronic database of all small industries to be regularly updated.</li> <li>b. Periodic site inspections and the request of emissions data.</li> <li>c. Develop a register for all non-listed activities.</li> </ul>	<p>In terms of NEM: AQA and National Framework non-listed activities are managed by the local municipalities. Local Municipalities must compile an emission inventory of all non-listed activities.</p> <p>Facilities regarded as Section 21 activities are visited periodically to assess compliance to their AEL's. In order to enable verification of compliance with permitted operating conditions and air emission standards, the Section 21 activities must submit an annual emission report for evaluation to the CWDM. The Controlled Emitters also submit annual data as requested in applicable legislation.</p> <p>The CWDM will join the local municipal air quality official during inter-governmental site inspections at problematic non-listed activities.</p>

	<p><b>a.</b> Review domestic fuel burning emissions inventory with updated population statistics as these become available.</p> <p><b>b.</b> Create awareness campaigns around the negative health impacts of domestic fuel burning.</p> <p><b>c.</b> Encourage the distribution of alternative forms of domestic energy such as LPG, LSF, gas, methanol, etc.</p> <p><b>d.</b> Promote the integration of energy efficiency measures in low cost houses such as housing insulation, solar panels and stove maintenance and replacement.</p> <p><b>e.</b> Promote electrification in informal settlements.</p>	<p><b>a.</b> Access to electricity for lighting purposes in the Cape Wineyards District in 2016 was 218 483 households, whilst 7.4 per cent of households made use of other sources of energy i.e. generator, solar home system, battery and other.</p> <p>Although high supply of electricity not all residents made use of electricity for heating and cooking due to the cost. The use of coal in the CWDM is low with residents mostly use wood, paraffin and gas.</p> <p><b>b.</b> MHS Environmental Health Education awareness raising of health impacts with regards to the type of fuel used in fires.</p> <p><b>c-d.</b> The change in the National Building Regulations ensured the compulsory inclusion of energy efficiency measures in all new building plans. The CWDM assisted Langeberg Municipality with a Department of Trade and Industry campaign to eliminate poor quality paraffin stoves to be replaced with more safe efficient stoves.</p> <p>The CWDM annually embark on the provision of a number SABS approved solar warm water systems as do-it-yourself packages to the rural areas of the CWDM.</p> <p><b>e.</b> No performance as this is a Local Municipality function.</p>
<p><b>Transportation</b></p>	<p><b>a.</b> Review vehicle emissions database with updated traffic count data as these become available.</p> <p><b>b.</b> Promote comprehensive vehicle emissions monitoring and diesel vehicle testing programmes in congested areas.</p> <p><b>c.</b> Compile a detailed assessment of the vehicle fleet in the District including information on vehicle numbers, type, age and fuel usage.</p>	<p>The functionality of Traffic Services within the CWDM resolves under the local municipalities.</p> <p>The N1, R44, R303 and R310 traffic through the CWDM has the potential for excessive vehicle emissions, especially heavy diesel-powered vehicles. The CWDM in conjunction with local municipalities should investigate the possibility of vehicle emission testing, in order to measure vehicle emissions to evaluate contribution to air pollution within the district.</p>

<p><b>Agriculture</b></p>	<p><b>a. Obtain information on the quantity of pesticides used in the District.</b></p> <p><b>b. Promote the safe and responsible use of pesticides throughout the district.</b></p> <p><b>c. Promote safe and responsible agricultural burning practises.</b></p>	<p>DAFF regulated, administrated and register all fertilizers, farm feeds, agricultural remedies, stock remedies, sterilizing plants and pest control operators, regulate or prohibit the importation, sale, acquisition, disposal or use of all fertilizers, farm feeds, agricultural remedies and stock remedies. The CWDM had several engagements with the Western Cape Department of Agriculture to address complaints and to find meaningful resolutions for complaints on pesticides applications within the CWDM.</p> <p>MHS provide continuous education and promotion of the safe use, handling, storage and disposal of pesticides, to the farming community throughout the CWDM.</p> <p>MHS comments on the building of storage facilities for agricultural remedies and stock remedies.</p> <p>CWDM monitor agricultural burning if it affects the well-being of receptor community and advice on burning under favourable weather conditions.</p>
<p><b>Biomass Burning</b></p>	<p><b>a. Identify and quantify emissions from biomass burning.</b></p> <p><b>b. Liaise with fire services to assist in air pollution control.</b></p> <p><b>c. Obtain information from local Fire Departments to maintain and update a database of the locations of veld fires and the extent of the areas burnt.</b></p> <p><b>d. Maintain a database for regional scheduled burn areas that are published for agricultural and management fires.</b></p>	<p>Biomass burning can either be legislated through for destroying problematic vegetation or as precaution measures for possible veld fires. Conservation of Agricultural Resources Act and the National Veld and Forest Fires Act as assigned to DWAFF regulate the burning of the above mentioned biomass.</p> <p>The permitting of biomass burning is either handled by the local municipalities or the regional Fire Protection Agency.</p> <p>The approval for burning of biomass within the district remains problematic due to the increase of ambient pollution and burning on days when the natural temperature inversion traps air pollution creates a visual impairment.</p>

<p><b>Waste Treatment and Disposal</b></p>	<p><b>a. Develop an emissions inventory of waste burning sources (incinerators, sewage and waste water treatment works).</b></p> <p><b>b. Ensure all operating incinerators are permitted and are operating within their permit requirements.</b></p> <p><b>c. Maintain a current database of permitted and non-permitted landfill sites.</b></p> <p><b>d. Introduce awareness programmes and public education of waste minimization and recycling initiatives.</b></p> <p><b>e. Promote efficient service delivery in residential areas in order to reduce illegal dumping and the creation of informal landfills.</b></p>	<p><b>a-c. One Section 21 listed activity is licensed to operate a Category 8: Thermal Treatment of Hazardous and General Waste facility within the district. All the municipal waste treatment works and landfill sites within the district are accounted for.</b></p> <p>Several smaller waste water plants exist within the district especially with regards to the agro-processing industry but are regulated by the district and local municipalities.</p> <p><b>d. MHS has awareness programmes running in the district to educate scholars on waste minimization and recycling.</b></p> <p><b>e. The CWDM monitor removal of waste and report illegal activities to local municipalities.</b></p>
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**3.1.2. GOAL 2: PROMOTE COMMUNICATION IN RELATION TO AIR QUALITY MANAGEMENT**

<b>OBJECTIVE: ESTABLISH AN AIR QUALITY FORUM IN ORDER TO ENSURE PROPER COMMUNICATION BETWEEN LOCAL AND PROVINCIAL GOVERNMENT, BUSINESS AND INDUSTRY AS WELL AS INTERESTED AND AFFECTED PARTIES.</b>		
<b>TARGETS</b>	<b>ACTIVITIES</b>	<b>ASSESSMENT</b>
<p>A committee/forum at a district level representing all interested and affected parties.</p>	<p>The CWDM to take the leading role in the establishment and management of an Air Quality Officers Committee/ Forum.</p>	<p>The CWDM had established the CWDM Industrial Air Quality Forum with representatives from the listed activities within the district, DEA&amp;DP and the local Air quality officers.</p>
<p>Clearing up the division of functions between Local and District Municipalities.</p>	<p>Discussions on the division of functions between B and C municipalities.</p>	<p>DEAD&amp;DP engaged with the local municipalities on their role and responsibilities with regards to implementation of NEM: AQA. All the local municipalities within the CWDM had their AQMP's drafted and designated officials as air quality officers for their respective municipalities.</p>
<p>Regular reporting and discussions on issues of AQM.</p>	<p>Compile a annual state of air report for the district</p>	<p>CWDM compile an annual report on the progress in terms of its AQMP for DEAD&amp;DP and submit district related matters into the annual Provincial State of Air Quality Report. The CWDM officials report to and are represented at the quarterly Western Cape Provincial Air Quality Officers Forum meetings and the DEA National Air Quality Lekgotla.</p>

**3.1.3. GOAL 3: COMPLIANCE MONITORING**

<b>OBJECTIVE 3.1: ESTABLISH A COMPLIANCE MONITORING SYSTEM WITHIN CWDM</b>		
<b>TARGETS</b>	<b>ACTIVITIES</b>	<b>ASSESSMENT</b>
<p><b>Build capacity in compliance monitoring within the district.</b></p>	<p>a. Provide EHP's within the MHS department with continuous training and development in compliance monitoring.</p> <p>b. Design and implement a compliance monitoring system.</p>	<p>Officials from the CWDM have successfully completed the Environmental Management Inspectors Course (EMI) in terms of compliance monitoring under NEMA and the SEMA's.</p> <p>The CWDM a compliance monitoring system is imbedded within the listed activity's AEL's.</p>
<b>OBJECTIVE 3.2: ENSURE CONTINUOUS COMPLIANCE WITH ATMOSPHERIC EMISSION LICENSING CONDITIONS</b>		
<p><b>Control emissions from listed Processes.</b></p>	<p>a. Periodic site inspections and retrieval emissions data.</p> <p>a. Licensing conditions to ensure compulsory monitoring and reporting by industries to the CWDM.</p>	<p>The CWDM and DEA&amp;DP perform jointly environmental compliance inspections within the district.</p> <p>Furthermore, the System for National Atmospheric Emission Licensing (SNAEL) provides for Licensing Authorities to schedule licensing related inspections and track inspection results, as well as manage online compliance reporting.</p> <p>Each listed activity has reporting of emission data set as a condition of authorisation within their AEL's.</p> <p>The National Atmospheric Emission Reporting Regulations require each listed activity to annual submit their emission inventory reports online onto the National Atmospheric Emission Inventory System (NAEIS). The district in turn audit the data submitted by the respective AEL holders.</p>



## 3.2. FUTURE RELEVANCE OF CWDM AQMP2009 GOALS

### 3.2.1. GOAL 1- EFFECTIVE AIR QUALITY MANAGEMENT

This goal was considered important for inclusion in the 2<sup>nd</sup> Generation CWDM AQMP, highlighting the following aspects:-

- Continuous training in air quality management.
- Importance to foster and grow inter-governmental relationship between all spheres of government in the CWDM to ensure effective air quality management within the CWDM.
- Ensure CWDM internal licensing system functions effectively and are regularly updated to keep with new developments legislation related to air quality management.
- Importance of ambient air quality monitoring within the district and the financial cost associated with the purchasing, commissioning, operating and maintaining ambient monitoring equipment.
- Official CWDM AQMP review protocol compulsory.
- CWDM cooperation and assistance to local municipalities to compile and maintain emission inventory within CWDM.
- Significant of raising awareness with respect of air quality management within the district for residents, industry and departments within local and district municipality.
- The need for cooperation and liaison with stakeholders such as DEA, DEA&DP and municipalities to address current gaps, to find and implement interventions to strengthen air quality management within the CWDM.

### 3.2.2. GOAL 2- PROMOTE COMMUNICATION IN RELATION TO AIR QUALITY MANAGEMENT

This goal and its targets were deemed still relevant with the following considered to be of importance:-

- Maintaining CWDM Industrial Air Quality Forum with listed activities and increase the frequency of engagement to ensure constant communication and engage on important air quality matters associated with new legislation and amendment to current legislation.
- Extend to involve other stakeholders such as Clay Brick Association, regional Fire Protection Agency amongst others.
- Establishment of a District Air Quality Officers Forum for district and local municipal air quality officers within district engage and address air quality management matters within the district.
- Importance of intergovernmental cooperation to ensure assistance to the respective municipalities in implementing their Municipal Mandate to give effect to the AQA and to take up their roles and responsibilities in terms of AQM.

### 3.2.3. GOAL 3 - COMPLIANCE MONITORING

NEM: AQA and National Framework placed a strong emphasis on the roles and responsibilities of all spheres of government in terms of performing air quality compliance monitoring and enforcement in their respective jurisdictional areas. As this goal continue to be relevant, the wording of this goal was rearticulated to "Compliance and Enforcement" to be included in the 2<sup>nd</sup> Generation CWDM AQMP.

The following was considered to be of importance:-

- Continuous training in environmental management compliance monitoring.
- Designation of Environmental Management Inspectors within the CWDM.
- Inter-governmental cooperation between all spheres of government towards environmental compliance monitoring and investigations.
- Combined intervention to be enforced to ensure the principles of NEMA are adhered to.
- Promulgation of a district specific Air Quality by-law for the CWDM to provide an air quality management tool for enforcing specific reasonable measures within a given timeframe.

### **3.3. NEW GOAL – SUPPORT CLIMATE CHANGE PROTECTION PROGRAMMES**

Climate change is one of the biggest challenges facing communities, likely posing serious risks to both human health and the environment and could have a major impact on vulnerable economic sectors.

The integrally linkage between air quality and climate change is well documented. As air pollution and climate change influence each other through complex interactions in the atmosphere, thus having significant consequences for each other. The definite change in temperature within the district can influence air quality management as air quality can be sensitive to increased temperatures. , increased greenhouse gas emissions as well as to an increased demand for local fuels such as paraffin and wood. In turn direct emissions of air pollutants (e.g. black carbon) or formation of emissions such as sulphate and ozone can alter the energy balance between the atmosphere and the Earth's surface resulting in temperature changes which can alter the chemical composition of the atmosphere. Thus, climate change and air quality management have significant consequences for each other.

The CWDM recognises the need to include the support to climate change initiatives and the reduction of greenhouse emissions in their AQMP, in order to provide mutual benefits that contribute towards maintaining good, clean air, while also reducing global warming.

## CHAPTER 4

### SUMMARY ANALYSIS OF AIR QUALITY WITHIN THE CAPE WINELANDS DISTRICT MUNICIPALITY

#### 4.1. PRIMARY ECONOMIC ACTIVITIES

##### 4.1.1. LISTED ACTIVITIES AND CONTROLLED EMITTERS

The CWDM has implemented a licensing system since 1 April 2010, licensing all Section 21 listed activities in operation within the district in accordance to Chapter 5 of the NEM: AQA. All these licensed listed activities are bound to conditions to give effect to Section 24(b) of the Constitution to enhance the quality of ambient air for the sake of securing an environment that is not harmful to the health and well-being of people.

CWDM incorporated the processing fees as contemplated in GN 250 of 2016 and the Administrative Fine in terms of section 22A of NEM: AQA into the district Tariff Structure.

Table 7 provide a list of Section 21 listed activities within the CWDM, with the substances to be monitored in terms of the conditions of authorisation of these atmospheric emission licenses. All listed activities report to the CWDM in terms of their reporting AEL conditions and in terms of the requirements of the National Atmospheric Emission Reporting Regulations (GN 283 of 2015), requiring each listed activity to annual submit their emission inventory reports online onto the National Atmospheric Emission Inventory System (NAEIS).

All the facilities considered as Section 23 Controlled Emitters operating within the CWDM, are boiler being operated for energy generation.

**Table 7: LISTED ACTIVITIES WITHIN CWDM WITH THE REGULATED PARAMETERS**

Industrial Activity	Categorised Listed Activity	Parameters measured and reported
Crematoriums & Veterinary Incinerator	Sub-category 8.2: - Crematoria and - Veterinary Waste Incineration	- Particulate Matter - Carbon Monoxide (CO) - Oxides of Nitrogen(as NO <sub>2</sub> ) - Mercury Hg (only human cremation)
Manufacture of Propellants	Sub-category 7.2: Production of acids	- Sulphur dioxide (SO <sub>2</sub> ) - Sulphuric acid mist and sulphur trioxide (as SO <sub>3</sub> ) - Oxides of nitrogen (as NO <sub>2</sub> )
	Sub-category 8.3: Burning Grounds	- Sulphur dioxide (SO <sub>2</sub> ) - Dust fall
Production of clay bricks using clamp kilns	Sub-category 5.3: Clamp kilns brick production	- Sulphur dioxide (SO <sub>2</sub> ) - Dust fall

Production of clay bricks by firing excluding clamp kilns	Sub-category 5.9: Ceramic production	- Particulate Matter - Sulphur dioxide (SO <sub>2</sub> ) - Hydrogen Fluoride (HF) - Dust fall
Lime Manufacturing	Sub-category 5.6: Lime production	- Particulate Matter - Sulphur dioxide (SO <sub>2</sub> ) - Oxides of nitrogen (as NO <sub>2</sub> ) - Dust fall
Animal Matter Rendering Plant	Category 10: Animal Matter Processing	Best practise measures intended to minimize or avoid offensive odour.

#### 4.1.2. AGRICULTURAL

Agriculture forms the backbone of the Cape Winelands District Municipality economy. Two agricultural sectors dominate, namely horticultural produce (namely fruits, viticulture, vegetables and wheat fields) and animal farming (mostly chicken, sheep, pigs and, cattle). Particulate matter is the main pollutant of concern from agricultural activities as particulate emissions are deriving from windblown dust, burning crop residue, and dust entrainment as a result of vehicles travelling along dirt roads. In addition the use and storage of agricultural remedies within this sector can cause chemical emissions. Odorous emissions can be associated with animal farming (such as chicken broilers, piggeries, etc.), but can also result from crop residue, application of manure and fertilizer.

The District has a strong agro-processing industry producing agricultural products, which comprises more than a quarter of all agro-processing in the Western Cape. Boilers operations mainly the use solid or liquid fuel for energy generation with the preserving and canning of agricultural produce, dairy produce and production of juices, liquor and wine in the agro-processing industry. Most of the Section 23 Controlled Emitters registered in the district are being operated within the agro-processing industry.

One Section 21 listed activity can be considered under the agricultural sector namely an animal matter rendering facility with the main pollutant of concern being odorous emissions.

Transport from agricultural practices and the associated agro-processing industry, is also considered a contributor to vehicle tailpipe emissions within the CWDM.

Intergovernmental cooperation between DEA&DP, the district and local municipalities have been the approach to address emissions from the non-listed activities within the district. A closer intergovernmental working relationship, which include National and Provincial departments, are required to ensure that the problematic emissions from the agriculture activities can be address meaningfully for ambient air quality not harmful to human health and to the environment.

#### 4.1.3. INDUSTRIAL AND COMMERCIAL OPERATIONS

Most of the district's listed activities resonate under industrial and commercial operations, inclusive of cremation operators, propellant -, clay brick – and lime production. It must be noted that some activities in the CWDM are licensed and included as industrial operations, although due to type of operation these activities can encroach on being considered as mining operations.

The remainder of the industrial and commercial operations are non-listed activities and non-controlled emitters must be regulated by the Local Municipalities. This includes small boiler operations, spray booths, pizza ovens, printers, production of rubber products, fires from informal meat trading, amongst others. Storage and supply of construction materials to the construction and building market, such as sand, aggregates, cement, ready-mix cement with related crusher and screening operations, are activities that could possibly contribute to air pollution in the district.

#### **4.1.4. MINING AND QUARRYING**

Open pit mining and quarry activities are in operation within the CWDM. Mining operations represent potentially significant sources of fugitive dust emissions, with particulate emissions being the main pollutant of concern. Fugitive dust sources associated with mining activities include materials handling activities, vehicle-entrainment by haul trucks and wind-blown dust from tailings impoundments and stockpiles. Mining for sand and aggregate for the construction industry, and clay for brick manufacturing are the most prominent mining activities in the district.

In terms of the amended NEM: AQA (Revised 2012) and the National Framework, the Department of Mineral Resources (DMR) are the authority to administer the approval of mining rights and the responsible atmospheric emission licensing authority responsible in respect of managing atmospheric emissions from these facilities.

All operating brick manufacturing facilities and a lime manufacturing facility is licensed as listed activities. These listed activities and one quarry submit and manage their emission inventory reports, as mandated under the National Atmospheric Emission Reporting Regulations, onto NAEIS.

Intergovernmental co-operation between the CWDM and DMR are limited, with no up to date inventory on the mines or quarries operating in the district or which of these are licenced under NEM: AQA. Mines and quarries have the potential to create a dust fall nuisance and contribute to airborne concentration of fine particulates, if an environmental management programme is not followed correctly.

#### **4.1.5. BIOMASS BURNING**

Biomass burning is inclusive of wild fires, controlled preventative fires and agricultural burning practices. The seasonal and irregular nature of biomass burning makes characterisation difficult, and as a result, the contribution of this source to the ambient air quality in the region cannot be accurately determined. However, it is recognised that biomass burning has an impact on the district air quality, especially in terms of its particulate emissions and is also considered is a significant source of greenhouse gases. Smouldering fires have less complete combustion and release more CO, whereas, intense fires have more complete combustion and release more CO<sub>2</sub>.

Preventative and/or controlled burning is Department Agriculture, Forestry and Fisheries (DAFF), under the Department Agriculture, Forestry and Fisheries (DAFF) Conservation of Agricultural Resources Act (Act No. 43 of 1983) and the National Veld and Forest Fires Act (Act No. 101 of 1998).

As a result of the predicted general trend of rising temperatures associated with the changing climate, a future increase in the intensity, severity and frequency of the natural veldt fires could be anticipated. The rise in temperature and the increase in veldt fires could have a negative influence on the ambient air quality of this district.

The CWDM investigate complaints on biomass burning as well as possible unauthorised burning however the engagement with different stakeholders from government spheres to identifying interventions to minimise the legislated – and/or uncontrolled biomass burning, is not imminent.

#### **4.1.6. DOMESTIC FUEL BURNING**

Domestic fuel burning has been identified as a major cause of poor ambient air quality in the rural and informal urban areas of South Africa. Residents in low income areas, rural - and informal settlements tend to use domestic fuel for cooking, heating and lighting with the residents in low income areas are usually poorly insulated, which demand more frequent heating. The elevation of the release concentrations from domestic fuel burning coincide with periods of low temperatures and stable atmospheric conditions associated with the winter months. Domestic fuel burning have the potential for significant human health effects.

More than 92 percent of residents residing in the CWDM has access to electricity for lighting purposes. Although most residents have access to electricity, poverty is a major contributing factor to the use of domestic fuels in households for space heating purposes, supports cooking and lighting. Little coal as a cost effective substitute for electricity is used by CWDM residents due to the availability of wood and two major gas distributors in the district.

The delivery of improved thermal efficiency formal houses and the distribution of electricity as basic services to residents constitute to less dependency on domestic fuel. This functionality of the local municipalities will ensure reduction of this air pollution concentrations, to acceptable levels in formal residential areas.

The CWDM address complaints with regards to domestic fuel burning and engage to create awareness on the health implications of using domestic fuel such as coal, paraffin and wood.

#### **4.1.7. TRANSPORT**

Transport sources within the CWDM include on-road sources such as cars and light trucks, heavy trucks and buses, farm and construction machines, aircraft, and locomotives.

Given that no major airports are located within the CWDM during 2007, air transport was excluded as potentially significant air quality source. With the use of electrical locomotives over diesel locomotives, railway transport was also omitted as a source of important to air quality management. Should future evidence indicate these as sources significantly contributing to the state of ambient air quality in the CWDM, these sources should be included during a revision of the AQMP.

The N1 highway and several other main routes such as R44, R303 and R310 within the CWDM, have the potential to significantly contribute to pollution with the excessive exhaust emissions. The predominant inefficient public transport system in the district had resulted in an increasing number of privately owned vehicles within the region, including an increase in use of taxis as the main mode of public transport. Historical poor town planning at local level resulted in traffic congestion in many urban areas in the CWDM, with specific reference to Stellenbosch and Paarl. The proliferations of heavy vehicles on the local road network to transport heavy/bulk materials also contribute to the district's vehicle tailpipe emissions.

The NEM: AQA makes for the Minister provision to declare vehicles as controlled emitters with emission limits and related monitoring requirements, and to declare controlled fuels. For the ever

increasing vehicle activity rate, the national government focus must be to secure effective legislation to change in fuel composition (unleaded petrol, lower sulphur in diesel), improve fuel efficiency - and emission control system of vehicles, to ensure vehicle tailpipe emissions reductions. Such legislation will give the district and local municipalities control to regulate vehicle emissions.

A detailed assessment of the district's vehicle fleet should be undertaken including information on vehicle numbers, type, age and fuel usage. The assessment should inform the district to the efficiency of its fleet and the replacement need of insufficient vehicles. The CWDM should integrating air quality considerations through environmentally responsible purchasing of new vehicles, with specification on higher fuel efficiency vehicles and/or alternatively fuelled vehicles where finances and availability allow.

Inter-governmental cooperation is required with local municipal departments such as town planning, traffic services and air quality management to ensure well-informed spatial town planning with proper road infrastructure to ensure optimum traffic flow.

## 4.2. AIR QUALITY MANAGEMENT FRAMEWORK

Effective air quality management has as its basis a comprehensive management framework including the requirement organisational and functional structures and an integrated air quality management system comprising of an emission inventory, air quality and meteorological monitoring modelling.

### 4.2.1. CAPACITY ASSESSMENT

#### 4.2.1.1. Capacity Assessment

The CWDM has embraced and fully implemented the assigned roles and responsibilities of air quality management and gave effect to Section 24 of the Constitution, NEMA and Section 14(3) of the NEM: AQA, with the designation of an air quality officer (AQO), to co-ordinating matters pertaining to air quality management within the district. The responsibility and accountability for the implementation of the AQA resolves under the Directorate: Community and Development Services with the designated AQO within the Department Municipal Health Services (MHS). To ensure the CWDM fulfil the air quality management role and responsibilities placed on the district, the CWDM showed commitment through the amendment of the organizational structure to accommodate the AQM functionality as a separate, dedicated function with specific functions related to air quality management and control.

The CWDM invested in air quality management by affording officials the opportunity to attend several courses in the key performance areas of atmospheric emission licensing, environmental authorisation, air quality management monitoring and - planning. These officials successfully completed these courses and gained the necessary level to deal with the variety and complexity demanded by this function.

It is not foreseen that any additional staff structures will have to be established to implement this plan for the immediate future. It must however be noted that should the situation changes and the function develops within the district, it might become necessary to establish a specialised unit within the MHS directorate to tend to air quality matters.

The CWDM have the following air quality management tools:-

- current AQMP;
- human resources (staff availability, expertise and experience); and
- air quality guidelines, and the emission inventory of Section 21 and Section 23 activities, with the required monitored emission data from these respective facilities.

The CWDM however lack additional essential air quality management tools to monitor and assess changes in the environment and to plan for effective environmental management.

The following tools should be acquired:-

- comprehensive district emissions inventory
- comprehensive air quality and meteorological monitoring in regions without such facilities
- atmospheric dispersion modelling.

#### 4.2.2. AIR QUALITY MANAGEMENT SYSTEM

##### 4.2.2.1. Ambient Air Quality Monitoring in the Cape Winelands District Municipality

As part of the Western Cape Ambient Air Quality Monitoring Network within the province the department of Environmental Affairs and Development Planning, Directorate Air Quality Management (DEA&DP D: AQM) established ambient air quality monitoring stations within the CWDM.

The set of air quality parameters measured at each monitoring station was primarily determined by the historical air quality conditions at the location. Each set of parameters measured may include complimentary sets of parameters, i.e. SO<sub>2</sub>, O<sub>3</sub> and NO<sub>2</sub> (vehicle emissions and combustion), PM<sub>10</sub> and CO (combustion), and H<sub>2</sub>S and CO<sub>2</sub> (odour and combustion), which often provides an indication of the possible causes of air pollution in an area. Meteorological parameters (wind speed and direction, ambient temperature, pressure, relative humidity) are also measured to provide the context within which the air quality is measured.

These stations are located in Worcester and Stellenbosch and provide an indication of possible causes of air pollution in the monitoring location. The data obtained from these stations provide the CWDM with an indication of the state of air quality within the areas where these stations are located and determine to what level inhabitants are exposed to air pollutants.

CWDM officials assist DEA&DP D: AQM as required in these monitoring activities and/or to perform minor task at the mentioned stations.

**Table 8: Ambient Air Monitoring Stations in Cape Winelands District Municipality**

Location	Air quality Parameters Measured	Date Commenced
Worcester	SO <sub>2</sub> , O <sub>3</sub> , NO <sub>2</sub> , CO, PM <sub>10</sub> , full metrological parameters	July 2009
	H <sub>2</sub> S	February 2017
Stellenbosch	SO <sub>2</sub> , O <sub>3</sub> , NO <sub>2</sub> , CO, CO <sub>2</sub> , PM <sub>10</sub> , PM <sub>2.5</sub> , full metrological parameters	October 2011



The annual average concentrations of the air quality parameters measured at each location of the DEA&DPs Ambient Air Quality Monitoring Network in the CWDM, was compared to the respective annual averages of the National Ambient Air Quality Standards (NAAQS), where applicable.

No annual National Ambient Air Quality Standard established for O<sub>3</sub> or CO. It is important to note, however, that the annual average O<sub>3</sub> concentrations are significantly below the 8-hour standard and the annual average CO concentrations were significantly below the 8-hour standard of 10mg/m<sup>3</sup> at both monitoring locations.

All annual averages of sulphur dioxide (SO<sub>2</sub>) nitrogen dioxide (NO<sub>2</sub>), Ozone (O<sub>3</sub>) and Particulate Matter (PM<sub>10</sub>), as depicted for each monitoring station, were below the annual National Ambient Air Quality Standard.

Due to historical and current complaints related to odorous emissions the monitoring of Hydrogen Sulphide (H<sub>2</sub>S) was included in the parameters measured at the Worcester station. As there is currently no annual National Ambient Air Quality Standard for H<sub>2</sub>S, the annual average concentrations are compared against the 30-minutes health guidelines of 150 µg/m<sup>3</sup>, as set out by the World Health Organisation (WHO). The average H<sub>2</sub>S annual concentrations measured at this station were below the WHO standards.

The CWDM monitored concentrations correlated with the downward trend within the Western Cape in the O<sub>3</sub> and SO<sub>2</sub> annual average. Within the Western Cape, CWDM included, annual NO<sub>2</sub> averages showed an upward trend. Fuel combustion in vehicles plus industrial and chemical manufacturing processes are considered the main contributors of NO<sub>2</sub> to the environment. The priority placed on growth and development the increasing trend of NO<sub>2</sub> levels, is likely to continue.

DEA&DP will be launching another new ambient air quality monitoring station within the CWDM, with the Drakenstein Municipal region identified as a possible location. The addition of another station within the CWDM will ensure more comprehensive ambient air quality monitoring within the district.

#### ***4.2.2.2. Passive Ambient Air Quality Sampling in the Cape Winelands District Municipality***

In order to identify and assess the long term regional air quality trends over a period of time, the CWDM budgeted to set up a network of passive air sampling within the geographical area of the Cape Winelands. The results obtained from this passive sampling program will be used for determining geographical base-line concentrations and to identify “hotspots” within the district.

The program identified a site in each of the five local municipalities for the setup and monitoring purposes. This program will be rolled out with the assistance of the CWDM Environmental Health Practitioners and the local municipal air quality officers, ensuring capacity building on air quality management and local air quality air quality circumstances are taken into account. All results and information obtained from the passive sampling program will be captured on a database, with the results of the pollutants monitored will be compared against the National Ambient Air Quality Standard where applicable.

### **4.2.2.3. Additional Air Quality Management System Tools for the Cape Winelands District Municipality**

An AQMP cannot be successfully implemented and revised in the absence of an effective air quality management system. Essential tools in an air quality management system include an emissions inventory, dispersion modelling and source and ambient air quality monitoring.

#### **4.2.2.3.1. Emission inventory**

The listed activities and controlled emitters operated within the CWDM are captured in a detailed CWDM emission inventory database. One municipality has a comprehensive emission inventory of the non-listed activities in the municipality. Compiling of an emission inventories have been taken up as short term objectives into the other municipalities AQMP's.

#### **4.2.2.3.2. Dispersion Modelling/Meteorological Monitoring**

Accurate meteorological monitoring data is an integral component of air quality management and planning. Topographical diversity within the CWDM implies different metrological conditions throughout the district. In order to obtain accurate data it is foreseen that the CWDM will have to invest in meteorological monitoring equipment.

As monitoring all sources within the district will be financially not achievable, dispersion modelling is a reliable method to acquire ambient data through stimulation. Modelling will assist the district with effective baseline air pollution characterisation and for assessing the air quality benefits of implementing proposed management and mitigation strategies. Dispersion modelling can be considered as a long term futuristic air quality management requirement.

## **4.3. AIR QUALITY COMPLIANCE AND ENFORCEMENT**

The CWDM AQO perform regular inspections at the district's listed activities and controlled emitters, to assess compliance to the conditions of authorisation under the NEM: AQA. The required monitoring data submitted to the AQO are evaluate against the set parameters for monitoring and the National Ambient Air Quality Standard were applicable. The CWDM monitor the submission of the required annual reporting of data and information emission data onto the NAEIS system and audit the information submitted.

The CWDM joins DEA&DP on compliance inspections at the respective listed activities to assess environmental compliance to the NEMA and SEMA's. The district provides assistance and guidance to the local municipalities during compliance and enforcement with regards to complex air quality related complaints.

The CWDM AQO gives input on air quality management into Environmental Impact Assessments processes as well as into town planning applications for rezoning or new developments. Furthermore, the AQO respond to air quality related NEMA Section 30 incidents within the district, either as leading authority or for assistance to the local municipalities.

#### **4.4. GOVERNMENTAL/ DEPARTMENTAL/STAKEHOLDER COOPERATION**

The CWDM maintain the principle of cooperative governance with all the sphere of government and interaction with all stakeholders (officials, consultants, committees, business and public) to ensure effective and efficient rendering of air quality management within the district through the following:–

- provision of input on air quality management to the different spheres of government;
- participate in air quality management and – planning meetings, working groups and forums;
- assist and/or provide guidance in air quality matters at local municipal level;
- dissemination information and guidelines on statutory requirements; and
- AQO foster a good interdepartmental relationship and ensure feedback/input within the district.

# CHAPTER 5

## GAP ANALYSIS

Gaps were identified in the CWDM AQMP 2009 through the assessment and collaboration of information in the review process. The following is a summary of the gaps with the recommendations:-

5.1. INSTITUTIONAL FUNCTIONS	
GAPS IDENTIFIED	RECOMMENDATIONS
AQMP Review protocol	<ul style="list-style-type: none"> <li>o Formulate protocol – internal annually and external every 5 years.</li> </ul>
Air quality bylaw	<ul style="list-style-type: none"> <li>o Finalise draft district specific bylaw, get council approval, promulgate bylaw for CWDM.</li> <li>o Ensure local municipalities formulate and promulgate local bylaw.</li> </ul>
Designations of EMI's in CWDM	<ul style="list-style-type: none"> <li>o Designate EMI's to ensure powers of inspection, investigation, enforcement and administrative powers under NEM: AQQA</li> </ul>
Additional air quality management tools	<ul style="list-style-type: none"> <li>o Provision of tools to include meteorological monitoring and dispersion modelling.</li> <li>o Expand existing ambient monitoring in CWDM.</li> <li>o Establish inventory of CWDM vehicle fleet.</li> </ul>
Awareness raising	<ul style="list-style-type: none"> <li>o Ensure for the design of awareness raising campaigns</li> <li>o Foster interdepartmental relations with MHS with regards to environmental awareness raising functionality.</li> </ul>
CWDM District Air Quality Officers Forum	<ul style="list-style-type: none"> <li>o Establish District Air Quality Officers Forum.</li> </ul>
CWDM Industrial Forum	<ul style="list-style-type: none"> <li>o Ensure bi-annual meetings for Industrial Forum.</li> </ul>
Climate Change	<ul style="list-style-type: none"> <li>o Inclusion of climate change in AQMP as an air quality functionality.</li> <li>o Interdepartmental engagement to included air quality management in CWDM climate change programs.</li> </ul>

<b>5.2. PRIMARY ECONOMIC ACTIVITIES</b>	
<b>GAPS IDENTIFIED</b>	<b>RECOMMENDATIONS</b>
Listed Activities	<ul style="list-style-type: none"> <li>○ Awareness raising on co-benefits philosophy between air quality management and climate change interventions.</li> <li>○ Capacity training on management of good air quality management practices.</li> </ul>
Industries and other sources	<ul style="list-style-type: none"> <li>○ Ensure compilation of emission inventory on non-listed activities by local municipality.</li> </ul>
Agricultural and agricultural biomass burning	<ul style="list-style-type: none"> <li>○ Engagement with stakeholders, National, Provincial and Local sphere of government plus farm unions on agricultural biomass burning and pesticides applications.</li> </ul>
Biomass burning	<ul style="list-style-type: none"> <li>○ Engagement with local – and district Fire Services with regards to permitting of biomass burning.</li> <li>○ Secure inventory on wild - and controlled fires.</li> </ul>
Mine and quarries	<ul style="list-style-type: none"> <li>○ Engagement with DMR on licensing and listed mines and quarries in CWDM.</li> </ul>
Transport	<ul style="list-style-type: none"> <li>○ Engagement with local municipalities departments on town planning and traffic management.</li> <li>○ Engage on vehicle emission testing with local municipalities.</li> </ul>
Domestic fuel burning	<ul style="list-style-type: none"> <li>○ Ensure environmental awareness in terms of domestic fuel burning.</li> </ul>

## CHAPTER 6

### 2<sup>ND</sup> GENERATION CAPE WINELANDS DISTRICT MUNICIPALITY AIR QUALITY MANAGEMENT PLAN

The goals as included in the CWDM AQMP 2009 were still deemed relevant with one additional goal added. The four goals of the 2<sup>nd</sup> Generation CWDM AQMP support the vision and mission, with each goal are underpinned by objectives to achieve them through a series of activities.

#### 6.1. VISION

“TO BE A DISTRICT WITHIN WHICH THE CONSTITUTIONAL RIGHT OF ALL INHABITANTS TO CLEAN AND HEALTHY AIR IS MAINTAINED IN A SUSTAINABLE MANNER WITHOUT COMPROMISING ECONOMIC AND SOCIAL DEVELOPMENT FOR THE BENEFIT OF PRESENT AND FUTURE GENERATIONS.”

#### 6.2. MISSION

“TO IMPLEMENT SUSTAINABLE AIR QUALITY MANAGEMENT PRACTICES THROUGHOUT THE DISTRICT TO PROGRESSIVELY ACHIEVE AIR QUALITY GOALS.”

#### 6.3 GOALS

GOAL 1: EFFECTIVE AIR QUALITY MANAGEMENT

GOAL 2: PROMOTE COMMUNICATION IN RELATION TO AIR QUALITY MANAGEMENT

GOAL 3: COMPLIANCE MONITORING AND ENFORCEMENT

GOAL 4: SUPPORT CLIMATE CHANGE PROTECTION PROGRAMMES

#### 6.4. IMPLEMENTATION ACTION PLAN

- Short-term (1-2 years)
- Medium-term (3-5 years)
- Long term ( >5 years)
- Continuous

#### 6.5. IMPLEMENTATION ACTION PLAN

The Implementation Action Plan for the CWDM 2<sup>nd</sup> Generation AQMP on Pages 41 - 47.

#### 6.6. REVIEW OF AQMP

The AQMP should function as a living document and an internal review of the CWDM AQMP should be done on a continuous basis since it refers to implementation goals as set out in Section 6 of this document. The AQMP review comprises of the AQMP and its implementation, and further address developments in science as well as management of air quality, with a review every five years.

The review is subject to funding and political cycles, meaning that an element of elasticity is necessary to achieve the implementation goals to be conducted on an annual basis

**6.5. IMPLEMENTATION ACTION PLAN**

<b>GOAL 1 - EFFECTIVE AIR QUALITY MANAGEMENT</b>			
<b>OBJECTIVES</b>	<b>TARGETS</b>	<b>ACTIVITIES</b>	<b>TIMEFRAMES</b>
<b>Objective 1.1: Strengthen and Build Capacity in Air Quality Management</b>	Build capacity in air quality management within the Cape Winelands District Municipality.	Provide CWDM air quality personnel with specific training requirements to ensure continuous development in technical expertise.  Capacitate CWDM Environmental Health Practitioners with the necessary skills and knowledge that is required within the district to manage air quality and ensure statutory enforcement of current and future legislation for air quality management.	Continuous  Short-term
	Skills development for a sustained air quality expertise base.	Collate and share Best Practice Methodologies in air quality management practices (AEL's, compliance & enforcement)  Develop strategies and programmes for training, and skills transfer to local municipal officials for achieving the goals and objectives of the AQMP.	Continuous  Medium-term
<b>Objective 1.2 : Develop and Maintain Effective Air Emissions Licensing System</b>	Effective Atmospheric Emission Licensing System.	Perform the functions as Atmospheric Emission Licensing Authority for Section 21 Listed Activities wrt new applications, AEL renewals, transfers, reviews and variations.	Continuous
		Foster and grow intergovernmental relationships between all spheres of government to inform the District emission licensing system.	Continuous

<p><b>Objective 1.3: Develop, Implement and Maintain Effective Air Quality Management System</b></p>	<p>Manage and maintain a comprehensive District emission inventory to all listed activities and controlled emitters.</p>	Continuous	
		<p>Engage and promote compilation of emission inventory on non-listed activities by local municipality.</p>	Medium-term
		<p>Ensure reporting of data and information by all listed activities and controlled emitters in district, to the NAIES.</p>	Continuous
		<p>Annual audit on data reports submitted by district's listed activities and controlled emitters onto NAIES.</p>	Continuous
		<p>Manage and maintain electronic air quality complaints handling database for district.</p>	Continuous
		<p>Liaise with stakeholder (DEA, DEA&amp;DP, local municipalities) to address gaps in CWDM air quality management system and to find and implement interventions.</p>	Continuous
		<p>Maintain and grow working relationship between DEA&amp;DP and CWDM, on the running of Western Cape ambient air quality monitoring network in operation within the district.</p>	Continuous
		<p>Engage with industry to establish industrial air quality monitoring network, as required by their AEL's.</p>	Continuous
		<p>Establish an air quality screening through a network of passive air sampling within the geographical area</p>	Short-term
		<p>Establish, operate and maintain a meteorological monitoring network within CWDM to obtain accurate meteorological data for the district.</p>	Long-term 3rd Generation AQMP
<p>Perform air quality dispersion modelling in the district.</p>	Long-term 3rd Generation AQMP		
<p>Comprehensive Air Quality Management System in the CWDM</p>	<p>Manage and maintain a comprehensive District emission inventory to all listed activities and controlled emitters.</p>	Continuous	
	<p>Engage and promote compilation of emission inventory on non-listed activities by local municipality.</p>	Medium-term	
	<p>Ensure reporting of data and information by all listed activities and controlled emitters in district, to the NAIES.</p>	Continuous	
	<p>Annual audit on data reports submitted by district's listed activities and controlled emitters onto NAIES.</p>	Continuous	
	<p>Manage and maintain electronic air quality complaints handling database for district.</p>	Continuous	
<p>Comprehensive Air Quality Monitoring Network in the CWDM</p>	<p>Liaise with stakeholder (DEA, DEA&amp;DP, local municipalities) to address gaps in CWDM air quality management system and to find and implement interventions.</p>	Continuous	
	<p>Maintain and grow working relationship between DEA&amp;DP and CWDM, on the running of Western Cape ambient air quality monitoring network in operation within the district.</p>	Continuous	
	<p>Engage with industry to establish industrial air quality monitoring network, as required by their AEL's.</p>	Continuous	
	<p>Establish an air quality screening through a network of passive air sampling within the geographical area</p>	Short-term	
	<p>Establish, operate and maintain a meteorological monitoring network within CWDM to obtain accurate meteorological data for the district.</p>	Long-term 3rd Generation AQMP	
<p>Perform air quality dispersion modelling in the district.</p>	Long-term 3rd Generation AQMP		



<b>Objective 1.4: Establish AQMP review process</b>	Review system and processes to review progress.	Establish review mechanism, systems, criteria and procedures (internal annually and external every 5 years)	Short-term	
	Annual AQMP progress report.	Compile annual progress report to be submitted to Council and DEA&DP	Short-term and Continuous	
<b>Object 1.5: Establish emission reduction strategy</b>	Compilation of emission inventory for non-listed activities	Provide assistance to local municipality to compile an emission inventory of non-listed activities within their jurisdictions.	Continuous	
	Environmental pollution management	Ensure liaison, coordination and communication with District Municipal Health Services with regards to air quality incidents and trends per municipality.	Continuous	
		Ensure cooperative interdepartmental engagement between Municipal Health Services and Air Quality Management Services to raise awareness with respect to air quality.	Continuous	
	Agricultural	Pursue better cooperation with DAFF to address air quality matter.	Pursue better cooperation with DAFF to address air quality matter.	Continuous
		Promote departmental engagement at National Level on legislation for agricultural application of pesticides, preventative - and controlled burning.	Promote departmental engagement at National Level on legislation for agricultural application of pesticides, preventative - and controlled burning.	Continuous
		Promote Best Practise Methodologies in agricultural activities to prevent or minimize air pollution.	Promote Best Practise Methodologies in agricultural activities to prevent or minimize air pollution.	Continuous

	<p>Transport</p>	<p>District:</p> <ul style="list-style-type: none"> <li>o Assess the CWDM vehicle fleet in order to reduce emissions from vehicles through improvements in the vehicle fleet.</li> <li>o Interdepartmental engagement within district wrt environmentally responsible purchasing of new vehicles.</li> </ul> <p>Local Municipalities:</p> <ul style="list-style-type: none"> <li>o Engage and promote the testing of vehicle emissions by local municipalities.</li> <li>o Promote cooperation with local municipal town planning and traffic services to ensure well-informed spatial town planning with proper road infrastructure to ensure optimum traffic flow.</li> </ul>	<p>Short-term</p>
	<p>Biomass burning</p>	<p>Engage with Fire Services at district and local level to maintain and update a database of the number, locations of veld fires and the extent of the areas burnt.</p> <p>Provide information and promote alternative environmental friendly methods for biomass burning to agricultural communities.</p>	<p>Continuous</p>
	<p>Domestic Fuel Burning</p>	<p>Create awareness on the health implications of domestic fuel burning.</p>	<p>Continuous</p>
	<p>Mines and Quarries</p>	<p>Engage in intergovernmental discussions with DMR on provision of a database and environmental management plans on mines and quarries within District,</p>	<p>Short-term</p>

<b>GOAL 2 - EFFECTIVE AIR QUALITY MANAGEMENT</b>			
<b>OBJECTIVES</b>	<b>TARGETS</b>	<b>ACTIVITIES</b>	<b>TIMEFRAMES</b>
<b>Objective:</b> Establish an air quality forum in order to ensure proper communication between Local and Provincial government, business industry and public as well as interested and affected parties.	Membership of the CWDM to the Provincial Air Quality Forum.	Ensure attendance to Provincial Air Quality Officers Forum Meetings to discuss, monitor and to provide feedback air quality management matters in line with the CWDM AQMP, in terms of NEM: AQA.	Continuous
	Forum at district level representing all interested and affected parties.	Manage and maintain the CWDM Industrial Air Quality Forum with listed activities and ensure bi-annual engagement to warrant constant communication and engage on important air quality matters associated with new legislation and amendment to current legislation.	Continuous
	District Air Quality Officers Forum to represent all AQO in CWDM.	The CWDM to establish and manage District Air Quality Officers Forum to engage in intergovernmental coordination and collaboration to develop ways in addressing air quality management challenges in their respective jurisdictions.	Short-term
	Improve governance with fully functional air quality structures at local municipalities.	Engage in intergovernmental cooperation with local municipalities in implementing their air quality management functionality and assist with complex air quality matters within these municipalities.	Continuous
	Reporting on air quality management in the CWDM.	Integrated air quality and climate change response in Provincial Working Groups on Air Quality and Climate Change engagements.	Continuous
		Provide inputs to the National Air Quality Officers Report.	Short-term and Continuous
		Provide inputs to the Provincial Quarterly Performance Reports.	Short-term and Continuous

<b>GOAL 3 - COMPLIANCE MONITORING AND ENFORCEMENT</b>			
<b>OBJECTIVES</b>	<b>TARGETS</b>	<b>ACTIVITIES</b>	<b>TIMEFRAMES</b>
<b>Objective 3.1:</b> Establish a compliance monitoring system within CWDM	Capacity building and skills development for sustainable air quality compliance and enforcement base.	Provide CWDM air quality personnel with continuous training and development in compliance monitoring.  Designate District EMI's in terms of Section 31 of NEMA, to enable them to exercise the powers and duties under NEM: AQA within the district.	Short-term - Continuous
	Air Quality Compliance and Enforcement Programme	Design and implement a CWDM Compliance and Enforcement Programme.	Short-term
<b>Object 3.2:</b> Ensure continuous compliance of Section 21 and Section 23 activities.	Control emissions from Section 21 and Section 23 activities.	Develop district specific Air Quality Bylaw to determine non-compliance with the requisite air quality management standards set out by the district in order to reach the goals and objectives of the AQMP.	Short-term
		Included the Offences and Penalties, as well as spot fines, from the Air Quality Bylaw in the CWDM Tariff Structure.	Short-term
		Periodic site inspections to ensure compliance to AEL conditions and conditions of authorisation for controlled emitters.	Short-term and Continuous
		Ensure reporting of emission data as required in terms of AEL's and legislated controlled emitter operating requirements.	Short-term and Continuous
		Evaluate emission data reports in terms of legislated minimum emission standards, and the sampling –and analysis methods used during sampling of these emissions.	Short-term and Continuous
		Identify and investigate illegal operations that impact on air quality.	Continuous

<b>GOAL 4 - SUPPORT CLIMATE CHANGE PROTECTION PROGRAMMES</b>			
<b>OBJECTIVES</b>	<b>TARGETS</b>	<b>ACTIVITIES</b>	<b>TIMEFRAMES</b>
<b>Objective: Reduce Greenhouse Gas Emissions in line with National and International Requirements.</b>	Support of national and international protocols on the reduction of greenhouse gases	Set up district air quality goals that are linked to climate change mitigation and which talks to all the applicable legislation.	Long-term 3 <sup>rd</sup> Generation AQMP
		Support Climate Change through interdepartmental engagement in the execution of current or future Climate Change Strategies in the CWDM.	Short-term to Medium-term
		Promote self-regulation by listed industry and to adopt environmental best practices.	Short-term and Continuous
		Support the awareness raising of greenhouse gas and carbon footprint reduction strategies to industry.	Short-term and Continuous

