



**Western Cape
Government**

BETTER TOGETHER.

CAPE WINELANDS DISTRICT MUNICIPALITY

LG MTEC ASSESSMENT REPORT

BUDGET & IDP ANALYSIS

Western Cape Government

APRIL 2016

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LIST OF ACRONYMS

AQMP	Air Quality Management Plan
BESP	Built Environment Support Programme
CBD	Central Business District
CBA	Critical Biodiversity Areas
CMP	Coastal Management Programme
CSIR	Council for Scientific and Industrial Research
DCAS	Department of Cultural Affairs and Sport
DEADP	Department of Environmental Affairs and Development Planning
DHS/DOHS	Department of Human Settlements
DM	District Municipality
DLG	Department of Local Government
DWA	Department of Water Affairs
EPWP	Extended Public Works Programme
FBE	Free Basic Electricity
HSP	Human Settlement Plan
IDP	Integrated Development Plan
IGP	Infrastructure Growth Plan
IIAMP	Integrated Infrastructure Asset Management Plan
IIF	Infrastructure Investment Framework
ITP	Integrated Transport Plan
ISDF	Integrated Strategic Development Framework
IYM	In-year Monitoring
IWMP	Integrated Waste Management Plan
JOC	Joint Operations Centre
kl	kilolitre
KPA	Key Performance Area

KPI	Key Performance Indicator
kWh	kilowatt hour (1000 watt hours)
LED	Local Economic Development
LUPO	Land Use Planning Ordinance
MBRR	Municipal Budget and Reporting Regulations
MDG	Millennium Development Goal
MI	Municipal Infrastructure
MIG	Municipal Infrastructure Grant
MIP	Municipal Infrastructure Plan
MMP	Maintenance Management Plan
MVA	Megavolt Amperes (1 Million volt amperes)
MWh	Megawatt hour (1 Million watt hours)
NRW	None Revenue Water
NDHS	National Department Human Settlements
O&M	Operations and Maintenance
PMS	Performance Management Systems
RMP	Road Management Plan
SDBIP	Service Delivery Budget Implementation Plan
SDF	Spatial Development Framework
SOP	Standard Operating Procedure
SWMP	Stormwater Management Plan
WC	Water Conservation
WDM	Water Demand Management
WSDP	Water Service Development Plan
WTW	Water Treatment Works
WWTW	Wastewater Treatment Works

SECTION 1: EXECUTIVE SUMMARY

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

This report encapsulates comments by the Western Cape Provincial Government on the draft 2016/17 MTREF Budget, 2016/17 reviewed Integrated Development Plan (IDP) and Spatial Development Framework (SDF).

The assessment covers the following key areas:

- Outstanding findings from previous LG MTEC engagements;
- Conformance with the MFMA, MSA & Municipal Budget and Reporting Regulations (MBRR);
- Responsiveness of draft budget, IDP and SDF; and
- Credibility and sustainability of the Budget.

The MBRR A-Schedules, budget documentation, IDP and SDF submitted by the Municipality are the primary sources for the analysis. The quality of this assessment report therefore depends on the credibility of the information contained in the documents submitted by the Municipality.

The Provincial Government plans to meet the executives of your Municipality on 15 April 2016 where the key findings and recommendations of this report will be presented and deliberated upon. The planned engagement will contextualise the Municipality's challenges and responses as taken up in the draft budget, IDP, LED, SDF and various other strategies and plans.

An overview of the detailed assessment set out below to provide the Municipality with a synopsis from each of the main sections of the report.

It is recommended that the Municipality take note of the recent MFMA Circular 79 when tabling the final budget for 2016/17 MTREF; and should also ensure that the 2016/17 MTREF addresses the items listed under paragraph 5.4 of the circular.

To enhance the credibility of the budget, the following must be considered before the budget is tabled for approval:

- Only National and Provincial allocations that are published must be included in the budget except if there is a written commitment from the transferring officer that the transfers will be made to the Municipality to avoid overstating the operating and capital budget. Section 18(1)(a) of the MFMA requires an annual budget to only be funded from realistically anticipated revenue;
- There must be a provision for repairs and maintenance to ensure that assets are properly working throughout their useful life;
- The budget for capital budget must take into account the past performance trends to ensure that the budget is realistic and credible; and
- There must be alignment between the audited financial statements and budget documents, specifically on cash flow information.

The gaps and risks identified in the assessment should be taken into consideration when tabling the final budget for approval.

Moreover, the Municipality needs to devise strategies to increase its capital investment in order to sustain and carry the service delivery mandate. The budget implementation ratios bring about the issue of budget methodology which requires improvement.

It is recommended that the draft 2016/17 reviewed IDP should indicate when the Disaster Management Plan will be reviewed and updated following the updated risk assessments. For the 4th generation IDP, the disaster risk register template should be utilised to capture developmental risks that may require mitigation. It is recommended that the development of the 4th generation IDP strongly considers providing progress on the JPI projects as listed. Reference is made to the National Development Plan (2030), Provincial Strategic Objectives, the OneCape 2040 vision as well as the Back-to-Basics initiative. ~~Furthermore, it is recommended that the next 5 year IDP should list planned risk reduction projects on priority hazards as well as a list on the status of the Municipality's contingency plans.~~

As a next phase to the Community Based Risk Assessment process, the Municipality should reflect in the next 5 year IDP, the extent to which they have taken into consideration the recommendations made in the CBRA.

The Municipality is also encouraged to consult the relevant role-players at the DOH for the most recent data and statistics on burden of disease and facilities categorisation and information. It is recommended that the Municipality embark on Inter-sectorial collaboration to especially address the upstream factors affecting the health of the community. The District Municipality is advised to support the local municipalities to roll out Municipal Outreach Projects to ensure that all citizens access the services. The District Municipality is also to support the local municipalities to expand the basket of services to include economic and social development programmes.

SECTION 2: PREVIOUS UNRESOLVED LG MTEC FINDINGS

Table 1 below provides a summary of the previous LG MTEC findings, the response from the Municipality and the progress to date.

Table 1: Previous unresolved LG MTEC Findings

Finding	Action required	Progress
Underperforming Capital programme	Improve planning of capital programme.	Not addressed. Municipality has not improved on capital performance. The Municipality managed to spend 71.1% of the downward adjusted budget from R12.47 million to R6.5 million. As at 31 December 2015 the underspending trend continued within 2015/16 budget with spending of 22.9% of the adjusted budget of R11.02 million.
Deficit budget-non cash.	Municipality is planning to phase the deficit out over a number of years.	Addressed. Municipality tabled a balanced operating draft budget for 2016/17 MTREF.
<p>Public Participation</p> <p>The Public participation mechanisms employed by the Municipality for the IDP process needs to be guided by an inclusive overarching policy framework/guide. In this regard the Municipality was encouraged to develop and adopt a Public Participation Policy.</p>	The Municipality was encouraged to develop and adopt a Public Participation Policy.	Addressed. The Municipality has an IDP Communication Plan through which public participation with all stakeholders are executed. This plan was revised on 30 June 2015.

Finding	Action required	Progress
Safety and Security	The Municipality to enter into MOUs/MOAs with the Department of Community Safety to take full advantage of the services offered by the Department.	Not addressed. No mention was made of MOUs/MOAs with the Department of Community Safety. CWDM to enter into MOUs/MOAs with the Department of Community Safety to take full advantage of the services offered by the Department. Ad Hoc interventions take place
Disaster Risk Register	To use the Disaster Risk Register template for providing developmental risks that may require mitigation.	Not addressed. CWDM busy with Risk Assessment's – Witzenberg finalised. Will be addressed in 4th Generation IDP
Rural housing – farm evictions	Rural housing to include a report on the status of farm evictions and exploring roles of mediation with farmers that the B-municipalities could consider, to assist in resolving further evictions of farm workers.	In progress Will be addressed through JPI 1-057, (page 155).
LED programmes	The Municipality is encouraged to provide progress on programmes implemented in the District as reflected in the draft 2015/16 Reviewed IDP on pages 90 - 92, which is an important indicator of how the programmes are affecting economic performance of beneficiaries, thus monitoring the impact of programmes.	Addressed Refer pages 112 – 134 of IDP.

SECTION 3: COMPLIANCE REVIEW

This section outlines the level of compliance with the preparation and submission of the draft IDP, Draft SDBIP and Annual Budget. The detail can be found in the Appendix that was issued to the Municipality on 22 March 2016.

Table 2: Level of compliance

No.	Document description	Level of Compliance	Comments
1.	Draft IDP	The Municipality complies with all of the legislative requirements.	It is recommended that the Municipality should be clear on whether the draft 2016/17 IDP is a Review in terms of section 34(a) or (b) of the MSA or if Amended, whether in line with Regulation 3 of the MSA. The Council Resolution number of the draft 2016/17 Reviewed IDP to be provided by the Municipality before the adoption of the final IDP.
2.	Annual Budget	Findings were highlighted in the compliance letter that was sent to the Municipality.	All the findings must be addressed before the budget is tabled to council for approval.
3.	Budget related policies	The Municipality does not have some of the policies and the majority of policies were reviewed but no amendments were made. The policies that were not amended were not submitted with the draft budget but all the policies must be submitted with the final budget. This was also communicated in the non-compliance letter issued to the Municipality.	The Municipality has indicated that the policies were reviewed but required no amendments except the Asset Management Policy. All policies will be submitted with final budget
4.	Draft SDBIP	Fully compliant.	

SECTION 4: INTEGRATED DEVELOPMENT PLANNING

4.1 INTRODUCTION

The draft 2016/17 Reviewed IDP was undertaken with a consideration of the following additional information:

- The Cape Winelands District Municipality's final adopted 2012 – 2017 five year IDP;
- The Cape Winelands District Municipality's final adopted Annual Reviewed IDPs for the 2014/15 and 2015/16 financial years;
- The LG MTEC report on the draft 2015/16 Reviewed Cape Winelands District Municipality's IDP; and
- The final 2015/16 SDBIP of Cape Winelands Municipality and the draft 2016/17 SDBIP of Cape Winelands Municipality.

This approach was followed due to the fact that the Reviewed IDP of a Municipality is not a stand-alone process; it forms part of wider, holistic and cyclical process of municipal planning (which includes objective and target setting), budgeting, implementation, monitoring, review and amendment.

4.1.1 Role players in the draft 2016/17 Reviewed IDP assessment process

The subsequent sections 4.2 to 4.8 provide comments from both Provincial and National departments on the Municipality's draft 2016/17 Reviewed Integrated Development Plan (IDP).

The sector departments that took part in the assessment of the Municipality's Draft Reviewed IDP are: Department of Local Government (Directorates): Integrated Development Planning, Municipal Infrastructure, Disaster Management, Public Participation, Thusong Programme, Municipal Support and Capacity Building), Department of Human Settlements; Department of Water and Sanitation; Department of Economic Development and Tourism; Department of Cultural Affairs and Sport; Department of Community Safety; Department of Health; Western Cape Education Department; and the Department of Social Development.

4.1.2 Specific findings on the current draft 2016/17 IDP

The overall findings on the draft 2016/17 Reviewed IDP of Cape Winelands District Municipality can be summarised as follows:

- The draft 2016/17 Reviewed IDP was timeously tabled on the 25th March 2016 and is complying with sections 26 and 34 of the MSA and in accordance with the Municipality's approved Process Plan/Time Schedule submitted in August 2015.
- The cover page of the draft 2016/17 Reviewed IDP indicates that it is the "Final Review of the 3rd Generation IDP (2012 - 2016)" as prescribed by section 34 of the Municipal Systems Act, (2000). However, at the time this assessment was conducted, the Council-item of the particular tabling of the draft 2016/17 Reviewed IDP was outstanding. [Draft was tabled on 25 February 2016 and not in March as indicated in report. Outstanding council resolution of tabling C.14.1 attached.](#)
- The draft 2016/17 Reviewed IDP provides an update of the Municipality's performance in terms of the targets and indicators set in the 2012 - 2017 IDP in Chapter 12. A high-level Service Delivery and Budget Implementation Plan outlining projects linked to budget allocations is reflected indicating how the Municipality is performing on the implementation of the projects set out in its current 5 year IDP.
- Quantitative data involving information around healthcare facilities, the management and Burden of Disease, as well as some Thusong programme figures are believed to be outdated. To this extent departments has either provided updated information or urged the Municipality to consult relevant officials for updated information to accurately inform the final 2016/17 Reviewed IDP. [Outdated information updated on 11 April 2016.](#)
- The draft 2016/17 Reviewed IDP provides a comprehensive list of Joint Planning Initiatives between sector departments and each local municipality in the district which affords citizens the opportunity to obtain knowledge about the joint investment footprint made by provincial government and local municipalities to improve service delivery in the district.

4.2 MUNICIPAL INFRASTRUCTURE

4.2.1 Basic Service Provision

The Cape Winelands District Municipality is not a Water Services Authority and therefore does not provide access to water to communities within the Cape

Winelands region. The draft 2016/17 Reviewed IDP does however indicate the provision of basic sanitation and other services. For example increases in toilet facilities, water infrastructure, electrical connections, refuse removal etc. in the rural areas which are available in the District as a whole. While Municipal Roads and Stormwater is not a function of the Cape Winelands District Municipality, the Municipality does perform a Roads Agency Function to the Provincial Department of Transport and Public Works.

Energy and electricity provision is also not a basic service function of the Cape Winelands District Municipality. However, the draft 2016/17 Reviewed IDP reflects that District does provide support to local municipalities for provision of this service.

4.2.2 Municipal Infrastructure Planning

Municipal Infrastructure Operations and Maintenance Planning is not a function of the Cape Winelands District Municipality.

4.2.3 Integrated Infrastructure Asset Management Plan (IIAMP)

The Municipality has an approved asset management policy which is indicated on page 131 of the draft 2016/17 Reviewed IDP. The policy is aimed at improving the custodianship overall categories assets and institute steps for the proper administration and accounting of assets. It has been prepared in terms of the new accounting standards for local government, Generally Recognised Accounting Practice (GRAP) 17.

The draft 2016/17 Reviewed IDP refers to an asset management strategy which will ensure effective and efficient asset stock takes. This process will also be improved through updating of an improved asset register. The draft 2016/17 Reviewed IDP also makes mention of a road asset management system which will form part of its planning support.

The draft 2016/17 Reviewed IDP extensively reflects on road maintenance and presents a significant budget for repairs and maintenance. However, it warns that this budget/expenditure consists mainly of maintenance on roads performed by the Road Agency Function and is subject to the fluctuation in the Roads Agency allocation.

The infrastructure related maintenance mainly consists of cleaning of public cemeteries, which is indicated as a local municipality function. The draft 2016/17 Reviewed IDP acknowledges challenges around toilet facilities as well as a lack of facility maintenance which it has highlighted on its disaster risk profile.

4.3 TRANSPORT AND ROADS

The Department of Transport and Public Works have noted information on the development of an Integrated Public Transport Network (IPTN for the Drakenstein Municipality) as well as the Transportation Precinct Plan for Ceres & Tulbagh CBDs. The Municipality is encouraged to engage the DTPW on options for Public Transport implementation.

The Integrated Transport Plans seeks to give municipalities a platform where municipal needs can be listed. The ITP also endeavor to facilitate the development and alignment of transport policies and strategies to influence planning and delivery of integrated transport programmes.

In addition, the Western Cape Province is also in the process of determining the most appropriate transport transformation and the most effective and efficient institutional structures and relationships required to achieve successful transformation. Core components are: appropriate incremental PT responses, reflecting on regional context, funding and capacity constraints.

Recommendations:

- While sidewalks are being constructed in rural areas in the Cape Winelands District, more emphasis needs to be placed on safety of learners walking and/or cycling to and from schools. [See page 126 - 127 of Draft IDP: Distribution of road safety themed brochures, posters, colouring books and learner back-packs developed by the CWDM duly assisted by the Law Enforcement units of the Local Municipalities and the Western Cape Government. The major thrust of this intervention is to improve the visibility of learners walking to their respective schools.](#)
- It is further recommended that the District Municipality in conjunction with the Department of Education ensure the planning of Non-Motorised Transport (NMT) infrastructure around schools and adequate provision for scholar patrols. [See page 127 of Draft IDP: Develop a non-motorised transport network for the Ceres and Tulbagh CBD's that includes a focus on cyclists, pedestrians, physically impaired and disabled persons. The development of the network should take into consideration pedestrian hazardous locations, key attractors and generators, transportation infrastructure, tourism and public space environments. Apart from providing NMT connectivity between various land uses, the focus of this network should also be to provide NMT users with a priority NMT network that provides for safe and convenient movement in an attractive environment.](#)

4.4 DISASTER MANAGEMENT

The Advisory Forum of the Cape Winelands District Municipality is well capacitated. All relevant structures are in place and functional. The forum meets semi-annually which is sufficient for the District. The revision of the framework should follow the enactment of the Disaster Management Act Amendment (DMAA) of 2016. This will affect the capacity of the Municipality to become responsive to climate change. The inclusion of the district-wide Community Based Risk Assessment (CBRA) outcomes in the draft Reviewed 2016/17 IDP is commendable.

All affected municipalities that received funding either through the MDG (Municipal Disaster Grant) or MDRG (Municipal Disaster Recovery Grant) must monitor such funded projects by providing regular monthly expenditure reports signed by the responsible engineer, CFO, and Municipal Manager and send it to the Western Cape Disaster Management Centre (WCDMC) and District Disaster Management Centre before the 10th of each month. Each municipality must also ensure that regular projects' site visits takes place by responsible municipal officials, and avail themselves during such times when the WCDMC plans to visit such funded projects in line with the conditions of the conditional disaster grants.

Recommendations:

- It is recommended that the draft 2016/17 reviewed IDP should indicate when the Disaster Management Plan will be reviewed and updated following the updated risk assessments.
- For the 4th generation IDP, it is recommended that the disaster risk register template is utilised to capture developmental risks that may require mitigation.
- It is also advised that the next 5 year IDP should list planned risk reduction projects on priority hazards as well as a list of the status of the Municipality's contingency plans.
- As a next phase to the CBRA process the Municipality should reflect, in the next 5 year IDP, the extent to which they have taken into consideration the recommendations made in the CBRA. [All recommendations noted – refer to 4th Generation IDP.](#)

4.5 LOCAL ECONOMIC DEVELOPMENT

4.5.1 Agriculture

It is noted that the Municipality during the past financial year updated the strategic section of the IDP by referring to the latest Provincial Strategic Plan and its 5 Strategic Goals.

However, the draft 2016/17 Reviewed IDP does not provide clear linkages to the Provincial Strategic Goals in particular PSG 1, "Create opportunities for growth and jobs". In this regard it is important to note that Agriculture is one of the biggest sectors in the Cape Winelands area in terms of job creation. It has therefore become absolutely essential for the District IDP to reflect a strong strategic focus on the role of the Agricultural sector and its contribution towards PSG 1.

In terms of the Cape Winelands District Agri-Park programme, the Municipality is commended for including a section explaining the objectives of the National Agri-Park programme launched by the Department of Rural Development and Land Reform.

The Municipality and the Department of Agriculture does not share any long term Joint Planning Initiatives however, it is noted that the draft 2016/17 Reviewed IDP in section 8.3 (p155) reflects all the short term agreements made with municipalities in its region during the past financial year.

Recommendations:

- The Municipality is advised to seek opportunities to align with the interventions listed under Project Khulisa, which forms part of the Provincial Strategic Plan. These proposals should be incorporated and included during the drafting of the District's IDP for the new 5 year term.
- It is recommended that the Municipality ensure that the progress made with the Agri-Parks project and new developments around it be clearly reflected in the new 5 year IDP. [All recommendations noted – refer to 4th Generation IDP.](#)

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

4.6.1 Health

In terms of District health facilities reflected in the draft 2016/17 Reviewed IDP, information regarding the different health facilities as well as the number of facilities per category and per sub-district is outdated. Stellenbosch is one of the sub-districts in Cape Winelands District with the second largest population in the district. [Table updated using information from Socio-economic Profile 2015.](#)

With regard to information on the management and Burden of Disease, data involving HIV/Aids Treatment and Care, Child Health and Community Based Services are also outdated. The Department of Health (DOH) has more updated data in this regard. [Table updated using information from Socio-economic Profile 2015.](#)

Recommendations:

- The Municipality is encouraged to consult the relevant role-players at the DOH for the most recent data and statistics on burden of disease and facilities categorisation and information.
- It is also recommended that the Municipality embark on Inter-sectorial collaboration to especially address the upstream factors affecting the health of the community.

4.6.2 Education

The Municipality's draft 2016/17 Reviewed IDP reflects key interventions planned which will benefit the education system and learners. The Western Cape Education Department (WCED) commends these interventions.

- **Safer Journeys to Schools Strategy**

The implementation of this strategy is currently two-fold.

- **Development of educational material**

Distribution of road safety brochures, posters, colouring books and learner backpacks developed by the Municipality and duly assisted by the Law Enforcement units of local municipalities and the Western Cape Government. The major thrust of this intervention is to improve the visibility of learners walking to their respective schools.

- **Upgrading of Public Transport Facilities at schools**

The construction of sidewalks, bus embayment's and upgraded access of the road network to the respective schools.

The WCED Head of Department made the following appeal to school principals: "Finally, may we request that you make every effort to reduce municipal accounts and maintenance costs through the careful management of water and electricity, ablution facilities, regular scheduled maintenance and by inculcating respect for the property of the school".

While the inclusion of the JPIs in the draft 2016/17 Reviewed IDP is commendable, status updates on progress of project implementation would be more meaningful to all stakeholders involved.

Recommendation:

It is recommended that the JPIs with progress comments to date and IDP Agreements with its status and progress be included in the draft 2016/17 Reviewed IDP. [Will be addressed in 4th Generation IDP.](#)

4.6.3 Cultural Affairs and Sport

The CWDM draft 2016/17 Reviewed IDP indicates that the Municipality is well aware that the development of sports, arts and culture could bring about better social cohesion amongst its communities. The planned arts and culture festivals augur well for further development in these arenas.

Sports programmes highlighted in the draft 2016/17 Reviewed IDP indicates a strong focus on the development and upgrading of rural sports facilities. The Municipality is commended for ongoing promotion of sporting events for the disabled. The draft 2016/17 Reviewed IDP reflects the following sport programmes that specifically focus on youth, Cape Winelands Sports Awards, Mandela Freedom Run, Regional Rieldans competitions, Business Against Crime Tournaments and co-hosting of the Vodacom Cup and FNB Cup for Secondary Schools. It is noted that the Municipality is considering the possibility of budgeting for "Vlakkie Cricket" with the aim to extend this sport to the wider Cape Winelands area.

The Municipality has also placed great emphasis on tourism and its development. It recognises that sports tourism and its historical heritage has the potential to not only grow the tourism industry, but can contribute substantially to its economic growth.

The early identification of a library site for the Nkgubela community is also commendable as it reflects commitment to the holistic development of all the communities of the Cape Winelands District.

Recommendation:

It is recommended that the Municipality enters into discussions with the Library Services of the Department of Cultural Affairs and Sport to find a solution for rural dwellers that do not have access to library services. [Will be addressed in 4th Generation IDP.](#)

4.6.4 Social Development

The draft 2016/17 Reviewed IDP clearly reflects the Municipality's intention to ensure development and empowerment of poor people. The objective is to graduate disadvantaged people out of poverty, focusing on social inclusion, improving livelihoods, vulnerable groups, rural farm dwellers and rural communities. To this extent the Municipality sufficiently demonstrates through the draft 2016/17 Reviewed IDP how it will address issues relating to Social Development.

The Municipality is commended for the Rural and Social Programmes provided to vulnerable groups of communities. The provision of 120 hearing aids to enhance the mobility and access of persons with hearing disabilities is noted along with the Victim Empowerment Programmes, Substance Abuse and Pregnant Women Mentorship Programme implemented in partnership with FASTFacts.

4.6.5 Thusong Programme

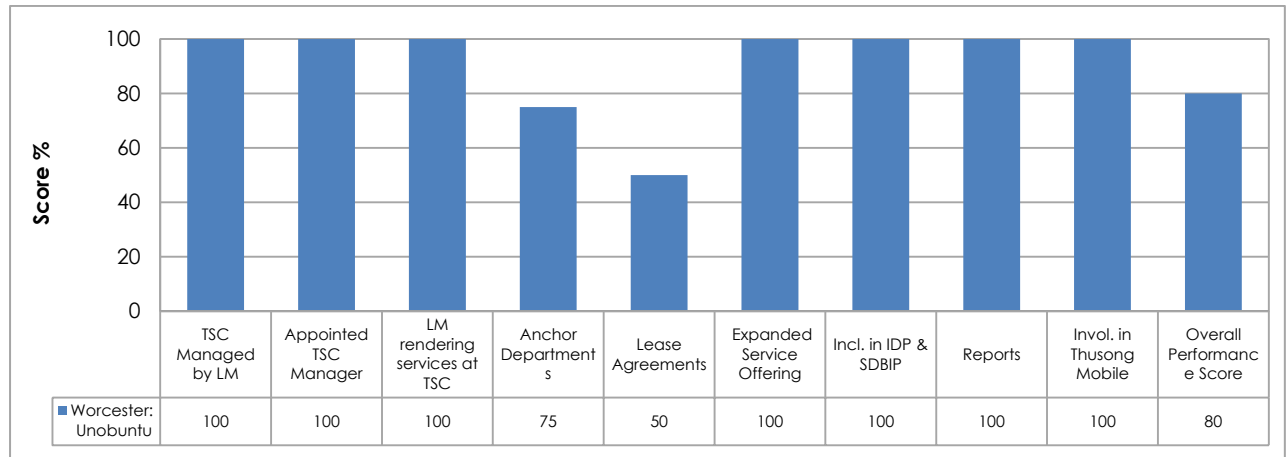
The Department of Local Government (DLG) has developed a functionality score card for the Thusong Service Centres which is a concise management reporting system describing the operational functionality of Thusong Service Centres and effectively drives the communication of agreed upon goals and actions and the distribution of accountabilities between role-players.

4.6.5.1 Breede Valley Municipality

The Breede Valley Municipality appointed new management at the Worcester Thusong Service Centre and the functionality of the centre has improved tremendously since the new Thusong Service Centre Manager was appointed. The centre was successfully re-launched on 27 March 2015. Figure 1 depicts the overall functionality of the Municipality. The Breede Valley: Worcester Thusong Service Centre is categorised as a well-functioning Thusong Service Centre with an overall score of 80 per cent.

The following Government Departments and Non-Governmental Organisations render permanent services at the Thusong Centre: Department of Agriculture, Department of Social Development, Department of the Premier (Cape Access), Department of Local Government (Community Development Workers) Government Communication and Information System (GCIS), Valley Funerals, Sinethemba HIV/AIDS Group, Umzi Communications, Ikhwezi Community Newsletter, Zwelethemba Arts and Culture Forum.

Figure 1: Breede Valley: Worcester Functionality Score Card



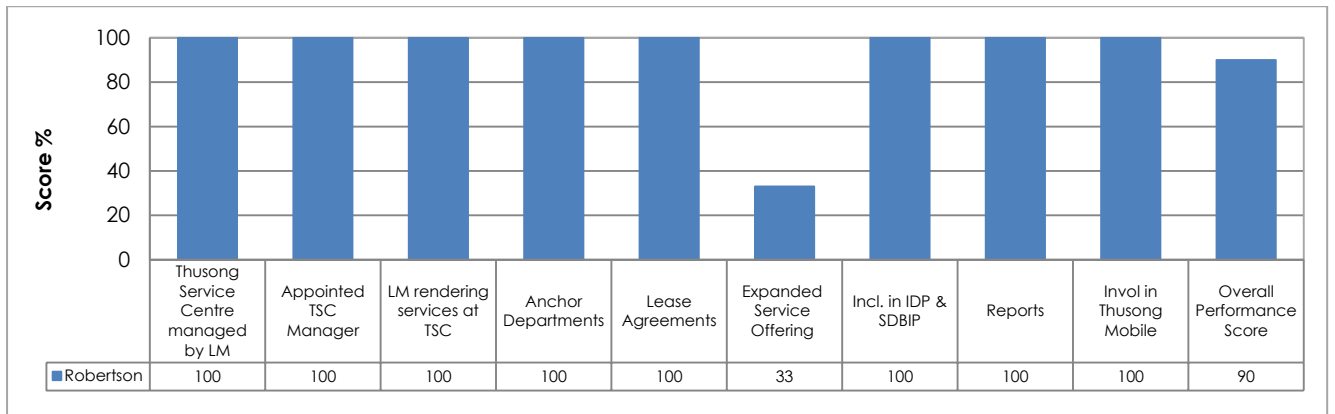
Recommendation:

The Municipality should prioritise the conclusion of lease agreements with? (see question on services to give context) to ensure the centre is financially sustainable.

4.6.5.2 Langeberg Municipality

Figure 2 depicts the overall functionality of the Municipality. Langeberg: Robertson Thusong Service Centre is categorised as a well-functioning Thusong Service Centre with an overall score of 90 per cent. The following Government Departments and NGOs render permanent services at the Thusong Centre: South African Social Security Services (SASSA), Department of Social Development, Western Cape Education Department, Department of Home Affairs, Department of Agriculture, Department of the Premier (Cape Access), Langeberg Municipality, Independent Electoral Commission (IEC) and Child Welfare.

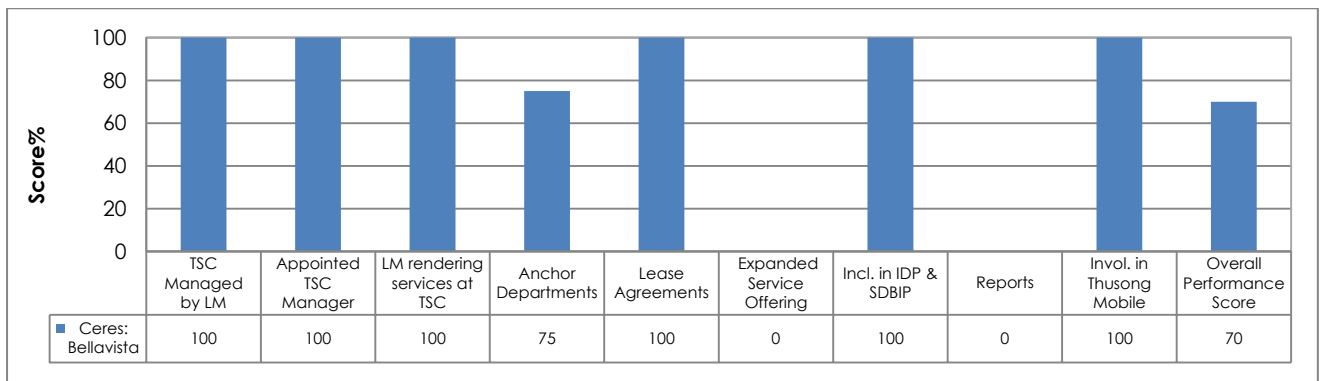
Figure 2: Langeberg: Robertson Functionality Score Card



As per Figure 2, the Langeberg: Robertson Thusong Service Centre is categorised as a well-functioning Thusong Service Centre with an overall score of 90 per cent.

4.6.5.3 Witzenberg Municipality

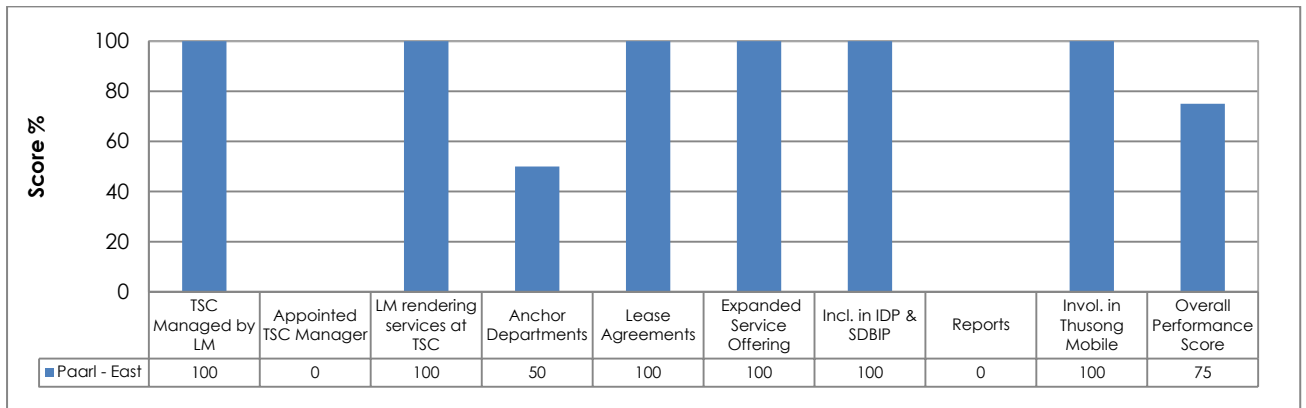
Figure 3: Witzenberg: Ceres - Bellavista Functionality Score Card



As per the Figure 3, the Witzenberg: Ceres - Bellavista Thusong Service Centre is categorised as a progressing Thusong Service Centre with an overall score of 70 per cent.

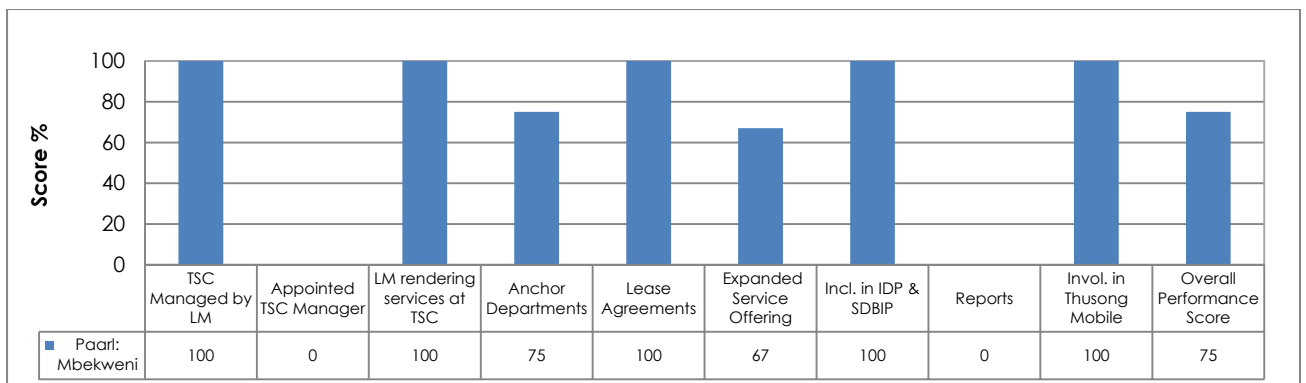
4.6.5.4 Drakenstein Municipality

Figure 4: Paarl-East Functionality Score Card



As per the Figure 4, the Paarl-East Thusong Service Centre is categorised as a well-functioning Thusong Service Centre with an overall score of 75 per cent.

Figure 5: Mbekweni Functionality Score Card



As per Figure 5, the Mbekweni Thusong Service Centre is categorised as a well-functioning Thusong Service Centre with an overall score of 75 per cent.

Recommendation:

- The Municipality should prioritise the appointment of a dedicated Thusong Service Centre Manager or Administrator to manage the daily operations of the Paarl-East and Mbekweni Thusong Service Centres.
- The Thusong Service Centre Manager should submit reports for 2015/16 and good news stories on a quarterly basis to promote functionality of the Mbekweni and Paarl-East Thusong Service Centre.

4.6.5.5 Stellenbosch Municipality

The Thusong Programme provides integrated service and information from government, to communities close to where they live as part of a comprehensive strategy to better their lives. The Thusong Outreach Project is being implemented within the Municipality to ensure citizens have access to one of the Thusong Programme Projects.

Recommendations:

- The information from sections 4.6.5.1 to 4.6.5.5 should be used replace the information in the draft 2016/17 Reviewed IDP as it is the most recently updated version.
- It is recommended that the District Municipality supports the local municipalities to roll out Municipal Outreach Projects to ensure that all citizens access services.
- The District Municipality is also to support the local municipalities to expand the basket of services to include economic and social development programmes.
- In order to ensure that 100 per cent of the municipal population has access to the Thusong Services, it is critical that municipalities plan and budget accordingly. In light of this, the District Municipality is to encourage local municipalities to budget appropriately for the Thusong Programme, including the outreach components (i.e. Thusong Mobiles and Thusong Extensions).
- At a strategic level, the Department of Local Government recommends that the District Municipality emphasise the utilisation of the Thusong Programme as a vehicle to achieve strategic social and economic priorities identified within the draft 2016/17 Reviewed IDP.

4.7 PUBLIC PARTICIPATION

The Municipality has an IDP Communication Plan to effectively execute public participation with all stakeholders. Moreover, the Cape Winelands has an IDP Capacity Building Project through which stakeholders are capacitated with IDP and Budget processes in order to provide valuable input into the IDP document. The Cape Winelands District Municipality held IDP Roadshows with the local municipalities from September to October 2015.

District municipalities do not have ward committees, hence there is no ward committee involvement at a district level. However, the Cape Winelands District Municipality acknowledges the importance of public participation processes in compiling the IDP and ensures that all relevant stakeholders provide input, be it through engagements or written input.

4.8 JOINT PLANNING INITIATIVES

As agreed, the draft 2016/17 Reviewed IDP reflects a list outlining Joint Planning Initiatives (JPIs) between sector departments and each local municipality in the district. This affords citizens the opportunity to obtain knowledge about the joint investment footprint made by provincial government and local municipalities to improve service delivery in the district. The Municipality is therefore commended for the account of JPIs reflected in the draft 2016/17 Reviewed IDP.

Recommendation:

It is recommended that the development of the 4th generation IDP strongly considers providing progress on the JPI projects as listed.

SECTION 5: ENVIRONMENTAL AND DEVELOPMENT PLANNING ANALYSIS

5.1 SPATIAL DEVELOPMENT ANALYSIS

The assessment of spatial development and planning in the Cape Winelands District Municipality (CWDM) aims to test whether the Spatial Development Framework (SDF), being a core component of the IDP, links with the IDP, with specific reference to the alignment of the budget allocation within the IDP to the capital investment/implementation framework of the SDF; as well as whether the budget is spatially depicted in the IDP.

The Spatial Planning and Land Use Management Act, 2013 (Act 16 of 2013) (SPLUMA) and the Western Cape Land Use Planning Act, 2014 (Act 3 of 2014) (LUPA), has furthermore refined some of the process, content and performance areas and requirement in terms of SDFs. The assessment does focus on some of the process and content requirements as set out in the aforementioned legislations, however a key shift in focus in terms of the assessment is the shift in focus to not only looking at the quality of the SDF in terms of content, but to consider the actual performance/implementation in terms of the spatial and development imperatives set out in the SDF by assessing the progress regarding the physical implementation of Spatial Justice, Spatial Sustainability, Efficiency and Spatial Resilience.

[The IDP contains a chapter/section on the CWDM SDF. This is included in each review.](#)

The Municipality does have a section in the Draft Final Review of the 3rd Generation IDP (2016 - 2017) headed, "Budget Link - IDP/Budget/SDBIP", which links the Strategic Objectives and Predetermined Objectives of the IDP to the budget for 2016 - 2017. At this stage the "Budget Allocation" column is empty, making it difficult to comment on the linkages between the IDP/Budget and the Implementation Framework of the SDF. [CWDM SDF proposes an "investment regime" or "hierarchy of towns". The latter differentiate between the types of developments that must/may take place within the relevant towns/nodes. We distinguish between social and town \(capital\) investment. The investment regime/hierarchy of towns is however not linked to the CWDM budget allocation due to the nature thereof which is influenced strongly by our functions.](#)

No evidence of a spatial depiction of the budget could be found in the Draft IDP Review. It is recommended that Draft IDP Review include a map spatially reflecting the spending of the various municipal departments. It is acknowledged however that this is not a legislative requirement, but rather just "good practice".

CWDM agrees with comment. The spatial reflection of the budget is not dependent on the SDF. This can be done as a separate exercise on an annual basis.

The principle of **Spatial Justice** in part encompasses redressing spatial imbalances/settlement restructuring and addressing informal settlements. The CWD SDF responds to this principle in a number of ways. Firstly, it provides a thorough understanding of the challenges faced by the Municipality. The SDF uses this understanding of the challenges to motivate where investment should be channelled. The SDF also strives to achieve Spatial Justice through a number of its spatial guidelines including SG 5, SG 8 and SG 12. The finding on this parameter must be “not applicable” because the CWDM does not physically approve land use and land development applications. We do not administer any urban or rural landscape.

The principle of **Spatial Sustainability** in part encompasses promoting land development that is within the fiscal, institutional and administrative means of the Republic; special consideration must be given to prime/unique agricultural land; consideration must be given to all current and future costs to all parties for the provision of infrastructure and social services, development must limit urban sprawl. The CWD SDF responds to this principle by acknowledging the importance and relevance of sustainable development. Furthermore the SDF was informed by a comprehensive analysis of the natural environment including Critical Biodiversity Area (CBA) mapping, the Council adopted Strategic Environmental Assessment (SEA), the Environmental Management Framework (EMF) as well as the Cape Winelands Biosphere Reserve Spatial Framework. This information identifies where urban development should occur. It must be noted that Zoning Schemes (developed in terms of LUPA/SPLUMA) and the National Environmental Management Act play a key role in the physical implementation of Spatial Sustainability. The Zoning Scheme and NEMA have a role to play, but equally the CWD Municipality through the choices it makes in terms of budget allocation, has a role to play. but equally the CWD Municipality through the choices it makes in terms of budget allocation, has a role to play.

The principle of **Efficiency** in part encompasses land development that optimises the use of existing resources and infrastructure. The CWD SDF responds to this principle by including a number of relevant spatial guidelines including a guideline on Integrated Human Settlements, Housing and Urban Efficiency. CWDM agrees with finding. The principle of Efficiency in part encompasses land development that optimizes the use of existing resources and infrastructure. The CWDM SDF responds to this principle by including a number of relevant spatial guidelines including guidelines on Integrated Human Settlements, Housing and Urban Efficiency.

The principle of **Spatial Resilience** encompasses flexibility in spatial plans, policies and land use management systems to ensure sustainable livelihoods in communities most likely to suffer the impacts of economic and environmental shocks. The CWD SDF responds to this principle in its attempt to map the CBAs and ESAs i.e. areas where development should not occur. The SDF also includes a spatial guideline on Climate Change. CWDM agrees with finding. "The principle of Spatial Resilience encompasses flexibility in spatial plans, policies and land use management systems to ensure sustainable livelihoods in communities most likely to suffer the impacts of economic and environmental shocks. The CWDMSDF responds to this principle in its attempt to map the CBA's and ESAs (i.e. areas where development should not occur). The SDF also includes a spatial guideline on Climate Change"

It is recognised that the Municipality's SDF predates the implementation of SPLUMA and LUPA, and as such it does not comply with the process and content requirements of the aforementioned legislation. For the most part, the CWD SDF meets the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) (MSA) regulation requirements. The SDF provides clear strategic guidance to local municipalities. Areas where the SDF could be strengthened include the inclusion of the SDF Composite Maps of the neighbouring municipalities and the municipalities which form part of the district as well as the inclusion of a spatial reflection of relevant sector plans.

5.2 BIODIVERSITY MANAGEMENT

Critical Biodiversity Areas (CBAs) and Ecological Support Areas (ESAs) are included in the Core 1 & 2 areas. Both are adequately explained with proposed actions to conserve biodiversity, the SDF are however outdated. In terms of the IDP (2015/16) there is no mention of CBAs and ESAs. Reference is made of challenges regarding biodiversity loss (infrastructure development and agriculture) as well as conservation efforts in the form of the Cape Winelands Biosphere Reserve, illustrating the conservation areas in the form of core and buffer zones.

The Municipality incorporated reference to the Cape Winelands Biosphere Reserve MAB Programme in the IDP, and illustrates alignment thereof with pre-determined objectives under Environmental Sustainability and Resilience in the IDP, and adoption of the Cape Winelands Biosphere Spatial Development Framework Plan as a non-statutory sector plan by the Council in 2011 is acknowledged. The IDP makes reference to strengthening the IDP in terms of bio-regional planning and the role that the Cape Winelands BR in terms of UNESCO responsibilities may play in this regard. This, together with the fact that the Municipality acknowledges the CW BR as a local strategic partner, sets the scene for future collaborations and alignment of

programmes and projects of the Cape Winelands BR Programme with the IDP and future updates of the SDF to strengthen bio-regional planning even further.

5.3 CLIMATE CHANGE

Climate change and climate variability already have a direct impact on the ability of municipalities to meet their own service delivery objectives. The Municipality, included Agriculture Climate Change response documentation into the IDP (from SmartAgri), but needs to link with actual implementation and the risks identified under disaster management. To further develop other sectoral climate change challenges, making specific mention of the vulnerabilities to water resources, biodiversity, fire danger and frequency, alien invasive species and livelihoods. The Municipality has also highlighted the role that energy management plays in responding to climate change, including alternative energy sources, particularly in low income areas. It is acknowledged that skills and capacity are limited at the local level and there are pressing short-term needs drawing on limited municipal funds, but by incorporating climate change responses into all planning these issues can be addressed.

In response to an uncertain future and immediate development needs, municipalities need to align climate responses with existing climate and development challenges and deepen existing responses capacity. Climate change covers all sectors and integrating climate change into existing policies and plans is considered the most effective way to respond to climate change. This approach builds increasing flexibility into planning decisions and helps to avoid “lock-in” systems or infrastructure not suitable to already rapidly changing climate conditions. The IDP, its supporting sector plans and in particularly the SDF must all include climate change considerations for all sectors to ensure that trade-offs and synergies are understood and met with available science and robust analysis.

5.4 AIR QUALITY MANAGEMENT

The Air Quality Management Plan (AQMP) for the Municipality has been approved by Council and is in the process of being implemented. A designated air quality officer has been appointed, and as part of the AQMP implementation an air quality management by-law is being developed. The Municipality is therefore partly compliant in this regard.

The AQMP has been included in the IDP and it meets the content requirements listed in section 16 of the National Environmental Management Act: Air Quality Act, 2004 (Act 39 of 2004) (NEM: AQA).

The implementation of the AQMP with regard to AQM functions and Atmospheric Emission Licensing (AEL) Information has been included in the Western Cape State of Air Report and in the Municipality's Annual Report.

Ambient Air Quality Monitoring is not monitored by the Municipality and therefore does not meet the requirements as listed in section 8 of the NEM: AQA.

The Municipality as the Licensing Authority in terms of section 36 of NEM: AQA may request in-stack emissions monitoring for industries identified under section 21 of NEM: AQA.

Awareness raising campaigns have been implemented by the District Municipality in terms of their AQMP.

5.5 WASTE MANAGEMENT

5.5.1 Waste Management Planning

The Municipality has integrated certain projects with regards to its Integrated Waste Management Plan (IWMP) in the IDP and has allocated funds to waste related projects. The Municipality has not submitted an Annual Report as per section 13(3) of the National Environmental Management Waste Act, 2008 (Act 59 of 2008) (NEMWA) and accordingly the Department is uninformed of the status regarding the implementation of their IWMP.

The second generation IWMP was submitted to the MEC of Local Government, Environmental Affairs and Development Planning for endorsement, however it did not meet all the requirements of NEMWA. The Department has provided feedback and recommendations were made which necessitates updates before it can be endorsed by the MEC. The Municipality has a designated Waste Management Officer.

5.5.2 Waste Information Management

The District will be required to register and report on Integrated Pollutant Waste Information System (IPWIS) as soon as their regional waste management facility becomes operational.

5.5.3 Waste Licensing

The Municipality does not deliver waste removal, storage or disposal services as this is the responsibility of the local municipalities. The Municipality has however commissioned a study to identify and establish regional landfills in order to provide in the critical need for long term landfill capacity.

The Municipality also provides a support forum where waste management challenges can be discussed and solutions identified. The Municipality's Environmental Health Services render a waste monitoring service to municipalities by reporting illegal dumping activities and provides guidance and assistance to municipalities with regards to regional planning and other waste related matters.

5.5.4 Waste Policy and Minimisation

The Municipality does not have an Integrated Waste Management By-law as required in terms of the MSA. It is recommended that the Municipality must develop an Integrated Waste Management By-law.

The Western Cape Model By-law is aligned with NEMWA and can be consulted as a guideline to facilitate the amendment of the Integrated Waste Management By-law.

District municipalities are not required to provide receptacles for public place recycling. However, it can assist the local municipalities to provide this infrastructure where possible.

SECTION 6: ASSESSMENT OF THE BUDGET RESPONSIVENESS

6.1 SOCIO-ECONOMIC RESPONSIVENESS AND IMPACT

6.1.1 Introduction

This section examines if the tabled 2016/17 MTREF Budget is responsive from an economic and socio-economic perspective and whether the Municipality is able from its limited resources to meet the legitimate expectations of the community for services.

6.1.2 Socio-economic context/environment

Amidst various external shocks and negative developments in the local political economy, growth forecast for the South African economy for 2016 have been downscaled. Factors such as the drought, rising inflation and interest rates and weakening currency, declining consumer and business confidence and high unemployment rate are key challenges that must be addressed.

The impact of the current drought is reflected in the economic forecast for the Western Cape and national economy, but should drought conditions persist and turn out worse than currently projected; this could affect the Western Cape disproportionately. This is not only due to the direct impact on the agricultural sector itself, but also on the closely linked agri-processing and broader manufacturing sector, which could result in broad-based weaker production and job losses.¹

External factors, such as the imminent interest rate hikes in the USA and the Chinese economic slowdown, have had unfavourable consequences for emerging markets such as South Africa. The Cape Winelands has been impacted by the weakness in global and national growth, which are expected to come in at 3.5 per cent and 1.7 per cent respectively (2015 - 2016). These growth outlook figures are the result of consistent downgrades, which have come on the back of deteriorating economic conditions. Consequently, the CWDs outlook was also been revised from 3.1 per cent per annum (2014 - 2019) to 2.8 per cent per annum (2015 - 2020).²

The Cape Winelands District Municipality along with the rest of the Province is operating under tight financial constraints. The 2016/17 MTREF Budget reflects the cost containment measures that have been implemented to reduce any frivolous expenses and to improve the prioritization of expenditure. The main challenges faced by the Municipality are related to financing the implementation of its

¹ Western Cape Government Provincial Treasury. Budget Overview of Provincial Revenue and Expenditure 2016.

² Western Cape Government Provincial Treasury. Municipal Economic Outlook and Review (MERO) 2015.

mandate and therefore mainly key priorities in terms of roads, fire-fighting and health services have been addressed through this budget.

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

The 2016/17 MTREF budget breakdown in terms of the strategic objectives is indicated in the table below. Cape Winelands District Municipality budgeted for a total operating expenditure of R386.201 million and a total capital budget of R18.494 million in the 2016/17 financial year.

Table 3: Strategic Objectives for the 2016/17 Medium Term Revenue & Expenditure Framework

DC2 Cape Winelands DM - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	2015/16 Medium Term Revenue & Expenditure Framework OPEX			2015/16 Medium Term Revenue & Expenditure Framework CAPEX			2015/16 Medium Term Revenue & Expenditure Framework TOTAL		
	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2017/18	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2017/18	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2017/18
R thousand									
COMMUNITY AND DEV SERVICES	136 943	140 368	143 722	5 939	325	5 443	142 882	140 693	149 165
FINANCIAL AND STRATEGIC SUPP SERVICES	78 293	80 170	77 673	1 234	109	96	79 527	80 279	77 769
OFFICE OF THE MM	12 843	13 419	13 357	79	260	50	12 922	13 679	13 407
TECHNICAL SERVICES	158 122	162 174	165 808	11 243	5 471	2 837	169 365	167 645	168 645
Allocations to other priorities									
Total Expenditure	386 201	396 131	400 560	18 494	6 165	8 427	404 695	402 296	408 987

Source: CWD Municipality 2016/17 tabled budget

The strategic objectives noted in budget Tables SA4, SA5 and SA6 for the 2016/17 MTREF are aligned to the current IDP strategic objectives.

For the 2016/17 MTREF period, the bulk of the operating expenditure is allocated to Technical Services as well as Community and Development Services. These strategic objectives account for 40.9 per cent and 35.5 per cent of the budget respectively. The main expenditure items in terms of the operating expenditure budget are road maintenance and fire-fighting services. The other large allocation is to Financial and Strategic Support Services, accounting for 20.3 per cent of the budget.

The 2016/17 MTREF capital budget is strongly focused on the provision of Technical Services (60.8 per cent). This priority allocation is related to the provision of roads infrastructure, IT and engineering services. As a secondary priority, the Municipality has allocated 32.1 per cent of its capital budget to achieving the objective of Community and Development services through the implementation of fire-fighting services and other social priorities. With the current onset of numerous fires in the district, this allocation is of critical importance to the district.

6.1.4 Overview of the measurable performance indicators

Supporting Schedule SA7 was not completed in the budget documentation. Nonetheless, upon assessment of the IDP review it is clear that the budget allocations in SA5 and SA6 are consistent with the districts strategic objectives as stated in the IDP review.

The draft SDBIP is directly aligned to the Municipality's IDP and it contains measurable performance indicators for each of the district's strategic objectives. The SDBIP is further refined into 19 outcome indicators and 21 key performance indicators. The indicators are well spread across the three strategic objectives and are reflective of key projects and initiatives that the district intends to implement in 2016/17. These projects and initiatives address the districts needs and plans as indicated in the IDP review and also provide performance indicators for an oversight and support role to keep the district on track in achieving its service delivery goals and to promote good governance in the district.

As indicated above, the district has set measurable and realistic targets in its draft SDBIP and allocated its budget accordingly. Therefore it is agreed that this budget is achievable in terms of the service delivery and performance targets presented in the draft SDBIP.

6.1.5 Is the budget responsive to the socio-economic environment and service delivery challenges

The responsiveness of Cape Winelands District budget is primarily reflected through the following two of its three Strategic Objectives:

- SO 1: To create an environment and forge partnerships that ensures the health, safety, social and economic development of all communities including the empowerment of the poor in the Cape Winelands District through economic, environmental and social infrastructure investment.
- SO 2: Promoting sustainable infrastructure services and transport system which fosters social and economic opportunities.

Table 4: Service delivery information

MANDATED FUNCTIONS AGAINST THE ANNUAL BUDGET							
Function(s) required by legislation		Section	Y/N	Opex 2016/17	Capex 2016/17	Total	%
Solid waste disposal sites, management, control and regulation.	Municipal Structures Act	84(1)(e)	Y			-	0.0%
Municipal Health services.	Municipal Structures Act	84(1)(i)	Y	34 966	25	34 991	0.1%
Fire-fighting services serving the area of the district municipality as a whole.	Municipal Structures Act	84(1)(j)	Y	52 078	5 722	57 800	30.9%
The establishment, conduct and control of fresh produce markets and abattoirs.	Municipal Structures Act	84(1)(k)	N			-	0.0%
The establishment, conduct and control of cemeteries and crematoria serving the area of a major proportion of municipalities in the district.	Municipal Structures Act	84(1)(l)	N			-	0.0%
Establish a Municipal (District) Disaster Management Centre	Disaster Mgt. Act	44,&47-49	Y			-	0.0%
Promote Bulk Infrastructure Development and Services.	Municipal Structures Act	???	N			-	0.0%
Promote the equitable distribution of resources between the local municipalities in its area to ensure appropriate levels of municipal services within the area.	Municipal Structures Act	84(1)(d)	N			-	0.0%
Municipal roads which form an integral part of a road transport system for the area of the district municipality as a whole.	Municipal Structures Act	84(1)(f)	Y	113 922	1 655	115 577	8.9%
Regulation of passenger transport services.	Municipal Structures Act	84(1)(g)	N			-	0.0%
Potable water supply systems.	Municipal Structures Act	84(1)(b)	N			-	0.0%
Bulk supply of electricity.	Municipal Structures Act	84(1)(c)	N			-	0.0%
Domestic waste-water and sewage disposal systems.	Municipal Structures Act	84(1)(d)	N			-	0.0%
Municipal airports serving the area of the district municipality as a whole.	Municipal Structures Act	84(1)(h)	N			-	0.0%
Municipal Public Works relating to any of the above functions or any other functions assigned to the district municipality.	Municipal Structures Act	84(1)(n)	Y			-	0.0%
Integrated Development Planning for the district municipality as a whole including a Framework for Integrated Development Plans of all municipalities in the area.	Municipal Structures Act	83(3)(a) & 84(1)(a)	Y	7 877		7 877	1.0%
Building the capacity of local municipalities in its area to perform their functions and exercise their powers where such capacity is lacking.	Municipal Structures Act	83(3)(c)	N			-	0.0%
Must have (establish) District Intergovernmental Forums (ind councillors costs).	IGR ACT	24-27	Y			-	0.0%
Promotion of local tourism. (Resorts)	Municipal Structures Act	84(1)(m)	Y	5 514		5 514	9.0%
The receipt, allocation and, if applicable, the distribution of grants made to the district municipality.	Municipal Structures Act	84(1)(o)	N			-	0.0%
The imposition and collection of taxes, levies and duties as related to the above functions or as may be assigned to the district municipality in terms of national legislation.	Municipal Structures Act	84(1)(p)	N			-	0.0%
"NOT CORE FUNCTION BUT A SUPPORT FUNCTION"	MFMA	15	Y	171 844	11 092		28.7%
				386 201	18 494	404 695	100.0%

Cape Winelands District performs eleven (11) mandated functions; these include IDP, Solid Waste, Roads, Health, Fire-fighting, Tourism, Public Works, Resource Distribution, Capacity Building, IGF and Disaster Management.

The following functions received high priority in terms of their budget allocations:

Priority 1: Roads

The Cape Winelands District performs a road agency function for the maintenance of provincial roads on behalf of the Province's Department of Transport and Public Works within the Cape Winelands area. This function is also evident in its budget, with a large part of the operating budget for this purpose. The budgeted amount for 2016/17 is R113.922 million (29.5 per cent of operating budget).

Whilst the Municipality has cut back on the expenditure on the upgrading of rural roads, it has allocated the following amounts in terms of road maintenance for 2016/17:

- R1.4 million for the clearing of 550 km of road reserves
- R1.1 million for Road Safety Education Programmes
- R8.5 million for the completion of sidewalks and embayments

The budget allocated to road maintenance reflects a significant portion of the overall budget for the district however, given that many of the roads in the district have been assessed as being in a poor condition, the allocations are not sufficient to address the needs of the district. [The Municipality is anticipating additional allocations from the Department of Transport and Public Works later in the year as this has been a trend in the previous years. These additional funding will be utilize to address the above mentioned matter.](#)

Priority 2: Fire-fighting services

The CWD provides professional fire services, which include bush and veld fires as well as fires of hazardous materials, to all the local municipalities in its area.

In terms of the operating budget, the budgeted amount for 2016/17 is R52.078 million (13.5 per cent of operating budget), with a total capital allocation of R5.722 million (30.9 per cent of the capital budget).

In terms of its capital budget, the Municipality has indicated that it is mainly in respect of the following:

- Fire-fighting and service vehicles - R5.095 million
- Equipment - R627 000

Given that the workload on current fire-fighting vehicles has been deemed as challenge by the Municipality as the available vehicles are not able to respond to emergencies in an acceptable amount of time due to the distance between towns, the Municipality has indicated the importance of purchasing additional fleet. This has also had a significant impact on the capital budget for 2016/17 affecting its increase by 67.9 per cent from 2015/16 to 2016/17.

Priority 3: Municipal Health Services

The Health Services Division is responsible for environmental health in the District. There functions are waste management and monitoring, food control, control of premises, communicable disease control, vector control, environmental pollution control, chemical safety and the disposal of the dead.

In terms of the budget allocations for health services, the operating budget amount for 2016/17 is R34.966 million (9.1 per cent of operating budget), while the capital allocation totals R25 000 (0.1 per cent of the capital budget).

The Municipality has allocated a portion of its budget to the following:

- Environmental Health Education Programmes – R425 000 for 80 theatre performances for 2016/17 to raise awareness of environmental health issues affecting the district.
- Subsidies – water and sanitation – R1.880 million to service 64 farms and educational institutions.
- Greening Project - R258 000 to plant 1 600 trees.
- Disaster Risk Assessment - R250 000 for 10 community-bases risk assessment workshops.

The Municipality has only allocated a small percentage of its budget to Health Services and has specified how the funding will be spent according to the allocations above, it has also indicated priority areas in its IDP with targets in its draft SDBIP related to Air Quality Monitoring however, no budget allocations have been made in this regard. [The Municipality have budgeted for an air quality project of R50 000 in the 2016/2017 budget year.](#)

6.1.6 Partnering and Partnerships

Partnership development involves an approach which gives effect to policy imperatives in a more resource efficient manner. Due to increasing constraints on local government funding, municipal programmes will be increasingly required to leverage resources, mandates and decision-making processes outside their direct control in order to effectively deliver on the IDPs and municipal spatial development

frameworks. Municipalities are requested to identify key partnerships and partnering processes which the Municipality is involved in according to the categories below and possible areas where partnerships may be strengthened or new partnerships may be required.

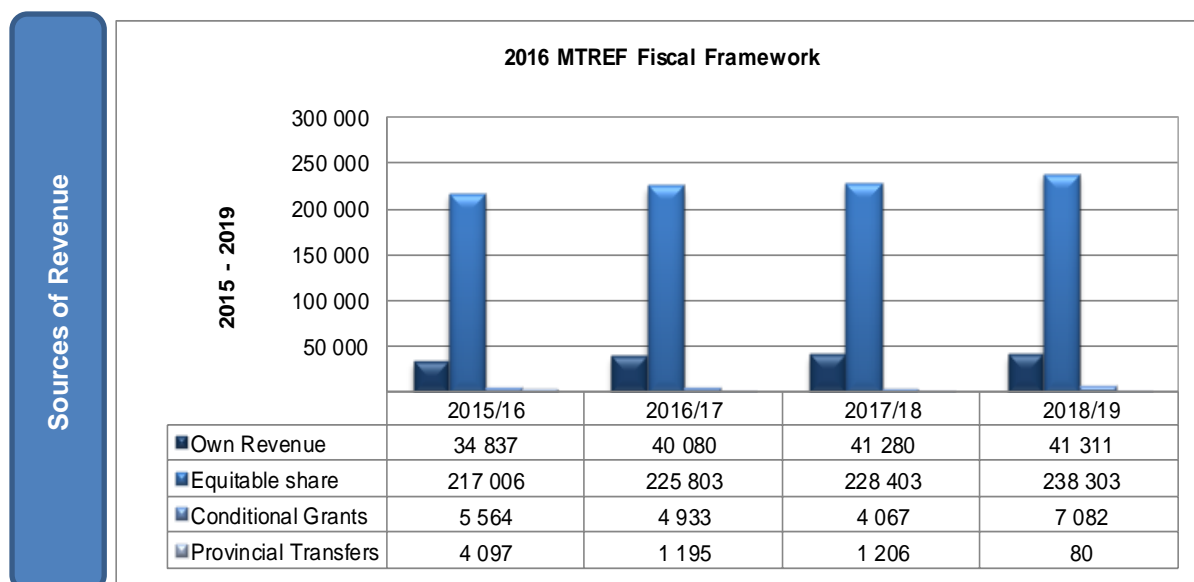
- *Transversal partnering* (between line-function Departments within the Municipality and with municipal entities);
- *Inter-governmental partnering* (between the Municipality and other spheres of Government, public entities and state-owned companies);
- *Cross-boundary partnering* (partnerships with other municipalities across municipal boundaries, within a functional region); and
- *Cross-sector partnering* (partnering with external role-players such as business or civil society).

6.2 REVENUE, FISCAL STRATEGIES AND TARIFF TRENDS

6.2.1 Major Revenue Sources

Cape Winelands District Municipality receives 32.6 per cent of its revenue from the other own revenue, 0.04 per cent from service charges and 57.38 per cent from intergovernmental transfers.

Figure 6: 2016 MTREF Fiscal Framework



Source: Division of Revenue 2016 and Cape Winelands District Municipality's A1 Schedules

The Municipality receives the largest share of its income from national transfers over the 2016/17 MTREF. National conditional grants are also experiencing strain, declining 17.56 per cent in 2017/18 from the current year's allocation.

6.2.2 Intergovernmental Transfers

Cape Winelands District Municipality receive specific purpose grants directly from national government, otherwise known as Schedules 4B, 5B and 7 grants, these include:

- Local Government Financial Management Support Grant;
- Municipal Systems Improvement Grant;
- Expanded Public Works Grant; and
- Rural Roads Asset Management Systems Grant.

The diagram illustrates the conditional grant allocation for the 2016/17 MTREF.

Table 5: National Conditional Grants

Intergovernmental Transfers	Intergovernmental Transfers	2015/16	2016/17	2017/18	2018/19
	Equitable share	217 006	225 803	228 403	238 303
	of which:				
	Formula component	6 172	4 090	1 869	1 970
	RSC levies	210 834	216 780	222 467	229 251
	Conditional Grants	5 564	4 933	4 067	7 082
	EPWP	1 000	1 000		
	Municipal System Improvement Grant	930			3 124
	Local Government Financial Management Grant	1 250	1 250	1 250	1 000
	Rural Roads Asset Management Systems Grant	2 384	2 683	2 817	2 958
Provincial Transfers	4 097	1 195	1 206	80	
Total transfers	232 231	231 931	233 676	245 465	

Source: Division of Revenue 2016 and Cape Winelands District Municipality's A1 Schedules

The equitable share transfer to the Municipality is R217 million in 2015/16; R226 million in 2016/17, and R228 million in 2017/18. Of the Equitable share for 2016/17, R4.09 million is from the formula component (which includes only institutional and community services component) of the LGES and R216.8 million is for the RSC levies in the 2016/17 financial year. The reason for the substantial drop in the formula component is that this is the last of the phase in and the correction stabilisation factor of the equation decreased from R4.32 to R2.305 million.

It is furthermore evident that the equitable share annual growth is increasing by 4.05 per cent from 2015/16 to 2016/17 and then increases by 1.15 and 4.33 per cent from 2017/18 and 2018/19 respectively. The equitable share and RSC levy replacement grant allocations trends places the Municipality in a vulnerable position, with limited control over future allocations. The 2016 Division of Revenue may show a decline in funding from national government, but according to the 2015 Division of Revenue, the Municipality is receiving more funding for the 2016/17 financial year than was anticipated in the 2015 Division of Revenue.

In terms of the conditional transfers from National Treasury, the Municipality faces a R1 million loss of MSIG in 2016/17 and 2017/18 for both years. MSIG has been restructured as an indirect grant and its total allocation has also been significantly reduced. CoGTA has allocated larger amounts to a smaller number of municipalities in an attempt to support the objectives of the Back-to-Basics strategy.

The Municipality was allocated R1.25 million from the Local Government Financial Management Support Grant and R2.683 million from the Rural Roads Asset Management Systems Grant. A further R1 million is funding received from the EPWP Grant.

Conclusion

Overall the revenue cuts and modest growth in the context of increased pressure to cut expenditure is likely to intensify existing service delivery pressures in Cape Winelands District Municipality. The biggest impact being the revenue lost from the equitable share due to the last year of the phase in of the formula and MSIG.

SECTION 7: CREDIBILITY AND SUSTAINABILITY

7.1 REVIEW OF THE PREVIOUS YEAR'S BUDGET

PART 7.1(1): THE BUDGET PERFORMANCE AS PER THE AUDITED ANNUAL FINANCIAL STATEMENTS

Table 6: Budgeted Performance against the Audited Performance

R thousands	Adjusted Budget	Audited Outcome	Difference	Diff %	Adjusted Budget	Audited Outcome	Difference	Diff %	Adjusted Budget	Audited Outcome	Difference	Diff %
Description	2012/13	2012/13	2012/13	2012/13	2013/14	2013/14	2013/14	2013/14	2014/15	2014/15	2014/15	2014/15
Financial Performance												
Property rates	-	-	-	-	-	-	-	-	-	-	-	-
Service charges	160	288	128	79.78%	165	142	(23)	-13.96%	160	487	327	198.66%
Investment revenue	24 340	24 481	141	0.58%	26 250	27 782	1 532	5.84%	32 000	35 342	3 342	9.56%
Transfers recognised - operational	229 308	206 777	(22 531)	-9.83%	221 788	221 469	(319)	-0.14%	222 570	221 524	(1 046)	-0.46%
Other own revenue	84 217	76 126	(8 091)	-9.61%	92 797	84 264	(8 533)	-9.20%	104 715	93 238	(11 477)	-10.75%
Total Revenue (excl. capital transfers and contributions)	338 026	307 671	(30 354)	-8.98%	341 000	333 656	(7 344)	-2.15%	359 445	350 591	(8 854)	-2.40%
Employee costs	147 251	154 816	7 565	5.14%	152 287	133 210	(19 078)	-12.53%	166 758	155 153	(11 605)	-6.27%
Remuneration of councillors	9 987	9 047	(940)	-9.42%	11 710	9 651	(2 059)	-17.58%	12 385	10 222	(2 163)	-18.10%
Depreciation & asset impairment	14 078	7 301	(6 777)	-48.14%	8 528	5 884	(2 644)	-31.00%	6 823	8 646	1 823	22.83%
Finance charges	25	23	(2)	-8.92%	30	13	(17)	-56.02%	29	8	(21)	-74.02%
Materials and bulk purchases	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	161 533	112 781	(48 752)	-30.18%	182 572	155 284	(27 288)	-14.95%	165 488	137 693	(27 795)	-17.12%
Total Expenditure	332 874	283 968	(48 906)	-14.69%	355 126	304 042	(51 084)	-14.38%	351 483	311 722	(39 761)	-10.83%
Surplus/(Deficit)	5 152	23 704	18 552	78.27%	(14 126)	29 614	43 741	-309.64%	7 962	38 869	30 907	3128.75%
Transfers recognised - capital	-	-	-	0.00%	-	-	-	0.00%	-	-	-	-
Contributions recognised - capital & contributed assets	-	-	-	0.00%	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	5 152	23 704	18 552	360.10%	(14 126)	29 614	43 741	-309.64%	7 962	38 869	30 907	3128.75%
Share of surplus/ (deficit) of associate	-	-	-	0.00%	-	-	-	-	-	-	-	0.00%
Surplus/(Deficit) for the year	5 152	23 704	18 552	360.10%	(14 126)	29 614	43 741	-309.64%	7 962	38 869	30 907	3128.75%
Capital expenditure & funds sources												
Capital expenditure	11 864	10 100	(1 764)	-14.87%	8 255	5 515	(2 740)	-33.19%	6 496	4 896	(1 600)	-12.84%
Transfers recognised - capital	-	1 133	1 133	-	-	1 341	1 341	-	576	488	(88)	-7.94%
Public contributions & donations	-	76	76	-	-	-	-	-	-	-	-	-
Borrowing	-	66	66	-	-	-	-	-	-	-	-	-
Internally generated funds	-	8 825	8 825	-	-	4 174	4 174	-	5 920	4 407	(1 513)	-8.85%
Total sources of capital funds	11 864	10 100	(1 764)	-14.87%	8 255	5 515	(2 740)	-33.19%	6 496	4 896	(1 600)	-8.79%

Source: Audited AFS and the Annual Budget Schedules

Findings:

Table 6 is aligned to the A1 schedules as completed by the Municipality and tabled before council on the 25 February 2016.

There has been a gradual improvement when comparing the actual outcomes of operating revenue with the adjusted budget. The overall revenue has remained within the norm whilst some of the revenue items showed variances. There has not been a gradual improvement in income when comparing the the 2014/2015 audited figures to the 2014/2015 budgeted figures. There is only a variance of 2.4% which is way below the variance norm of 10%

Depreciation and asset impairment, finance charges and other expenditure have consistently reported variances on actual performance which is higher than the norm. The municipality has significantly improved the variance in depreciation and asset impairment from 48 per cent in 2012/2013 to 22 per cent in 2014/2015. This is an indication that the municipality is improving in delivering more credible budgets. The municipality has significantly improved the variance in depreciation and asset impairment from 48% in 2012/2013 to 22% in 2014/2015. This is an indication that the municipality is improving in delivering more credible budgets.

Employee related costs, remuneration of councilors have deteriorated from the 2013/14 financial year with variances >10 per cent and these trends need to inform the future budget.

In terms of capital budget performance the Municipality has consistently reported underspending in the previous financial years which could be viewed as consistent use of incorrect budget assumptions. This could result to incorrect budgeting based on incorrect baseline information.

Risks:

The differences identified between the budget and the audited annual financial statements indicate possible poor planning and budgeting which can directly affect proper forecasting or budgeting for the future.



Consistent underspending on capital budget, although the capital budget is non-infrastructure related, is a concern especially for grant funded expenditure as roll-overs might not be approved.

PART 7.1(2): THE FINANCIAL PERFORMANCE AS PER THE AUDITED ANNUAL FINANCIAL STATEMENTS

The assessment of the financial health and performance is an integrated process involving a review of a municipality's audited annual financial statements and audit report using selected financial ratios/norms. The results of the financial ratios/norms are used to support financial decisions and to identify factors which may influence the financial stability of the Municipality. It is also to enable timely





corrective action where service delivery may be at risk. The assessment is according to the selected key financial ratios/norms as per National Treasury MFMA Circular No. 71, as indicated in the Table 7.

Table 7: Financial Ratios and Norms

Financial ratios and norms		Norm	2011 Audited	2012 Audited	2013 Audited	2014 Audited	2015 Audited	Comments	Overall
Debtors Management									
1.	Net debtors days:	≤ 30 days	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	This ratio does not apply to district municipalities.	None
2.	Bad Debts Written-off as % of Provision for Bad Debt:	100%	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	This ratio does not apply to district municipalities.	None
Distribution losses									
3.	Electricity Distribution Losses (Percentage):	7% - 10%	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	This ratio does not apply to district municipalities.	None
4.	Water Distribution Losses (Percentage):	15% - 30%	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	This ratio does not apply to district municipalities.	None
Grant Dependency									
5.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue):	None	11.87%	35.02%	32.70%	33.69%	36.81%	The ratio result improved from 33.69 per cent in 2013/14 to 36.81 per cent in 2014/15 financial year.	
Expenditure Management									
6.	Irregular, Fruitless and Wasteful and Unauthorised Expenditure/ Total Operating Expenditure:	0%	0.00%	2.98%	4.15%	0.00%	0.00%	The ratio results remained constant at 0.00 per cent in 2014/15 financial year, and is within the NT norm.	

Financial ratios and norms		Norm	2011 Audited	2012 Audited	2013 Audited	2014 Audited	2015 Audited	Comments	Overall
7.	Remuneration as % of Total Operating Expenditure:	25% - 40%	43.68%	48.89%	57.65%	48.64%	53.27%	The ratio result deteriorated from 48.64 per cent in 2013/14 to 53.27 per cent in 2014/15 financial year, and is not within NT norm.	↓
8.	Contracted Services % of Total Operating Expenditure:	2% - 5%	1.41%	0.50%	0.95%	12.79%	1.95%	The ratio result improved from 12.79 per cent in 2013/14 to 1.95 per cent in 2014/15 financial year, and is within the NT norm.	↑
Asset Management									
9.	Capital Expenditure to Total Expenditure:	10% - 20%	3.56%	2.23%	2.89%	1.82%	1.42%	The ratio result remained constant at an average of 1.62 per cent in 2014/15 financial year, and is not within the NT norm.	↔
10.	Impairment of Property, Plant and Equipment, Investment Property and Intangible Assets (Carrying Value):	0%	0.00%	0.00%	0.00%	0.00%	0.00%	The ratio result remained constant at 0.00 per cent in 2014/15 financial year, and is within the NT norm.	↔

Financial ratios and norms		Norm	2011 Audited	2012 Audited	2013 Audited	2014 Audited	2015 Audited	Comments	Overall
11.	Repairs and Maintenance as a % of Property, Plant and Equipment, Investment Property (Carrying Value):	8%	16.35%	12.47%	7.90%	13.26%	18.51%	The ratio results deteriorated from 13.26 per cent in 2013/14 to 18.51 per cent in 2014/15 financial year, and are not within NT norm.	↓
Budget Implementation									
12.	Operating Revenue Budget:	95% - 100%	82.74%	84.66%	90.33%	97.20%	97.53%	The ratio result remained constant at 97.00 per cent in 2014/15 financial year, and is within the NT norm.	↔
13.	Service Charges and Property Rates Revenue Budget:	95% - 100%	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	This ratio does not apply to district municipalities.	None
14.	Operating Expenditure Budget:	95% - 100%	86.36%	86.30%	85.39%	82.70%	88.83%	The ratio result improved from 82.70 per cent in 2013/14 to 88.83 per cent in 2014/15 financial year and is still not within NT norm.	↑
15.	Capital Expenditure Budget:	95% - 100%	98.06%	50.17%	75.46%	88.01%	66.67%	The ratio result deteriorated from 88.01 per cent in 2013/14 to 66.67 per cent in 2014/15 financial year, and is not within NT norm.	↓

Financial ratios and norms		Norm	2011 Audited	2012 Audited	2013 Audited	2014 Audited	2015 Audited	Comments	Overall
Liquidity Management									
16.	Cash/Cost Coverage Ratio (Excluding Unspent Conditional Grants):	1 - 3 months	14 months	16 months	18 months	19 months	20 months	The ratio result improved from 19 months in 2013/14 to 20 months in 2014/15 financial year and is way within the NT norm.	
17.	Current Ratio:	1.5 - 2:1	6.75:1	6.96:1	9.30:1	11.87:1	15.48:1	The ratio result improved from 11.87:1 in 2013/14 to 15.48:1 in 2014/15 financial year, and is way within the NT norm.	
Liability Management									
18.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure:	6% - 8%	3.08%	0.00%	0.01%	0.00%	0.00%	The ratio result remained constant at 0.00 per cent in 2014/15 financial year, and is within NT norm.	
19.	Debt (Total Borrowings)/ Revenue:	45%	0.08%	0.07%	0.06%	0.06%	0.02%	The ratio result remained constant at 0.00 per cent in 2014/15 financial year, and is within NT norm.	

Source: Cape Winelands District Municipality Audited AFS (2011/12 - 2014/15)

7.1.1 Financial Position

(a) Asset Management/Utilisation

- Capital Expenditure to Total Expenditure:** The trend analysis indicates that the ratio results deteriorated from 2.89 per cent in 2012/13 to 1.42 per cent in 2014/15 financial year. The ratio remained constant at an average of 1.62 per cent for 2013/14 and 2014/15 financial years. The ratio is not within National Treasury norm of 10 – 20 per cent. This

reflects lower spending on infrastructure assets and deceleration in service delivery. Furthermore, lower capital investment is detected throughout the years under review. The Municipality should put strategies in place to increase the level of spending on infrastructure to ensure that service delivery is not impacted negatively. Cape Winelands District Municipality ensure that its asset management strategy is in line with the replacement of capital assets that approximate end of their useful life.

- **Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value):** The trend analysis indicates that the ratio results have deteriorated from 7.90 per cent in 2012/13 to 13.26 per cent in 2013/14 and to 18.51 per cent in 2014/15 financial year. The ratio is not within the National Treasury norm of 8 per cent. Judging by the amount spent on capital investment, it is evident that Cape Winelands District Municipality does not replace the assets that have reached the end of their useful lives. This is also evidenced by the significant funds spent on repairs and maintenance in the range of R26.60 million in 2013/14 and R37.77 million in 2014/15 financial year. Cape Winelands District Municipality should revise its asset management strategy to include the ability to replace assets that have reached the end of their useful lives in order to reduce the cost of repairs and maintenance. Furthermore Cape Winelands District Municipality should include the cost of repairs and maintenance of assets from inception to end of useful life in its asset management strategy to prolong the useful life of its assets.

7.1.2 Financial Performance

(a) Expenditure Management

- **Remuneration as % of Total Operating Expenditure:** The trend analysis indicates that the ratio results fluctuated from 57.65 per cent in 2012/13 to 48.64 per cent in 2013/14 and finally to 53.27 per cent in 2014/15 financial year. The ratio result is not within the National Treasury norm of 25 – 40 per cent. This is mainly due to increase in employee costs and remuneration of councillors by 13.62 per cent in the 2014/15 financial year. Though district municipalities are labour intensive, further increase on this ratio might not be manageable and impact on the cash flow position of the Municipality. The Municipality should strive to keep the salaries of employees and municipal councillors at manageable levels. This can be done by assessment the current structure compared to the

service delivery mandate and staff requirement of the district municipality. Furthermore by doing this assessment, the Municipality will detect any areas where there is excessive staff complement.

- **Capital Expenditure Budget Implementation Indicator:** The trend analysis indicates that the ratio results deteriorated from 88.01 per cent in 2012/13 to 66.67 per cent in 2014/15 financial year. In the 2014/15 financial year the Municipality under-spent its capital expenditure budget by 33.33 per cent (R2 million). The ratio results are not within the National Treasury norm of 100 per cent. The under spending is mainly due to fire-fighting equipment and a radio network upgrade account and in addition, non-responsive bids in respect of ICT equipment resulted in the acquisition of assets not to realise as estimated during the Adjustments Budget. Furthermore, savings as a result of the Input Vat claimed on acquisitions also contributed to the underspending. The Municipality is not investing a lot on capital expenditure as indicated in the ratio above. Furthermore to this, the Municipality struggles to spend the little capital investment it has; this might impact service delivery imperatives if no improvement is made in this regard. What is the risk?
- **Operating Expenditure Budget Implementation Indicator:** The trend analysis indicates that the ratio results fluctuated from 85.39 per cent in 2012/13 to 82.70 per cent in 2013/14 and to 88.83 per cent in 2014/15 financial year. The Municipality under-spent its operating expenditure budget by 11.17 per cent in the 2014/15 financial year. The ratio results is not within the National Treasury norm of 100 per cent The main reasons for such under-expenditure are as a result of general expenses, remuneration of councillors and employee costs. The underspending indicates inaccurate budgeting which needs to be corrected in the near future.

7.1.3 Conclusion and recommendations

Overall results indicate that the Municipality is doing well in most ratios. However, the assets management ratios results require attention. The Municipality needs to devise strategies to increase its capital investment in order to sustain and carry the service delivery mandate. The budget implementation ratios also bring about the issue of budget methodology which requires improvement.

7.2 REVIEW OF THE NEW (2016/17) MTREF

PART 7.2(1): REVIEW OF THE BUDGET ASSUMPTIONS

Findings:

The Municipality has complied with section 16 of Schedule A of the MBRR by including the budget assumptions in the budget document however the credit rating outlook, interest rates for borrowing and investment of funds and ability of the Municipality to spend and deliver on the programmes were not indicated as assumptions. [These matters will be addressed in the final budget.](#)

Risks:

- The Municipality will not know its credit rating when planning to take external loans; and
- Municipality may budget for increases in excess of the CPI percentage that may not be achieved.

Recommendation:

All the assumptions must be clearly captured in the budget document to ensure credibility, reliability, completeness and reasonability of the budget as per section 16 of Schedule A of MBRR.

PART 7.2(2): THE CREDIBILITY AND SUSTAINABILITY OF THE BUDGET

A. BUDGET OVERVIEW

Table 8: The Budget Overview and Comparisons

Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	YTD Actual (Feb 2016)	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Total Revenue (excl. capital transfers and contributions)	305 227	331 844	350 591	368 289	398 727	269 336	386 201	396 131	400 560
Total Operating Expenditure	283 968	304 042	311 722	368 289	398 727	179 916	386 201	396 131	400 560
Surplus/(Deficit)	21 259	27 802	38 869	-	-	89 421	-	-	-
Total Capital Expenditure	10 100	5 515	4 896	18 200	11 017	2 518	18 494	6 165	8 427

Source: PT generated based on A1 - Budget Schedules

Findings:

The year-on-year revenue (when comparing the adjustment budget to the tabled budget) shows a decline because the Municipality tabled its budget prior to the tabling of both the national and provincial budgets.

Risk:

The Municipality will use incorrect financial information when consulting on the tabled budget as required by section 23 of the MFMA.

Recommendation:

The Municipality is advised to wait for the publication of the Division of Revenue Bill and Provincial Gazette on municipal allocations before tabling its own budget.

It is noted that it is not within the norm of the municipality to table its budget prior to the tabling of the national and provincial budgets. The reason for the earlier tabling was due to the fact that this is an election year and the municipality wanted to prevent a situation of an annual budget not being approved due to elections.

It is not within the norm of the municipality to table its budget prior to the tabling of the national and provincial budgets. The reason for the earlier tabling is due to the fact that its election this year and the municipality wanted to prevent the situation of an annual budget not being approved because there is no council.

B. REVIEW OF THE OPERATING REVENUE BUDGET

Table 9: Operating Revenue

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			% Growth rates: MTREF Budget			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	YTD Actual (Feb 2016)	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	2015/16 - 2016/17 (YOY)	2016/17- 2017/18 (YOY)	2017/18 - 2018/19 (YOY)	2015/16 - 2017/18 (AVE)
Revenue By Source														
Service charges - other		142	487	487	165	165	-	170	175	175	3%	3%	0%	2%
Rental of facilities and equipment		77	94	94	127	127	61	132	136	136	4%	3%	0%	2%
Interest earned - external investments		24 481	27 782	35 342	34 960	34 545	8 664	39 778	40 969	41 000	15%	3%	0%	6%
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		6	-	-	-	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-	-	-	-
Agency services		73 992	82 954	91 394	103 746	133 020	90 712	115 317	120 689	126 602	-13%	5%	5%	-1%
Transfers recognised - operational		205 250	218 857	221 524	226 448	228 378	168 889	228 025	231 308	229 782	0%	1%	-1%	0%
Other revenue	2	1 280	1 670	1 723	2 843	2 493	1 012	2 779	2 854	2 865	11%	3%	0%	5%
Gains on disposal of PPE		-	-	27	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		305 227	331 844	350 591	368 289	398 727	269 336	386 201	396 131	400 560	-3%	3%	1%	0%

Source: Budget Schedules A4

Findings:

(a) Interest earned on external investments

This item contributes 10 per cent to total operating revenue and is the third largest source of operating revenue.

This line item has increased by 15.1 per cent in 2016/17 and only by 3 and less than 1 per cent over the outer two years respectively. This can be aligned to the growth trends in investments which are projected at 40.3 per cent (2016/17), 7.4 per cent (2017/18) and 6.9 per cent (2018/19).

(b) Agency services

This item contributes 29.86 per cent to total operating revenue and is the second largest source of operating revenue and the contribution percentage trend is maintained over the MTREF.

The reliance cannot be placed on the growth trends given that the Municipality's budget was tabled prior to the transferring department's final budget approval.

(c) Transfers recognised – Operational

The district municipality is grant-dependent mainly because 59.04 per cent of total operating revenue is transfers from National and Provincial governments.

The projected growth is overestimated when comparing the Municipality's budget and published allocations (Division of Revenue Bill and Provincial Gazette). The overestimation is due to the fact that our budget was tabled before the publication of the Division of Revenue Bill and the Provincial Gazette. This will be corrected with the final budget.

(d) Other Revenue

This item contributes less than 1 per cent (0.72 per cent) to total operating revenue and is projected at 11 per cent growth in 2016/17 and will grow below the CPI forecast in the outer two years of the MTREF. The Municipality has not provided detail on supporting Table SA1 of the list of other revenue sources. Other Revenue relates to insurance income, bad debt recovered, seta refunds and income from exhibitions.

Included in other revenue is an amount of R1.35 million which are contributions from private land owners and should not form part of other revenue. This will be rectified with the final submission of the schedules.

Other Revenue relates to insurance income, bad debt recovered, seta refunds and income from exhibition/exhibitions. Included in other revenue is an amount of R1 350 000 which is contributions from private land owners and should not form part of other revenue. This will be rectified with the final submission of the schedules.

C. REVIEW OF THE OPERATING EXPENDITURE BUDGET

Table 10: Operating Expenditure

Description R thousand	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			% Growth rates: MTREF Budget			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	YTD Actual (Feb 2016)	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	2015/16 - 2016/17 (YOY)	2016/17- 2017/18 (YOY)	2017/18 - 2018/19 (YOY)	2015/16 - 2017/18 (AVE)
Expenditure By Type													
Employee related costs	154 816	133 210	155 153	184 950	188 414	91 329	188 210	198 991	207 113	0%	6%	4%	3%
Remuneration of councillors	9 047	9 651	10 222	11 947	11 853	5 965	11 587	12 177	12 787	-2%	5%	5%	3%
Debt impairment	110	456	500	126	126	-	126	126	126	0%	0%	0%	0%
Depreciation & asset impairment	7 301	5 884	8 646	7 983	9 701	5 791	9 313	8 634	8 133	-4%	-7%	-6%	-6%
Finance charges	23	13	8	29	29	-	34	34	26	19%	0%	-24%	-2%
Bulk purchases	-	-	-	-	-	-	-	-	-	-	-	-	-
Other materials	-	-	-	268	243	-	-	-	-	-100%	-	-	-100%
Contracted services	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	112 952	143 974	136 029	162 266	188 396	76 831	176 512	175 250	172 276	-6%	-1%	-2%	-3%
Loss on disposal of PPE	(281)	10 854	1 164	988	210	-	419	919	99	100%	119%	-89%	0%
Total Expenditure	283 968	304 042	311 722	368 557	398 970	179 916	386 201	396 131	400 560	-3%	3%	1%	0%

Source: Budget Schedules A4

Findings:

(a) Employee related costs

Over and above the inputs of the previous years, analysis of ERC should also reflect on the vacancies, where applicable, versus the budget growth and establish which vacancies are planned to be filled in 2016/17 financial year.

The employee related costs percentage to total operating expenditure budget is 49 per cent for 2016/17 budget year and for the 2016/17 and 2017/18 outer years is 50 and 52 per cent respectively. These percentages are greater than the required norm of 25 – 40 per cent of the total operating expenditure budget. It is noted that the year-on-year growth is below 1 per cent whilst the employee numbers remain the same.

(b) Remuneration of councillors

This line item percentage to total operating expenditure budget is 3 per cent for 2016/17 budget year and has remained the same over the outer two years.

The Municipality has indicated that remuneration of councillors is budgeted for in terms of the Public Office Bearers Act as approved by the MEC for Local Government.

(c) Depreciation and asset impairment

The contraction could be as a result of anticipated capital budget underspending during 2015/16 financial year and it is unclear whether depreciation for new assets to be procured in the budget year and outer years has been included.

(d) Other expenditure

This line item shows a negative growth trend over the MTREF and this could be as a result of negative growth in projected revenue.

The percentage of general expenses as per Table SA1 to total operating expenditure budget is 20.2 per cent for the 2016/17 budget year and remained constant over the MTREF. These percentages are greater than the 10 per cent norm. It is noted that the consultancy fees are 0.3 per cent of total expenditure over the MTREF which is below the 5 per cent norm against total expenditure budget.

(e) Repairs and Maintenance

The figures the Municipality provided in the budget document for 2016/17 do not reconcile to supporting Table SA1.

Table SA1 shows that no provision has been made for repairs and maintenance which has been a trend for the past years. It is noted that training is scheduled in May 2016 with the financial system service provider to address the problem with populating certain NT returns and supporting tables.

Don't know how to populate the sheet. Training is scheduled in May 2016 with the Financial system service provider to address the problem with populating certain NT returns and supporting tables.

Risks:

- Employee numbers remain the same whilst the employee related costs are stagnant despite the multi-year wage agreement.
- The Municipality might be budgeting for non-essential items if general expenses line items are not clearly disclosed.
- Lack of budgeting for repairs and maintenance, according to Table SA1, might lead to rapid deterioration of assets, followed by catastrophic component failure, and regular and prolonged disruptions in municipal operations. This could adversely affect service delivery where the failures relate to service delivery-related assets.
- Expenditure items are compiled based on incorrect anticipated revenue streams and it may be misleading to the public.

Recommendations:

- The Municipality is advised to budget for the actual employee related costs in line with employee numbers and multi-year wage agreement.
- General expenses line items should be clearly disclosed.
- It must be noted that assets, whether it is furniture, equipment or vehicles, need to be maintained to ensure that they are working effectively through their useful life.
- Expenditure that will be approved by council must be informed by realistically anticipated revenue based published allocations.

D. THE CAPITAL EXPENDITURE BUDGET

Table 11: Capital Expenditure

Vote Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			% Growth rates: MTREF Budget			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	YTD Actual (Feb 2016)	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	2015/16 - 2016/17 (YOY)	2016/17 - 2017/18 (YOY)	2017/18 - 2018/19 (YOY)	2015/16 - 2018/19 (AVE)
Capital Expenditure - Standard													
Governance and administration	3 292	3 378	2 838	11 485	4 034	1 442	10 851	3 842	2 957	169%	-65%	-23%	27%
Executive and council	217	13	44	4	4	3	4	-	-	5%	-100%	-	-47%
Budget and treasury office	281	25	19	3 621	203	22	203	69	70	0%	-66%	2%	-22%
Corporate services	2 795	3 340	2 775	7 860	3 826	1 417	10 644	3 773	2 887	178%	-65%	-23%	30%
Community and public safety	5 866	1 447	1 565	5 576	5 598	822	5 974	332	5 443	7%	-94%	1538%	483%
Community and social services	52	6	-	-	-	-	15	-	-	-	-100%	-	0%
Sport and recreation	-	-	-	-	-	-	-	-	-	-	-	-	0%
Public safety	5 622	1 413	1 554	5 549	5 577	801	5 949	329	5 440	7%	-94%	1553%	489%
Housing	-	-	-	-	-	-	-	-	-	-	-	-	0%
Health	192	34	11	27	21	21	25	3	3	17%	-87%	3%	-22%
Economic and environmental services	906	685	493	1 139	1 385	254	1 655	1 991	26	19%	20%	-99%	-20%
Planning and development	60	1	4	35	35	35	-	-	-	-100%	-	-	-100%
Road transport	846	684	488	1 104	1 350	219	1 655	1 991	26	23%	20%	-99%	-19%
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-	0%
Trading services	11	-	-	-	-	-	-	-	-	-	-	-	0%
Electricity	-	-	-	-	-	-	-	-	-	-	-	-	0%
Water	11	-	-	-	-	-	-	-	-	-	-	-	0%
Waste water management	-	-	-	-	-	-	-	-	-	-	-	-	0%
Waste management	-	-	-	-	-	-	-	-	-	-	-	-	0%
Other	24	-	-	-	-	-	-	-	-	-	-	-	0%
Total Capital Expenditure - Standard	10 100	5 509	4 896	18 200	11 017	2 518	18 479	6 165	8 427	68%	-67%	37%	13%

Source: Budget Schedules A5

Findings:

- The credibility of the capital budget might be affected by the year-on-year increase of 68 per cent given high underspending when analysing past performance trends and the downward adjustment of 39.47 per cent during the 2015/16 financial year.
- Corporate Service and Public Safety have been prioritised for 2016/17 however both are projected to be reduced by 65 per cent and 94 per cent respectively in 2017/18 financial year. Corporate services has been prioritized due to the fact that a large number of laptops, personal computers and computer equipment needs to be replaced because they have reached their life expectancy. Many of the fire fighting vehicles are in a bad condition and needs to be replaced. Therefore the municipality prioritized to acquire two firefighting vehicles in 2016/2017 with total value of R4.6 million and another two in 2018/2019 with total value of R5 million.

- Corporate services has been prioritized due to the fact that a large number of laptops, pc's and computer equipment needs to be replaced because they have reached their life expectancy. Many of the fire fighting vehicles are in a bad condition and needs to be replaced. Therefore the municipality prioritized to acquire two firefighting vehicles in 2016/2017 with total value of R4 600 000 and another two in 2018/2019 with total value of R5 000 000.
- Included in the nature of the projects is office equipment, fire-fighting vehicles and municipal building maintenance which will contribute to providing services to communities however supporting Table SA36 (Detailed capital Budget) is not completed in full as it does not have project and related information.

Risks:

Basis on past performance trends, the capital budget is likely to result in adjustments during the year and possibly high variances of underspending at year end.

Recommendation:

- To improve planning and budgeting, past performance trends must be used as a baseline to determine future budgets.
- The Municipality has been advised consistently to ensure that the capital budget is based on realizable expenditure to lower the risk of underspending.

E. THE CAPITAL FUNDING BUDGET

Table 12: Capital Funding Budget

Vote Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			% Growth rates: MTREF Budget			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	YTD Actual (Feb 2016)	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	2015/16-2016/17 (YOY)	2016/17-2017/18 (YOY)	2017/18-2018/19 (YOY)	2015/16-2018/19 (AVE)
Funded by:													
National Government	1 133	1 341	488	1 104	1 124	219	1 645	1 991	26	46%	21%	-99%	(0)
Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-	0%
District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	0%
Other transfers and grants	-	-	-	-	227	-	-	-	-	-100%	-	-	-
Transfers recognised - capital	1 133	1 341	488	1 104	1 350	219	1 645	1 991	26	22%	21%	-99%	-19%
Public contributions & donations	76	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing	66	-	-	-	-	-	-	-	-	-	-	-	0%
Internally generated funds	8 825	4 174	4 407	17 096	9 667	2 299	16 849	4 174	8 401	74%	-75%	101%	33%
Total Capital Funding	10 100	5 515	4 896	18 200	11 017	2 518	18 494	6 165	8 427	68%	-67%	37%	13%

Source: Budget Schedules A5

Findings:

(a) External Funding: Capital Grants

The Municipality has included a budget for Agency Roads Grant which was not by the 2016 DoRB. This grant is classified as a National Government transfer in Table A5 which contradicts the classification in Table SA18 where the same transfer is reflected as a Provincial Government transfer whilst it was not in the provincial gazette. Funding from the Roads Agency is not listed in the 2016 Dora but a contract exists between the municipality and the Department of Roads which is a guarantee that the Municipality will receive funding. The error in Table A5 will be rectified with the final budget.~~Funding from the Roads Agency is not listed in the 2016 Dora but a contract exists between our municipality and the Department of Roads which is a guarantee that we will receive funding. The error in Table A5 will be rectified with the final budget.~~

(b) Internal Funding: Own Contributions from Cash Reserves

This is the main contributing funding source and the year-on-year growth seems too ambitious given the continued under performance in capital budget over the previous financial years and the adjustment of this funding source down from R17.09 million to R9.67 million during 2015/16 financial year.

Risks:

- Inclusion of transfers in the budget that were neither published in the national nor provincial publications has resulted in overstatement of the capital budget.
- The over ambitious growth on internal funding is unrealistic and casts a doubt on the credibility of the capital budget.

Recommendations:

- ~~• Section 18(1)(a) of the MFMA requires an annual budget to only be funded from realistically anticipated revenue and therefore an amount of R1.65 million must be excluded from the capital budget to fulfil the requirement of MFMA. ?????~~
- Review internal funds based on past performance trends and if the same amount is maintained in the final budget, provide reasons for the high growth and how the continued underperformance in capital budget implementation will be avoided.

PART 7.2(3): THE FINANCIAL SUSTAINABILITY ASSESSMENT

A. OVERVIEW OF THE CURRENT CASH POSITION OF THE MUNICIPALITY

The cash and cash equivalents as per the Cash Flow Actual was R604.42 million as at 31 January 2015, and the commitments reported against the available cash were R459.07 million. The sustainability ratio was reported at 341 per cent and the cash coverage was at 1.55 times.

Risk:

The reported Cash Flow information indicates no risk in the Municipality meeting its short term obligations.

B. REVIEW OF INVESTMENTS

Investments constitutes a huge portion of the cash and cash equivalents and this was 96.4 per cent or R486 million (2014/15) and 96.7 per cent or R442 million (2013/14) according to the 2014/15 audited financial statements. The Municipality generates high interest on invested funds which was R27.78 million and R35.34 million in 2013/14 and 2014/15 financial years respectively and the projected investments for the 2016/17 MTREF are in line with past performance trends.

C. CASH FLOWS AGAINST BUDGETED REVENUES AND EXPENDITURE

Findings:

The Cash Flow Statement as at 30 June 2015 indicated that the Municipality ended the financial year with a closing balance of R504.11 million and the Municipality's CFAs opening balance reconciles to the reported closing balance at year end as per the Audited Financial Statements (AFS).

The cost/valuation of Property, Plant and Equipment (PPE) of R204.13 million for 2014/15 financial year, as reflected in Table SA3, is the carrying value after accumulated depreciation as per the 2014/15 audited financial statements. This has resulted to the non-capturing or non-disclosure of accumulated depreciation and incorrect cost/valuation amount for PPE in Table SA3. This will be rectified with submission of the final schedules. Will be rectified with submission of final schedules.

The financial information on changes in net assets, specifically on accumulated surpluses/(deficit) in Table SA3, is not in line with the information as reported in the changes in net assets for the 2014/15 audited financial statements. However, the total community wealth is aligned in both documents.

The opening balance of cash and cash equivalents of R494.04 million in Table SA30 is not in line with the same item in the 2014/15 audited financial statements which amounted to R504.12 million. This will be rectified with submission of the final schedules.~~Will be rectified with submission of the final schedules.~~ A discrepancy is further noted in Table A7 with the 2015/16 original and the adjusted budgets which are R504.12 million and R493.9 million respectively.

It is noted that the Municipality has budgeted for total operating revenue of R386.2 million in Table SA4 and the same amount is reflected in Tables A7, SA25 and SA30 which implies that the Municipality anticipates 100 per cent cash inflow from the budgeted operating revenue. This will be rectified with submission of the final schedules. ~~Will be rectified with submission of the final schedules.~~

Furthermore, the comparison between Tables SA25 and SA30 shows non-alignment in that:

- Budgeted monthly revenue and expenditure in Table SA25 shows R12.31 million and R268.07 million for April and June respectively whilst the same months shows R197.49 million and R14.21 million respectively in Table SA30; and this will be rectified with submission of final schedules.~~Will be rectified with submission of final schedules~~
- The misalignment is noticeable throughout the other 10 months of the financial year.

Risks:

Budgeting to receive 100 per cent of operating revenue, despite past performance trends suggesting otherwise, could result to overstatement of operating expenditure and forces the Municipality to use reserves to finance the shortfall.

Non-alignment of information between financial statements and budget documents could easily confuse the users of such information which could result to inaccurate analysis and examples being:

- The differences in opening balances of cash and cash equivalents;
- The cost/valuation of PPE which is reflected as R204.13 million in Table SA3 whilst the same item is actually R242.71 million in the 2014/15 audited financial statements; and
- An amount of R4.41 million which is classified as cash utilised from Capital Replacement Reserve in note 10 of the 2014/15 audited financial statements whilst the same amount is classified as Appropriations to Reserves in Table SA3.

D. THE APPLICATION OF CASH & INVESTMENTS

The outcome in Table SA10 indicates that the Municipality's 2016/17 MTREF budget is funded and that is mainly because of reliable high future investments on the basis of audited financial information.

E. THE FUNDING COMPLIANCE ASSESSMENT

Table 13: Supporting Table SA10 Funding Measurement

Description	M F M A section	Current Year 2015/16	2015/16 Medium Term Revenue & Expenditure Framework			Comments
		Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	
Funding measures						
Cash/cash equivalents at the year end - R'000	18(1)b	337 351	484 858	487 327	487 033	Positive although it is before considering commitments and is increasing over the MTREF.
Cash + investments at the yr end less applications - R'000	18(1)b	309 438	593 000	625 100	660 700	Positive for the 2016/17 MTREF.
Cash year end/monthly employee/supplier payments	18(1)b	16.9	21.5	20.8	20.2	High but deteriorating over the MTREF.
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	(116 963)	-	-	-	No surplus or deficit that has been budgeted by the municipality.
Service charge rev %change - macro CPIX target exclusive	18(1)a,(2)	(6.0%)	(2.8%)	(3.1%)	(6.0%)	This is based on sundry tariffs by District municipality.
Cash receipts %of Ratepayer & Other revenue	18(1)a,(2)	0.0%	100.0%	100.0%	100.0%	No revenue for rates and services.
Debt impairment expense as a %of total billable revenue	18(1)a,(2)	16.7%	74.1%	72.0%	72.0%	Provision is against other service charges.
Capital payments %of capital expenditure	18(1)c;19	100.0%	100.0%	100.0%	100.0%	The municipality aims to pay its creditors for capital projects within 30 days.
Borrowing receipts %of capital expenditure (excl. transfers)	18(1)c	0.0%	0.0%	0.0%	0.0%	No borrowings has been budgeted for 2015/16 MTREF.
Grants %of Govt. legislated/gazetted allocations	18(1)a		0.0%	0.0%	0.0%	Incorrect amounts have been included in the budget.
Current consumer debtors %change - incr(decr)	18(1)a	0.0%	164.2%	0.7%	1.4%	Based on debtors for firefighting services.
Long term receivables %change - incr(decr)	18(1)a	0.0%	0.0%	(33.3%)	(50.0%)	Decreasing over th MTREF.
R&M %of Property Plant & Equipment	20(1)(vi)	0.0%	0.0%	0.0%	0.0%	Municipality did not budget for R&M.
Asset renewal %of capital budget	20(1)(vi)	0.0%	0.0%	0.0%	0.0%	Municipality did not budget for asset renewal.

Source: Budget Schedule SA10

Findings:

1) Cash/cash equivalent position acceptable

The purpose of this measure is to understand how the Municipality has applied the available cash and Investments identified in the budgeted cash flow statement.

A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

The Municipality is forecasting a positive cash position for each year of the 2016/17 MTREF.

2) Cash plus investments less application of funds

The measure aims to understand how the Municipality has applied the available cash and investments as identified in the budgeted cash flow statement.

The cash less application is positive for the 2016/17 MTREF and is gradually increasing over the MTREF.

3) Cash year end/monthly employees/suppliers payments (cash coverage)

This measure aims to understand the level of financial risk should the Municipality be under stress from a collection and cash inflow perspective.

The cash at year end versus employees and supplier payment is 21.5 times in 2016/17 and decreases to 20.8 in 2017/18 and further down to 20.2 times in 2018/19. The year-on-year negative growth trend does not impose immediate risk.

4) Surplus/deficit (result) excluding depreciation offsets

This measure aims to understand if the revenue levels are sufficient to conclude that the community is making sufficient contribution for the municipal resources consumed each year.

The Municipality does not have a surplus/deficit over the 2016/17 MTREF and this will have an impact on accumulated surplus. There is no direct contribution by community as most of the funding is through transfers and agency funding.

5) Service charge revenue % change – macro CPIX target exclusive

This measure aims to understand whether the Municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on increase in revenue from tariffs, growth in revenue base and services consumption growth.

The percentages indicate that sundry tariffs are less than the CPIX and the Municipality has in the budget document indicated that tariffs were kept as low as possible to ensure affordability thereof whilst keeping in mind the cost of delivering services of a high quality.

6) Cash receipts % of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget.

The Municipality does not have ratepayers and does not provide basic services.

7) Debt impairment expense % of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues.

The debt impairment provision is planned to remain the same over the MTREF.

8) Capital payments % of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The Municipality aims to pay its creditors for capital projects within 30 days.

Municipality plans to spend the full amounts allocated by government departments and to pay its creditors for capital projects within the required period. However, the spending trends and patterns for the past few years cast a doubt on capital budgeting given high underperformance that has been reported.

9) Borrowing as a % of capital expenditure (less transfers, grants and contributions)

The Municipality has not budgeted for external borrowings over the MTREF.

10) Transfers/grants as a % of Government transfers/grants

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for.

The transfers from national and provincial governments are not aligned to the DoRB and Provincial Gazette as the municipal budget was tabled a day after the national budget was tabled and before the provincial budget was tabled.

11) Current consumer debtors % of change

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic.

The percentage differs over the MTREF mainly due to the fire-fighting accounts of debtors whose origin or legal liability is difficult to be determined.

12) Long Term Receivables' % change

This measure aims to ascertain whether budgeted reductions in outstanding debtors are realistic.

The outcome indicates that all outstanding debtors will be collected and all irrecoverable debt will be written off as it is decreasing over the MTREF.

13) Repairs & maintenance (R&M) expenditure level

This measure aims to ascertain whether sufficient funds are being committed to asset repair and the outcome shows insufficient allocation.

The Municipality did not budget for repairs and maintenance and this might be a risk with asset impairment which has no repairs and maintenance plans.

14) Asset renewal % of capital budget

This measure aims to ascertain whether sufficient funds are being committed to asset renewal or rehabilitation.

The Municipality has not committed funds for this item as it is not provided for in Table SA34b and project information in Table SA36.

SECTION 8: MAIN POINTS AND RISKS/RECOMMENDATIONS

Responsiveness of the IDP, SDF and Budget

- The draft 2016/17 Reviewed IDP was timeously tabled on the 25th March 2016 and is complying with sections 26 and 34 of the MSA.
- Certain information need to be updated to reflect the most recent available information.
- No direct evidence could be found in the Draft IDP Review of a link between it and the SDF. The SDF is a core component of the IDP and therefore the SDF should be reflected in the IDP, and any subsequent amendment to the IDP.
- The CWD SDF meets the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) (MSA) regulation requirements and provides clear strategic guidance to local municipalities.
- The Municipality's performance targets and indicators are outlined in the supporting SDBIP.
- The District has aligned its priorities to the National Priorities, Provincial and Local priorities. Reference is made to National Development Plan (2030), Provincial Strategic Objectives, the OneCape 2040 vision as well as the Back-to-Basics initiative.
- All strategic objectives in the IDP are budgeted for in the 2016/17 MTREF operating and capital budgets.

Credibility and Sustainability of the Budget

- The Municipality should take note of the recent MFMA Circular 79 when tabling the final budget for 2016/17 MTREF; and should also ensure that the 2016/17 MTREF Budget addresses the items listed under paragraph 5.4 of the circular.
- The issues and risks identified in the assessment should be taken into consideration when tabling the final budget for approval.
- Moreover, the Municipality needs to devise strategies to increase its capital investment in order to sustain and carry the service delivery mandate. The budget implementation ratios bring about the issue of budget methodology which requires improvement.

- To enhance the credibility of the budget, the following must be considered before the budget is tabled for approval:
 - Only National and Provincial allocations that are published must be included in the budget except if there is a written commitment from the transferring officer that the transfers will be made to the Municipality to avoid overstating the operating and capital budget. Section 18(1)(a) of the MFMA requires an annual budget to only be funded from realistically anticipated revenue;
 - There must be a provision for repairs and maintenance to ensure that assets are properly working throughout their useful life;
 - The budget for capital budget must take into account the past performance trends to ensure that the budget is realistic and credible; and
 - There must be alignment between the audited financial statements and budget documents, specifically on cash flow information.