

CAPE WINELANDS DISTRICT MUNICIPALITY



CAPE WINELANDS DISTRICT
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**MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR THE
FINANCIAL PERIOD 2020/2021 TO 2022/2023**

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PART 1

A: MAYORS REPORT

In preparing this MTREF we considered the input of all communities, stakeholders and organizations in the area of the Cape Winelands District Municipality as contemplated in Chapter 5 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000). The main contributing factors that informed this MTREF are as follows:

- (a) Medium Term Strategic Policy Framework presented by the Minister of Finance in February 2020 as well as provincial budget allocations;
- (b) State of the Province address by the Premier of the Western Cape;
- (c) State of the Nation Address;
- (d) The National Development Plan that aligns with provincial strategic objectives linked to the CWDM IDP; and
- (e) Alignment of plans and projects with the five local municipalities in our District.

We have a total budget of R1.43 billion for the MTREF period (2020/2021, 2021/2022 and 2022/2023) which must be allocated within our legislative framework to the benefit of the citizens of our region.

The needs of all sectors identified during the public participation process of the Cape Winelands District Municipality were accommodated as far as possible taking into account our legislative mandate and financial viability. Some projects were continued to stimulate economic growth in the region, which will give effect to job creation. At the same time the needs of the poorest of the poor were specifically addressed in our projects and significant amounts are allocated in the budget for this purpose.

The Cape Winelands District Municipality will receive the following subsidies and transfers during the MTREF period:

2020/2021	R 367 643 100
2021/2022	R 375 055 200
2022/2023	R 385 856 900

Local Economic Development is an objective of district municipalities and it creates a conducive environment for economic development, which in turn reduces poverty. In this regard, the Cape Winelands District Municipality utilizes tourism and sport projects to unlock opportunities of economic development and to contribute to the creation of opportunities to provide a better quality of life for all.

Our core functions, of which firefighting services, municipal health services and disaster management receive significant amounts of money in the budget, render a valuable service to the community and act as the flagships for the services of our district.

The Cape Winelands District Municipality achieved its sixth clean audit in the 2018/2019 financial year. I must commend the Municipal Manager, Chief Financial Officer, officials and councillors for their hard work to achieve this. Many people and organisations have complimented us on our achievements through the past six years.

Despite the financial challenges encountered by district municipalities in the country, our Municipality is financially sound and sustainable, thanks to the exceptional financial stewardship of our Council and Administration.

SUMMARY OF THE BUDGET

The total operating and capital expenditure budget appropriation over the 2020/2021 to 2022/2023 MTREF illustrates as follows:

	2019/2020	2020/2021	2021/2022	2022/2023	Total MTREF
	R	R	R	R	R
Operating Expenditure	417,629,518	412,279,965	424,411,141	439,293,209	1,275,984,315
Project Expenditure	18,463,053	25,341,807	24,364,727	23,349,867	73,056,401
Sub Total	436,092,571	437,621,772	448,775,868	462,643,076	1,349,040,716
Capital Exenditure	10,948,827	29,890,971	23,758,100	23,047,900	76,696,971
Total Budget	447,041,398	467,512,743	472,533,968	485,690,976	1,425,737,687

The following cost containment measures were implemented:

- Reduced overseas and local travel
- Reduced catering at official functions and meetings
- Improved prioritisation of expenditure towards mandated functions
- Heeding the guidelines of National Treasury Circular number 98

Reflecting on the progress made by the Cape Winelands District Municipality thus far, I must compliment the Council for the manner in which it conducts its work, minding the present challenge of savings in a tight economic climate.

FROM THE MAYOR'S DESK

EXTERNAL RELATIONS:

The Cape Winelands District Municipality actively peruses the creation of co-operative partnerships and agreements with key stakeholders to stimulate local economic development in the area of the Cape Winelands District Municipality.

The strategic objectives for external relations are as follows:

- (i) To facilitate economic growth, tourism and investment with predetermined regions;
- (ii) Improve environmental resilience to climate change and to increase sustainability;
- (iii) To develop the necessary skills and best practises through knowledge sharing.

External relations are focus-driven to develop a coherent and sustainable offering for investors, including reputation of our region backed by efficient service delivery and service excellence. In order to achieve this goal, the District Municipality, through its partnership with WESGRO, build on existing networks created with international agencies to ensure we achieve the vision of a unified Cape Winelands of excellence for sustainable development.

Internationally, we enjoy the co-operation of the Department of International Relations and Cooperation, which assists in co-ordinating our projects to avoid duplication and unnecessary or wasteful expenditure.

Locally, the Cape Winelands District Municipality has a close working relationship with the Local Municipalities in our area. The District is also represented on various district, provincial and national forums where we meet and exchange information relating to the functioning of our Municipality.

CONCLUSION

This budget is the result of a consultation process with our community, stakeholders and provincial/national departments as well as the collective inputs of all political parties represented in Council with the aim to reduce poverty and to stimulate sustainable economic development.

B: RESOLUTIONS

The resolution with regard to the approval of the budget will be submitted with the submission of the 2020/2023 MTREF.

C: EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were again reviewed as part of this year's planning and budget process. The municipality strives to deliver sustainable services to its community without overburdening the consumers with excessive service fees with the key priority of government this year being a "back to basics" approach.

The following strategic risks have been identified during the recent annual risk assessment process:

Major risks:

1. Financial viability of the District Municipality
2. Inadequate contract management
3. Lack of Business Continuity
4. Climate Change
5. Lack of succession planning and talent management
6. Increasing employee costs year-on-year
7. Lack of or delayed service delivery due to COVID-19

For each of the above risk areas the municipality has put mitigating measures in place aligned to the specific department in the budget. These measures will be implemented over the MTREF period.

In addressing the key considerations contained in National Treasury's MFMA Circular 93, the following are highlighted in the budget:

- Capital projects were spread out over the MTREF to avoid large fluctuations in spending and ensure that priority is given to projects with high importance
- Tariff increases were kept as low as possible to ensure affordability thereof, whilst keeping in mind the cost of delivering services of a high quality. The proposed tariffs also include the VAT increase
- The municipality recognizes the importance of cash reserves and therefore strives to maintain a current ratio of not lower than 2.1 (Current Assets: Current Liabilities)

In view of the aforementioned, the following table is a consolidated overview of the proposed 2020/2021 Medium-term Revenue and Expenditure Framework:

OPERATING BUDGET:

Year	Expenditure	Income	Sub Total	Capital Funding	Surplus(-) /Deficit
2020/2021	437,621,772	-435,907,951	1,713,821	1,733,100	3,446,921
2021/2022	448,775,868	-444,060,190	4,715,678	1,806,200	6,521,878
2022/2023	462,643,076	-455,424,340	7,218,736	617,900	7,836,636

CAPITAL BUDGET:

Year	Expenditure	Income	Surplus(-)/Devicit
2020/2021	29,890,971	-29,890,971	-
2021/2022	23,758,100	-23,758,100	-
2022/2023	23,047,900	-23,047,900	-

OPERATING BUDGET – REVENUE

The Cape Winelands District Municipality is reliant on grant funding. This is as a result of the abolishment of the RSC Levies. The RSC replacement grant only increase with 2.7%, 2.8% and 2.4% over the MTREF period.

The following table reflects the revenue sources for the 2019/2020 and 2020/2021 financial years:

Sources of Income	2019/2020	2020/2021	% Inc./- Dec
Ex Rev: Operational Revenue	-15,306,990.00	-11,329,051.00	-25.99
Ex Rev: Rental Fixed Assets	-240,000.00	-131,000.00	-45.42
Ex Rev: Agency Services	-125,524,743.00	-119,238,100.00	-5.01
Ex Rev: Sales Goods and Services	-404,800.00	-404,800.00	-
Ex Rev: Service Charges	-150,000.00	-150,000.00	-
Ex Rev: Int Divident Rent on Land	-56,500,000.00	-56,000,000.00	-0.88
Non-Ex Rev:	-240,000.00	-250,000.00	4.17
Non-Ex Rev: Transfers & Subsidies	-244,684,703.00	-248,116,000.00	1.40
- RSC Replacement Grant	-229,717,000.00	-235,929,000.00	2.70
- Equitable Share	-2,339,000	-2,512,000	7.40
- LG Finance Management Grant	-1,000,000.00	-1,000,000.00	-
-Financial Management Support: mSCOA	-280,000.00	-	-100.00
-Financial Management Capacity Building Grant	-	-401,000.00	100.00
-Mun. Serv. & C'building Grant	-400,000.00	-	-100.00
-Internship Funding	-232,000.00	-	-100.00
- Fire Services Capacity Grant	-1,046,000.00	-	-100.00
- CWDM Integrated Transprot Plan	-1,687,703.00	-900,000.00	-46.67
- Safety Plan Implementation Grant	-2,100,000.00	-2,100,000.00	-
- Community Development Workers	-148,000.00	-75,000.00	-49.32
- Human Capacity Dev. Grant	-380,000.00	-	-100.00
- Subs. DOW.: Hiring of Toilets	-925,000.00	-985,000.00	6.49
- Expanded Public Works Programme	-1,581,000.00	-1,503,000.00	-4.93
- Rural Roads Asset Man, System (Dora)	-2,849,000.00	-2,711,000.00	-4.84
Seta Refund	-289,000.00	-289,000.00	-
Total	-443,340,236.00	-435,907,951.00	-1.68

OPERATING BUDGET – EXPENDITURE

The table below illustrates the operating Expenditure for 2018/2019 and 2019/2020 financial years:

Expenditure Categories	2019/2020	2020/2021	% Inc./-Dec.
Employee Related Costs	224,823,766	233,421,264	3.82
Remuneration of Councillors	13,322,726	13,940,994	4.64
Operational Cost	79,388,799	80,351,816	1.21
Contracted Services	56,738,254	58,039,156	2.29
Operating Leases	1,029,000	1,029,000	-
Bad Debt Written Off	1,018,100	750,000	-26.33
Depreciation and Amortisation	11,941,842	11,955,242	0.11
Inventory	35,098,834	25,018,300	-28.72
Transfers and Subsidies	12,534,640	13,096,000	4.48
Gains and Losses	196,610	20,000	-89.83
Total	436,092,571	437,621,772	0.35

EMPLOYEE RELATED COST

Employee related costs Increased with 3.82% opposed to the budgeted increase of 6.25% due to certain vacant posts not being budgeted for the whole financial year.

Remuneration of Councilors is budgeted for in terms of the Public Office Bearers Act.

OPERATIONAL COST

The increase of 1.21% in Operational Cost is mainly due to inflation in certain items such as electricity and municipal services.

BAD DEBT WRITTEN OFF

Due to large outstanding fire services accounts and the possibility that it will impair, the municipality must make provision for this expenditure.

INVENTORY

The 28.72% decrease in Inventory was caused by substantial decrease of the budget of the Roads Agency Function. The Roads Department is fully funded by the provincial Department of Transport and Public Works.

TRANSFERS AND SUBSIDIES

The increase in expenditure on Transfers and subsidies are linked to the increase in grant funding from National and Provincial Government.

CAPITAL BUDGET

The capital budget increased from R 10 948 827 in the 2019/2020 financial year to R 29 890 971 in the 2020/2021 financial year.

The detail is reflected in Annexure "G".

D: HIGH LEVEL 2020/2021 OPERATING BUDGET SUMMARY PER STRATEGIC OBJECTIVE

STRATEGIC OBJECTIVE	Income	Expenditure	-Surplus /Deficit
Community Development and Planning Services			
Regional Development and Planning	-50,000	22,953,456	22,903,456
Community & Developmental Services	-2,550,000	119,060,553	116,510,553
Rural & Social Development	-75,000	14,961,046	14,886,046
Total: Community Development and Planning Services	-2,675,000	156,975,055	154,300,055
Technical Services			
Engineering and Infrastructure	-6,464,190	39,307,482	32,843,292
Roads	-119,388,100	117,655,000	-1,733,100
Total: Technical Services	-125,852,290	156,962,482	31,110,192
Financial, Strategic and Administrative Support Services			
Governance and Councillor Support	-69,610,861	51,280,431	-18,330,430
Office of the Municipal Manager	-	18,163,952	18,163,952
Corporate Services	-690,000	24,332,624	23,642,624
Financial Services	-237,079,800	29,907,228	-207,172,572
Total: Financial, Strategic and Administrative Support Services	-307,380,661	123,684,235	-183,696,426
Total	-435,907,951	437,621,772	1,713,821
Capital Funding: Agency Services			1,733,100
(Surplus)/Deficit After Capital Funding			3,446,921

E: ANNUAL BUDGET TABLES

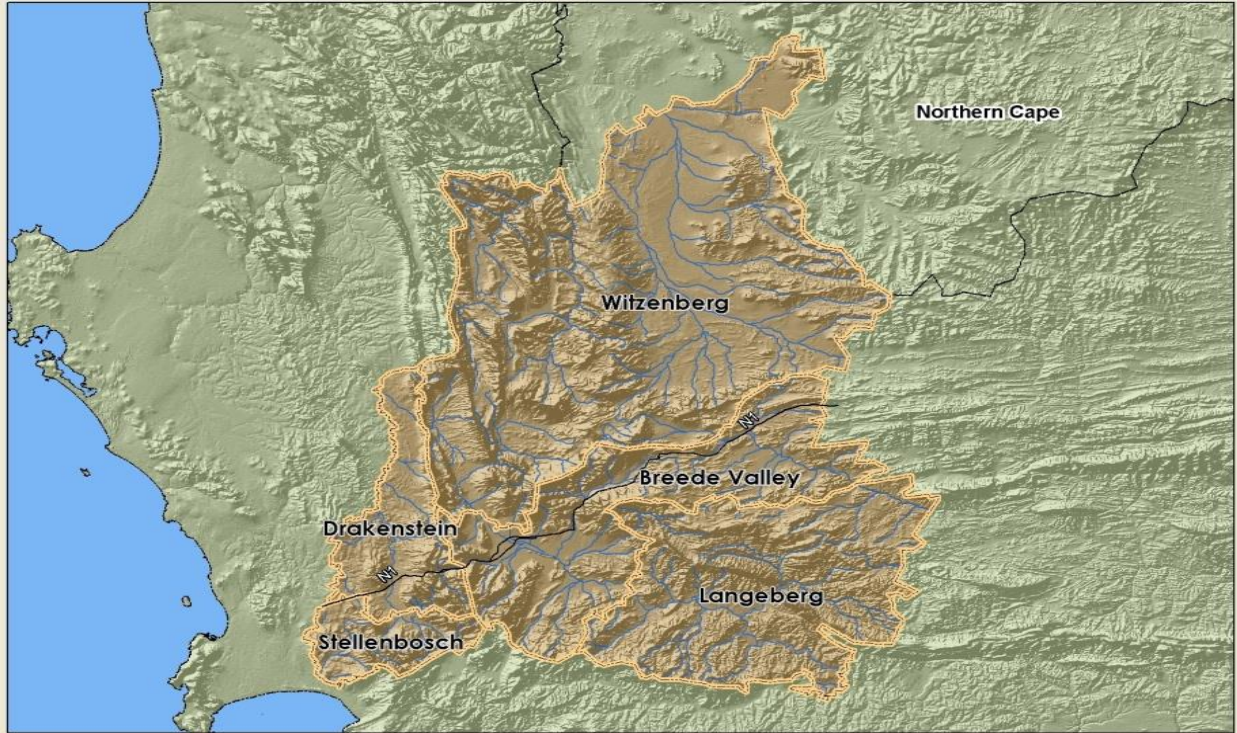
The following compulsory schedules will be submitted to Council.

- Budgeted Financial Performance (Revenue and Expenditure by standard classification) - Table A2
- Budgeted Financial Performance (Revenue and Expenditure by standard classification) – Table A3
- Budgeted Financial Performance (Revenue and Expenditure) - Table A4
- Budgeted Capital Expenditure by vote, standard classification and funding - Table A5
- Budgeted Financial Position - Table A6
- Budgeted Cash flows - Table A7
- Cash backed reserves/accumulated surplus reconciliation - Table A8
- Asset Management - Table A9
- Basic Service Delivery Measurement - Table A10

Table A10 were not completed because council does not deliver this kind of services hence no information is available to complete this table.

PART 2**A: OVERVIEW OF CAPE WINELANDS DISTRICT MUNICIPALITY****Background**

The Cape Winelands District Municipality is situated in the Western Cape Province and is one of 44 district municipalities in South Africa. The Western Cape Province is located in the south-western tip of the African continent, bordering the Northern Cape in the north, the Eastern Cape in the east, the Atlantic Ocean on the west, and the Indian Ocean in the south. The province covers a geographical area of 129 462 km², constituting 10.6% of the total land area of the country.



The Cape Winelands district is situated next to the Cape Metropolitan area and encloses 21 473 km². It is a landlocked area in-between the West Coast and Overberg coastal regions. The district includes five local municipalities, namely Drakenstein, Stellenbosch, Witzenberg, Breede Valley and Langeberg (formally known as Breede River/Winelands). The area is one of the “pearls” of South Africa’s rural and small-town sub-regions, but disparate with a relatively high and diverse level of development.

CAPE WINELANDS SOCIO-ECONOMIC PROFILE

DEMOGRAPHICS

Population

Population per municipality in the Cape Winelands

	2014	2016	2018
Cape Winelands	814 256	851 255	887 736
Witzenberg	115 618	123 861	129 596
Drakenstein	252 403	262 668	273 919
Stellenbosch	159 806	165 423	172 443
Breede Valley	179 935	188 150	196 081
Langeberg	106 495	111 154	115 696

(Source: Quantec, 2020)

All the municipal areas in the district's population have grown steadily between 2014 and 2018.

Households

The households in the Cape Winelands District has been steadily increasing.

Number of households per municipality in the Cape Winelands

	2014	2016	2018
Cape Winelands	203 444	212 287	221 174
Witzenberg	27 571	29 454	30 724
Drakenstein	59 384	61 686	64 242
Stellenbosch	44 372	45 722	47 519
Breede Valley	44 957	47 176	49 351
Langeberg	27 158	28 247	29 337

(Source: Quantec, 2020)

In addition to the number of people, the health and welfare of the people are also important, because in order to be optimally productive, people need to be healthy, well-fed and generally taken care of. The needs of a population are also relevant to planning the support needed to provide for the basic needs of a community.

Dependency ratio

The dependency ratio refers to the number of persons on average dependent on every working person in a region, i.e. the number of people supported by each economically active person.

Dependency ratio per area

Year	2014	2016	2018
Geography			
Total: South Africa	53	53	53
Cape Winelands	46	47	47
Witzenberg	45	44	44
Drakenstein	47	48	49
Stellenbosch	40	40	41
Breede Valley	49	49	50
Langeberg	49	50	50

(Source: Quantec, 2020)

The Cape Winelands District 47 people depend on 1 working person.

Other key numbers:

Health

In 2018/19 the Cape Winelands had 4.4 malnourished children (per 100 000) under the age of five. In that year the Cape Winelands District had the highest malnourish rate amongst all other districts in the Western Cape.

Education

The matric pass rate has been worsening from 84.7% (2016) to 80,6% in 2018.

Crime

Worcester, Stellenbosch and Paarl are among the top ten precincts in the Western Cape Province in terms of the number of certain crimes reported

(Source: Western Cape Government: Draft Socio-Economic Profile, Cape Winelands, 2019)

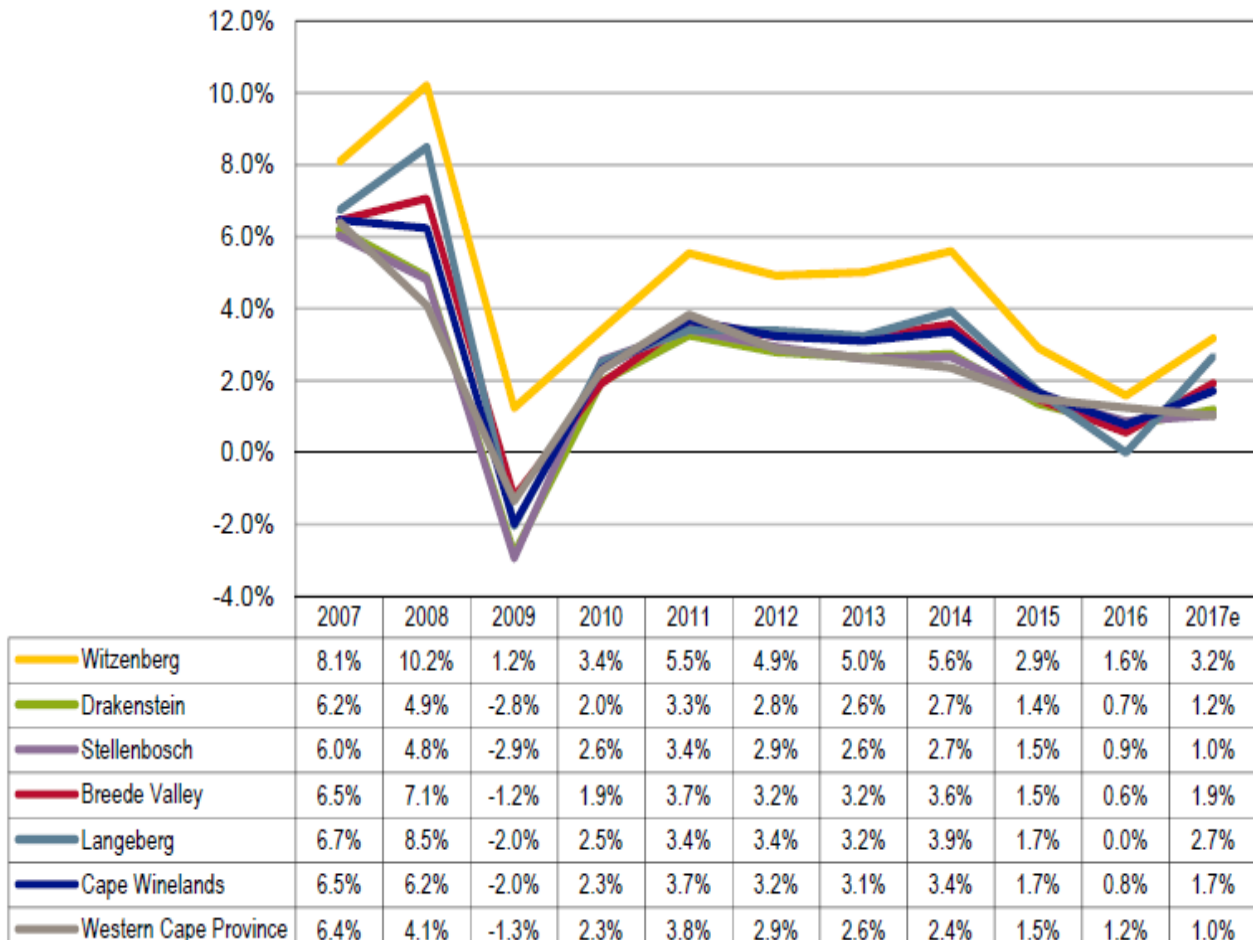
Economy

The main challenge facing South Africa and the Cape Winelands is the slow economic growth rate. Economic growth is important because it is a prerequisite for economic development.

Local Economy: GDP

The gross domestic product of a region (GDP) is used to measure the size of a region's economy. The Cape Winelands District's regional GDP (GDP) has averaged an annual growth rate of 2.6% between 2010 and 2016 as shown in the figure below.

Real GDP per Municipality in the Cape Winelands



(Source: Quantec, 2020)

The NDP sets a national target of 5.4% annual GDP growth rate. The Cape Winelands District outperformed the Western Cape Province's average GDP growth rate since 2012, but fell behind the provincial growth rate in 2016. However, in 2017, it is estimated that it will outperform the provincial growth rate again.

Local Economy: Sectors

In the table below the total GDP for the Cape Winelands District amounted to R65277 billion in 2017. In the Cape Winelands District, the tertiary sector contributes almost two thirds of total GDP, the secondary sector contributes about a quarter and the primary sector contributes 10%.

Cape Winelands District: GDP performance per sector

SECTOR	Contribution to GDP (%) 2017	R million value 2017
Primary Sector	10.0	6 550.6
Agriculture, forestry & fishing	9.8	6 422.7
Mining & quarrying	0.2	127.8
Secondary Sector	24.3	15 881.8
Manufacturing	15.6	10 172.4
Electricity, gas & water	2.2	1 468.3
Construction	6.5	4 241.2
Tertiary Sector	65.6	42 844.3
Wholesale & retail trade, catering & accommodation	18.6	12 133.6
Transport, storage & communication	9.5	6 175.7
Finance, insurance, real estate & business services	19.8	12 894.7
General government	10.3	6 732.1
Community, social & personal services	7.5	4 908.2
Total CWD	100.0	65 276.7

Source: Western Cape Government: Draft Socio-Economic Profile, Cape Winelands, 2019

Economy: Employment

The table below shows that the majority of jobs in the Cape Winelands District are created by the wholesale and retail trade, catering and accommodation sector, followed by the agriculture, forestry and fishery sector. Wholesale and retail trade, catering and accommodation contributed 22% to employment in 2017.

Cape Winelands District: Employment growth per sector

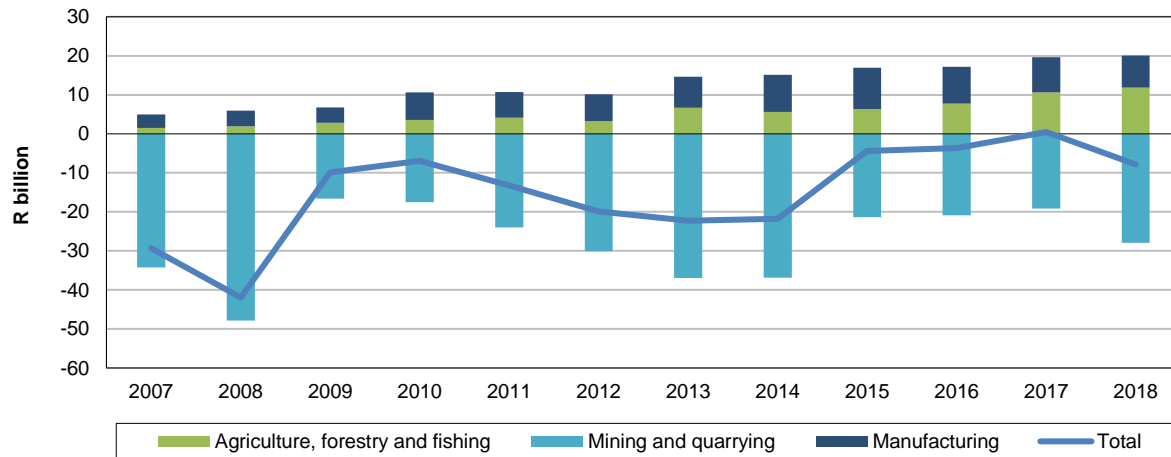
Cape Winelands District: Employment growth per sector 2008 – 2018e									
Sector	Contribution to employment	Number of jobs 2017	Trend		Employment (net change)				
	2017		2008 - 2017	2014 – 2018e	2014	2015	2016	2017	2018e
Primary sector	21.8	84 015	- 34 532	3 878	- 4 857	18 488	- 4 132	-3 577	-2 044
Agriculture, forestry & fishing	21.7	83 829	- 34 502	3 883	- 4 861	18 479	- 4 134	-3 575	- 2 026
Mining & quarrying	0.0	186	- 30	- 5	4	9	2	- 2	- 18
Secondary sector	14.2	54 559	4 862	5 071	1 435	1 027	1 098	1 001	510
Manufacturing	8.2	31 461	- 2 553	128	28	450	- 404	355	- 301
Electricity, gas & water	0.3	1 034	327	116	40	41	43	14	- 22
Construction	5.7	22 064	7 088	4 827	1 367	536	1 459	632	833
Tertiary sector	64.1	246 974	74 857	37 782	8 320	9 860	3 224	9 558	6 820
Wholesale & retail trade, catering & accommodation	22.0	84 919	27 675	15 515	2 321	4 417	1 587	4 981	2 209
Transport, storage & communication	3.5	13 437	5 641	1 528	304	1 001	- 616	623	216
Finance, insurance, real estate & business services	14.5	55 979	19 127	11 730	2 159	2 801	1 301	2 206	3 263
General government	9.2	35 627	7 048	1 557	1 934	- 559	739	-1 077	520
Community, social & personal services	14.8	57 012	15 366	7 452	1 602	2 200	213	2 825	612
Total CWD	100.0	385 548	45 187	46 731	4 898	29 375	190	6 982	5 286

Source: Western Cape Government: Draft Socio-Economic Profile, Cape Winelands, 2019

Economy: Trade

The Winelands District is a nett importer, with the value of imported products exceeding that of exported products. Since 2007 the Cape Winelands has shown a trade deficit except in 2017 where the District achieved a R0.5 billion surplus. The Cape Winelands District exported goods worth R30.4 billion in 2018 and imported goods, worth R38.3 billion into the District. Imports are mostly mining and quarrying products and exports are mostly manufactured products.

Cape Winelands District: Trade Balance



Source: Western Cape Government: Draft Socio-Economic Profile, Cape Winelands, 2019

In conclusion:

The target GDP growth as per the NDP is an average annual rate of 5.4%. Over the past years, this target was not attained. Although the Cape Winelands district has shown a very modest growth in GDP, it has been declining since 2014. The growth rate forecast for the next few years is even lower than the growth rate of previous years, and therefore it is too slow to achieve the target set by the NDP.

Political Structure

The Municipal Council of the Cape Winelands District Municipality has 41 councillors. The Mayoral Committee (Mayco) consists of the Executive Mayor, the Deputy Executive Mayor and 7 councillors. The members of the Mayoral Committee, Speaker and Single Whip of Council are deemed full-time councillors. The composition of the Municipal Council is as follows:

Party	Democratic Alliance (DA)	African National Congress (ANC)	Economic Freedom Fighters (EFF)	Breedevallei Onafhanklik (BO)
No. of Councillors	27	11	2	1

The table below presents the Mayoral Committee, Speaker, Single Whip of Council and portfolios:

Name	Portfolio	Political Party
Cllr. (Dr.) H. von Schlicht	Executive Mayor	DA
Cllr. D. Swart	Deputy Executive Mayor Agri Parks and Co-ordinator of the Agri Committee	DA
Cllr. C. Meyer	Speaker	DA
Cllr. D.D. Joubert	Single Whip of Council	DA
Cllr. P.C. Ramokhabi	Rural and Social Development Administrative Support Services Human Resources	DA
Cllr. J.D.F. Van Zyl	Financial Services	DA
Cllr. G.J. Carinus	Information and Communication Technology Facilities Management Project Management Roads Regulation of Passenger Transport Services	DA
Cllr. J.J. Du Plessis	Local Economic Development Spatial Planning and Environmental Management Tourism IDP	DA
Cllr. A. Florence	Sport, Arts & Culture	DA
Cllr. L.W. Niehaus	Fire Services Disaster Management Municipal Health Services	DA
Cllr. L. Landu	Advisor to the Executive Mayor	DA

Workforce Management

The Development Priorities of the Cape Winelands District Municipality as contained in the IDP cannot be achieved without people (human resources) and therefore the effective management of human resources makes a vital contribution to achieving these goals. The Cape Winelands District Municipality, through its salary budget, human resource management policies, practices, systems, etc. recognises that its employees are central in realising the vision and mission of the organisation.

TOP ADMINISTRATIVE STRUCTURE



Municipal Manager:
Mr HF Prins



Executive Director:
**Community Development
and Planning Services**
Mr Pietie Williams



Executive Director:
Technical Services
Mr F van Eck



Chief Financial Officer:
**Financial and Strategic
Support Services**
Ms FA du Raan-Groenewald

B: LEGISLATIVE ENVIRONMENT

Legal Requirements

The medium-term revenue and expenditure framework for 2019/2020, 2020/2021 and 2021/2022 was compiled in accordance with the requirements of the relevant legislation, of which the following are the most important:

- the Constitution, Act 108 of 1996

- the Local Government Transition Act, Act 209 of 1993
- the Municipal Structures Act, Act 117 of 1998
- the Municipal Systems Act, Act 32 of 2000
- the Municipal Finance Management Act, Act 56 of 2003

In addition to the above, the Municipal Budget and Reporting Framework as approved on 17 April 2009 gave a clear directive on the prescribed reporting framework and structure to be used.

Guidelines issued by National Treasury

National Treasury issued the following circulars regarding the budget for 2020/2021:

- Addendum to MFMA Circular No. 88 Municipal Finance Management Act No. 56 of 2003
- MFMA Circular No. 98 Municipal Budget Circular for the 2020/21 MTREF
- MFMA Circular No. 99 Municipal Budget Circular for the 2020/21 MTREF

Other circulars used during the compilation of the budget:

- MFMA Circular No. 48 Municipal Budget Circular for the 2009/10 MTREF – 2 March 2009
- MFMA Circular No. 51 Municipal Budget Circular for the 2010/11 MTREF – 19 February 2010
- MFMA Circular No. 54 Municipal Budget Circular for the 2011/12 MTREF – 10 December 2010
- MFMA Circular No. 55 Municipal Budget Circular for the 2011/12 MTREF – 8 March 2011
- MFMA Circular No. 70 Municipal Budget Circular for the 2014/2015 MTREF – 4 December 2013
- MFMA Circular No. 72 Municipal Budget Circular for the 2014/2015 MTREF – 17 March 2014
- MFMA Circular No. 74 Municipal Budget Circular for the 2015/2016 MTREF – 12 December 2014
- MFMA Circular No. 78 Municipal Budget Circular for the 2016/2017 MTREF – 7 December 2015
- MFMA Circular No. 85 Municipal Budget Circular for the 2017/2018 MTREF – 9 December 2016
- MFMA Circular No. 86 Municipal Budget Circular for the 2017/2018 MTREF – 8 March 2017
- MFMA Circular No. 89 Municipal Budget Circular for the 2018/2019 MTREF – 8 December 2017
- MFMA Circular No. 90 Tax Compliance Status – 30 January 2018
- MFMA Circular No. 91 Municipal Budget Circular for the 2018/2019 MTREF – 7 March 2018
- MFMA Circular No. 93 - Municipal Budget Circular for the 2019/20 MTREF - 7 December 2018

- MFMA Circular No. 94 - Municipal Budget Circular for the 2019/20 MTREF - 8 March 2019

Other Guidelines:

- National outcomes/priorities
- Headline inflation forecasts
- Revising rates, tariffs and other charges
- Funding choices and management issues
- Conditional transfers to municipalities

The guidelines provided in the above-mentioned circulars, annexures and other economic factors were taken into consideration and informed budget preparation and compilation.

C: OVERVIEW OF ANNUAL BUDGET PROCESS

Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor.

The primary aims of the Budget Steering Committee are to ensure:

- That the process followed to compile the budget complies with legislation and good budget practices;
- That there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, considering the need to protect the financial sustainability of the municipality;
- That the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

1. Budget process overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required 4th Generation IDP 2017 – 2021 (5-year plan) and budget time schedule on 25 May 2017. Annually the IDP document must be reviewed as required by legislation. On 31 May 2018 the 1st Review IDP was approved by Council, and on 27 May 2019 Council approved the 2nd Review IDP.

2. IDP and Service Delivery and Budget Implementation Plan

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation, which directly inform the Service Delivery and Budget Implementation Plan.

With the compilation of the 2020/2021 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the midyear performance against the 2019/2020 Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially inform the detail operating budget appropriations and three-year capital programme.

3. Community /Stakeholder Consultation

A full IDP/Budget consultation process will be carried out during April 2020. During this process, members of the community will be afforded the opportunity to provide inputs and comments on the draft budget presented to them. The comments and inputs will be reviewed and where viable the proposed changes will be incorporated into the final budget and 3rd Review IDP to be approved by Council end of May 2020.

D: OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH THE INTEGRATED DEVELOPMENT PLAN (IDP)

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Integrated developmental planning in the South African context is amongst other, and approach to planning aimed at involving the municipality and the community to jointly find the best solutions

towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

The Integrated Development Plan (IDP) is a single and inclusive strategic plan for the development of a municipality, which integrates plans and resources in a sustainable manner. The Fourth Generation Integrated IDP's provide an opportunity to strengthen integrated planning, budgeting and implementation between the Western Cape Government and the respective Western Cape Municipalities and to influence planning to contribute to sustainable local government. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

More detail with regard to the alignment of the Annual Budget and IDP is provided in the attached 3rd Review IDP document which will be submitted to Council end of May 2020 as Annexure "E".

The strategic goals and resultant focus areas of the IDP are as follow:

Strategic Objective 1: Community Development and Planning Services

Creating an environment and forging partnerships that ensure social and economic development of all communities, including the empowerment of the poor in the Cape Winelands District.

- Provide a comprehensive and equitable Municipal health Service including Air Quality Management throughout the CWDM.
- Ensure coordination of multi-disciplinary and sectoral disaster risk reduction through integrated institutional capacity for Disaster Risk management, Disaster Risk Assessment and Response and Recovery.
- Effective planning and coordination of specialized fire-fighting services throughout the CWDM
- To facilitate environmentally sustainable economic development planning through the development and maintenance of strategic partnerships, investment attraction, retention and opportunities, SMME support and development, skills development and information acknowledgement.
- To facilitate, ensure and monitor the development and empowerment of the poor by graduating people out of poverty, social inclusion and improving the livelihood of the poor, vulnerable groups, rural farm dwellers and rural communities.

Strategic Objective 2: Technical Services

Promoting sustainable infrastructure services and a transport system which fosters social and economic opportunities

- To comply with the administrative and financial conditions of the Western Cape Government roads agency function agreement.
- To implement sustainable infrastructure services.
- To increase levels of mobility in the whole of the CWDM area.
- To improve infrastructure services for rural dwellers.
- To implement an effective ICT support system.

Strategic Objective 3: Financial, Strategic and Administrative Support Services

Providing effective and efficient financial and strategic support services to the Cape Winelands District Municipality.

- To facilitate and enhance sound financial support services
- To strengthen and promote participative and accountable IGR and governance.
- To facilitate and enhance sound strategic support services

E: OVERVIEW OF BUDGET RELATED POLICIES

The policies listed below were reviewed. Adjustments to the reviewed policies are attached as part of Annexure “B”.

Budget Policy

Cash Management and Investment Policy

Implementation of the Expanded Public Works Program (EPWP) Policy

Funding and Reserves Policy

Appointment of Consultants Policy

Mobile Device Policy

Official Vehicles and Fleet Management Policy

Virement Policy

Branding Policy

Leave and Unpaid Leave Policy

Asset Management Policy

Private Work: Declaration of Interest; Code of Conduct for Supply Chain Management Practitioners and Role Players

Petty Cash Policy

Community Support Policy

Corporate Gifts Policy

Expenditure Management Policy

Grant in Aid Policy

Implementation of the Expanded Public Works Program (EPWP) Policy

Internship Policy
Inventory and Stock Management Policy
Leave and Unpaid Leave Policy
Long Term Financial Planning and Implementation Policy
Maintenance Management Policy
Overtime Policy
Revenue Management Policy
Cost Containment Policy
Supply Chain Management Policy
Sponsorships Policy
Unauthorized, Irregular, Fruitless and Wasteful Expenditure Policy
Unforeseen and Unavoidable Expenditure Policy

F: OVERVIEW OF KEY BUDGET ASSUMPTIONS

Municipalities' long-term financial viability depends largely on the extent to which improved and sustainable revenue capacity on the one hand and sound financial management of its resources on the other hand can be achieved. These imperatives necessitate proper multi-year financial planning. Future impacts of revenue streams, expenditure requirements and the financial implications for the community at large (i.e. the potential influence on rates, tariffs and service charges) must be identified and assessed to determine the sustainability of planned interventions, programs, projects and sundry service delivery actions.

The following factors have been taken into consideration in the compilation of the 2019/2020 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for electricity, water and fuel; and
- The increase in the cost of remuneration
- Interest earned on investments

Impact of national, provincial and local policies

Provincial Strategic Plan 2019 -2024

The Provincial Strategic Plan (PSP) sets out the Western Cape Government's (WCG) vision and strategic priorities. The PSP 2019-2024 builds on the firm foundations that were put in place during the last two terms of office.

Based upon Strategic Foresight analysis conducted by the Province, it is clear that, without intervention, the Western Cape's development trajectory will result in the same social and economic outcomes as we are currently experiencing. However, if we focus on accelerated development through specific interventions to promote inclusive economic growth, individual well-being, and safe and dignified communities, further progress can be made on the successes of the last decade. This makes the "whole of society" approach relevant, as it means that every organisation, institution, community, household and individual has a role to play in development, with a capable state providing the foundation and access to opportunities for them to do so.

Return on Investments

- Interest on all investments are calculated at the rates quoted until the maturity date, from the April 2021 until June 2021 it is calculated at an average rate of 5.4% per annum.

Covic-19

- Management did an extensive review of all expenditure items and identified certain expenditure items to be reprioritised to fund Covid -19 expenditure in the 2019/2020 financial year. Due to the uncertainty around the possible exposition of positive Covid-19 cases management will do the same review process early in the 2020/2021 financial year to redirect expenditure to the item funding the Covid-19 Expenditure.

Realising a vision for the Western Cape

The WCG commits to building a values-based competent state that enables opportunity and promotes responsibility in a safer Western Cape.

- We will live and be held accountable to our values as a government and we will continue to build the capable state on this foundation.
- We will continue delivering opportunities to our people and we will expect them to take responsibility for improving their own lives.
- We will make this Province safer under the Rule of Law.

This vision is expressed in the five strategic priorities identified for 2019-2024, our Vision-inspired Priorities.



G: EXPENDITURE ON ALLOCATION AND GRANT PROGRAMMES

Refer to MBRR SA 19.

H: ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

Refer to MBRR SA 21 and Annexure “I”

I: COUNCILLOR AND BOARD MEMBER ALLOWANCES AND EMPLOYEE BENEFITS

Refer to MBRR SA 23 and Annexure “F”

J: MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

Refer to MBRR SA 25; SA 26; SA27; SA28; SA 29 and SA 30 and Annexure “A”

K: CONTRACTS HAVING FUTURE AND BUDGETARY IMPLICATIONS

The municipality did not enter into agreements with future budgetary implications. Refer to MBRR Section 33.

L: DETAIL CAPITAL BUDGET 2015-2016

Refer to MBRR SA 35, MBRR SA 36 to be submitted as Annexure “G”.

M: LEGISLATION COMPLIANCE

Compliance with the MFMA implementation requirements has been substantially adhered to through the following activities:

- Budget and Treasury Office
A Budget Office and Treasury Office have been established in accordance with the MFMA.
- Budgeting
The annual budget is prepared in accordance with the requirements prescribed by National Treasury and the MFMA.
- Financial reporting
The municipality is 100% compliant with regards to monthly, quarterly and annual reporting to the Executive Mayor, Mayoral Committee, Council, Provincial and National Treasury.
- Annual Report
The annual report is prepared in accordance with the MFMA and National Treasury requirements.
- Audit Committee
An Audit Committee has been established and is fully functional.
- Service Delivery and Budget Implementation Plan
The detailed SDBIP document is at a draft stage and will be finalized after approval of the 2019/2020 MTREF in May 2020.
- MMC Training
Most of the senior, middle management and interns have attended the MMC Training (Municipal Minimum Competency Training) conducted by the School of Public Management and Planning (University of Stellenbosch).

N: OTHER SUPPORTING DOCUMENTS

Additional information/schedules in accordance with the budget and reporting regulations as listed below are set out in Annexure “A.5”.

SA1 - Supporting detail to Budgeted Financial Performance:

SA2 - Matrix Financial Performance Budget (revenue source/expenditure type)

SA3 - Supporting detail to Budgeted Financial Position

SA4 - Reconciliation of IDP strategic objectives and budget (revenue)

SA5 - Reconciliation of IDP strategic objectives and budget (operational expenditure)

SA6 - Reconciliation of IDP strategic objectives and budget (capital expenditure)

SA7 - Measurable Performance Objectives Refer to the attached SDBIP document section 8. The SDBIP will only be signed after the approval of the 2020/2021 Budget


- SA8 - Performance indicators and benchmarks
- SA9 - Social, economic and demographic statistics and assumptions
- SA10 - Funding measurement
- SA11 - Property Rates Summary - Not applicable
- SA12a- Property rates by category - Not applicable
- SA12b- Property rates by category - Not applicable
- SA13 Service Tariffs by category
- SA14 - Household bills - Not applicable
- SA15 - Investment particulars by type
- SA16 - Investment particulars by maturity
- SA17 - Not applicable
- SA18 - Transfers and grant receipts
- SA20 - Reconciliation of transfers grant receipts and unspent funds
- SA24 - Summary of personnel numbers
- SA26 - Budgeted monthly revenue and expenditure (municipal vote)
- SA27 - Budgeted monthly revenue and expenditure (standard)
- SA28 - Budgeted monthly capital expenditure (municipal vote)
- SA29 - Budgeted monthly capital expenditure (standard)
- SA30 - Budgeted monthly cash flow
- SA31 - Not applicable
- SA32 - List of external mechanism
- SA34a- Capital expenditure on new asset class
- SA34b- Capital expenditure on the renewal of existing assets by asset class
- SA34c- Repairs and maintenance expenditure by asset class
- SA34d Depreciation by asset class
- SA35 - Future financial implications of the capital budget
- SA36 - Detailed Capital Budget
- SA37 - Not available yet

O: QUALITY CERTIFICATE

I.....HF Prins..... Municipal Manager of Cape Winelands District Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Name: Henry Frederick Prins

Municipal Manager of Cape Winelands District Municipality

Signature  _____

Date 28 / 05 / 2020