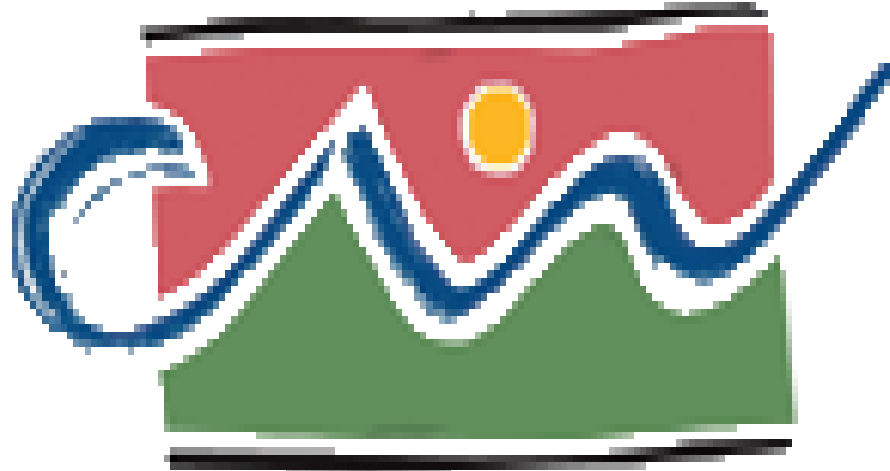


Annexure "A. 1"

CAPE WINELANDS DISTRICT MUNICIPALITY



CAPE WINELANDS DISTRICT
MUNICIPALITY • MUNISIPALITEIT • UMUNSIPOLA

**MEDIUM TERM REVENUE AND EXPENDITURE
FRAMEWORK FOR THE FINANCIAL PERIOD
2022/2023 TO 2024/2025**

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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 the following:

- (a) State of the Nation Address ;
- (b) Medium Term Strategic Policy Framework presented by the Minister of Finance in February 2022;
- (c) State of the Province address by the Premier of the Western Cape as well as provincial budget allocations;
- (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 R1.56 billion over the MTREF period (2022/2023, 2023/2024 and 2024/2025) 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, considering our legislative mandate and financial viability. Some projects have been continued to stimulate economic growth in the region, which will create opportunities for job creation. At the same time the needs of the most vulnerable groups in our communities were specifically addressed in our projects and appropriations are aimed towards this purpose.

The Cape Winelands District Municipality envisage to receive the following subsidies and transfers, consisting of the Equitable Share, RSC Levy Replacement Grant, Conditional Grants and the Allocation from Provincial Government Western Cape for the Roads Function, during the MTREF period:

2022/2023	R 369 415 920
2023/2024	R 388 310 500
2024/2025	R 398 242 900

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 local economic development 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 have significant budget appropriations as these functions render a valuable service to the community and act as the flagships for the services of our district.

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

SUMMARY OF THE BUDGET

The total operating and capital expenditure budget appropriation over the 2022/2023 to 2024/2025 MTREF illustrates as follows:

	2021/2022 Adj. Budget	2022/2023 Draft Budget	2023/2024 Draft Budget	2024/2025 Draft Budget	Total MTREF
	R	R	R	R	R
Operating Expenditure	406,658,702	402,462,593	434,290,837	445,432,980	1,282,186,410
Project Expenditure	17,266,638	24,616,987	20,616,087	20,756,087	65,989,161
Sub Total	423,925,340	427,079,580	454,906,924	466,189,067	1,348,175,571
Capital Expenditure	15,506,977	124,183,400	66,634,000	17,737,000	208,554,400
Total Budget	439,432,317	551,262,980	521,540,924	483,926,067	1,556,729,971

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 2022/2023 to 2024/2025 MTREF.

C: EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the Municipality's IDP/Budget 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 following strategic risks have been identified during the recent annual risk assessment process:

Current strategic and emerging risks:

Current Strategic risks

- • Compromised financial sustainability of the municipality;
- • Increasing employee costs year on year;
- • Insufficient electricity supply(load shedding);
- • Loss of provincial roads services function;
- • Deteriorating employee wellness.

Current Emerging risks

- • Limitations to attract and retain skilled staff;
- • Climate change/ extreme weather conditions;
- • Escalating social ills within the district;
- • Inability to deliver services;
- • Cyber crime;
- • Supply chain vulnerabilities.

For each of the above risk areas the Municipality implemented mitigating measures that are aligned to the specific Departments.

In addressing the key considerations contained in National Treasury’s MFMA Circular 112, the following are highlighted in the budget:

- Capital projects were spread 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 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)

The following tables are a consolidated overview of the proposed 2022/2023 to 2024/2025 MTREF:

OPERATING BUDGET:

Year	Expenditure	Revenue	(Surplus)
			/Deficit
2022/2023	427,079,580	(427,079,580)	-
2023/2024	454,906,924	(454,906,924)	-
2024/2025	466,189,067	(466,189,067)	-

CAPITAL BUDGET:

Year	Expenditure	Revenue			(Surplus) /Deficit
		Capital Replacement Reserve	External Funding	External Loan	
2022/2023	124,183,400	(58,055,500)	(2,127,900)	(64,000,000)	-
2023/2024	66,584,000	(20,047,500)	(736,500)	(45,800,000)	-
2024/2025	17,737,000	(17,737,000)	-	-	-

The operating revenue and expenditure budget reflect as a balanced budget over the MTREF and particulars thereof follows.

OPERATING BUDGET – REVENUE

The Cape Winelands District Municipality is reliant on grant funding as a result of the abolishment of the RSC Levies in 2006. The RSC Levy replacement grant increase year – on - year with 2.4%, 2.2% and 2.2% over the MTREF period.

The following table reflects the revenue sources for the 2021/2022 and 2022/2023 financial years:

Sources of Revenue	Adjustments Budget 2021/2022	Draft Budget 2022/2023	Increase/ (Decrease)
Exchange Revenue: Operational Revenue	11,672,482	13,345,860	14%
Exchange Revenue: Rental fixed Assets	240,000	240,000	0%
Exchange Revenue: Agency Services	111,355,442	111,299,920	0%
Exchange Revenue: Sales Goods and Services	224,800	477,800	113%
Exchange Revenue: Service Charges	150,000	0	-100%
Exchange Revenue: Interest on Investments	41,000,000	43,000,000	5%
Non-Exchange Revenue: Health Certificates	600,000	600,000	0%
Non-Exchange Revenue: Transfers and Subsidies	258,301,729	258,116,000	0%
-RSC Replacement Grant	242,546,000	248,404,000	2%
-Equitable Share	2,662,000	2,891,000	9%
-LG Finance Management Grant	1,000,000	1,000,000	0%
-Internship Funding	101,545	-	-100%
-Public Employment Support Grant	200,000	-	-100%
-Joint District and Metro Approach	2,000,000	-	-100%
-Fire Services Capacity Grant	1,046,000	-	-100%
-CWDM Integrated Transport Plan	1,722,456	-	-100%
-Safety Plan Implementation Grant	2,617,601	1,500,000	-43%
-Community Development Workers	245,127	75,000	-69%
-Expanded Public Works Programme	1,413,000	1,369,000	-3%
-Rural Roads Asset Management System Grant	2,748,000	2,877,000	5%
Discontinued Operations	46,087	-	-100%
Seta Refund	334,800	-	-100%
Total	423,925,340	427,079,580	1%

OPERATING BUDGET – EXPENDITURE

The table below illustrates the operating Expenditure for 2021/2022 and 2022/2023 financial years:

Expenditure Categories	2021/2022	2022/2023	% Increase/ (Decrease)
Employee Related Costs	233,482,967	234,207,892	0.3%
Remuneration of Councillors	13,232,003	13,824,831	4%
Operational Cost	68,650,509	71,140,380	4%
Contracted Services	57,106,660	58,248,954	2%
Interest Dividend Rent On Land	-	2,789,696	100%
Operating Leases	300,000	300,000	0%
Bad Debt Written Off	150,000	500,000	233%
Depreciation and Amortisation	9,976,320	9,560,700	-4.17%
Inventory	22,202,381	19,455,487	-12%
Transfers and Subsidies	18,812,500	17,039,640	-9%
Gains and Losses	12,000	12,000	0%
Total	423,925,340	427,079,580	1%

EMPLOYEE RELATED COST

Employee related costs increased with the projected average CPI (4.5%) as stipulated in the relevant bargaining council agreement. However, the overall effect after considering realistic recruitment processes, the Employee Related Cost increased with 0.3%.

Remuneration of Councillors increased with 4%, however the new upper limits in terms of the Public Office Bearers Act will be implemented when available.

OPERATIONAL COST

The increase of 4% in Operational Cost is mainly due to the increase in inflation.

INTEREST DIVIDEND RENT ON LAND

Provision was made for Interest cost in the amount of R2,789,696 related to the establishment of a regional landfill site

BAD DEBT WRITTEN OFF

Due to the possibility that outstanding fire services accounts will be impaired, provision must be made for this expenditure.

INVENTORY

The 12% decrease in Inventory is related to the decrease in the Roads allocation.

TRANSFERS AND SUBSIDIES

The decrease in expenditure on Transfers and subsidies is linked to the decrease in transfers to the local municipalities.

CAPITAL BUDGET

The capital budget increased from R 15 506 977 in the 2021/2022 financial year to R 124 183 400 in the 2022/2023 financial year. The increase is mainly due to the establishment of the regional landfill site and the replacement of fire engines.

The detail is reflected in Annexure "G".

D: HIGH LEVEL 2021/2022 OPERATING BUDGET SUMMARY PER STRATEGIC OBJECTIVE

STRATEGIC OBJECTIVE	Revenue	Expenditure	(Surplus) / Deficit
Community Development and Planning Services			
Regional Development and Planning	(50,000)	21,122,169	21,072,169
Community & Developmental Services	(2,273,000)	124,086,138	121,813,138
Rural & Social Development	(75,000)	14,977,131	14,902,131
Total: Community Development and Planning Services	(2,398,000)	160,185,438	157,787,438
Technical Services			
Engineering and Infrastructure	(5,840,190)	39,822,585	33,982,395
Roads	(111,449,920)	109,322,020	(2,127,900)
Total: Technical Services	(117,290,110)	149,144,605	31,854,495
Financial, Strategic and Administrative Support Services			
Governance and Councillor Support	(57,551,870)	41,526,476	(16,025,394)
Office of the Municipal Manager	0.00	17,910,385	17,910,385
Corporate Services	(334,800)	24,305,756	23,970,956
Financial Services	(249,504,800)	34,006,920	(215,497,880)
Total: Financial, Strategic and Administrative Support Services	(307,391,470)	117,749,537	(189,641,933)
(Surplus)/Deficit After Capital Funding	(427,079,580)	427,079,580	0

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

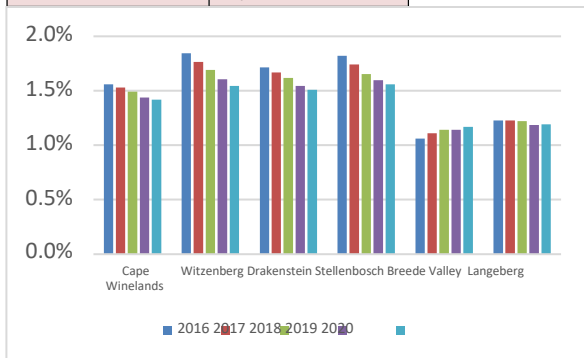
OVERVIEW: Demographics and other key development information

Population: 2020

Cape Winelands has **905 057** people which is **1,5%** of the national population and **13,2%** of the Western Cape province.

Population Growth Rate: 2020

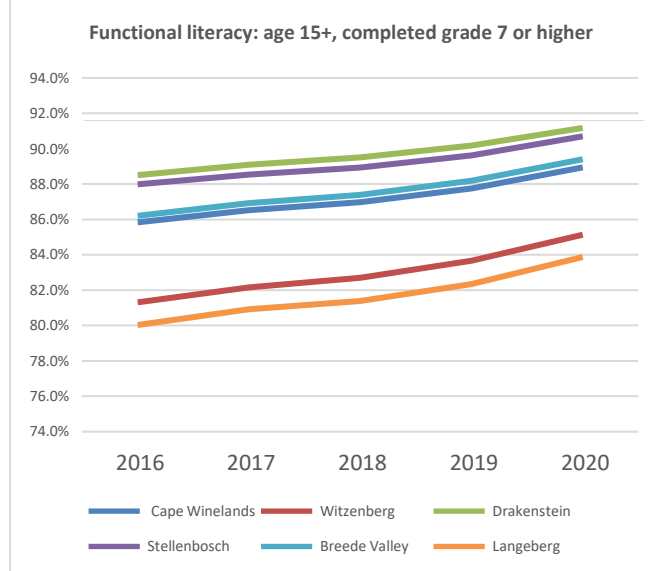
Geography	2020
CW	1,4 %
Western Cape	1,6 %
National	1,5%



All areas except Breede Valley and Langeberg has a declining population rate.

Source: IHS Rex Report, Global Insight, 2022

Functional Literacy rate: 2016 – 2020



The education levels give a breakdown of highest level of education for those that are 20 years and older.

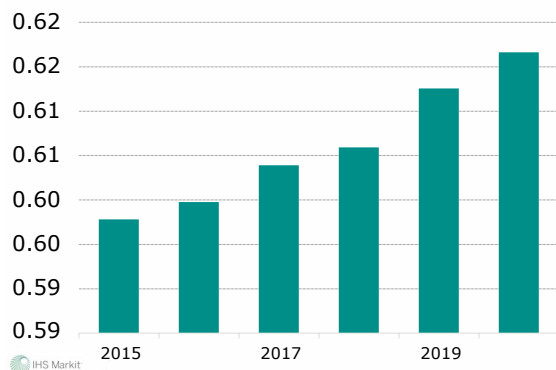


Source: IHS Rex Report, Global Insight, 2022

Households: 2020

Cape Winelands has **235 016** households in the District.

Income Inequality (Gini coefficients) : 2015 -2020

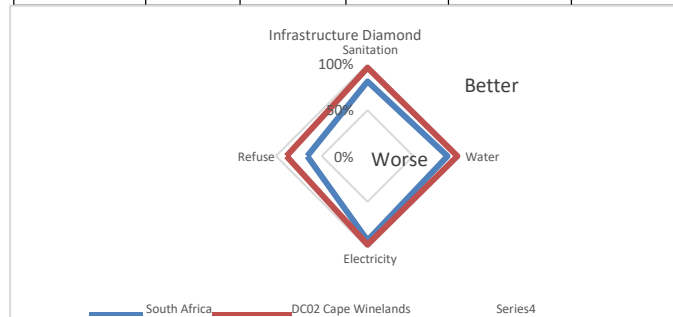


Income inequality has been steadily increasing within the Cape Winelands District.

Source: IHS Rex Report, Global Insight, 2022

Basic Services: 2020

CW	82.3%	96.6%	98.0%	96.5%	88.5%
Witzenberg	85.4%	96.7%	98.1%	97.1%	81.6%
Drakenstein	88.7%	97.4%	99.2%	97.6%	94.0%
Stellenbosch	72.4%	96.8%	97.4%	95.6%	88.0%
Breede Valley	76.6%	95.6%	97.1%	94.7%	86.3%
Langeberg	89.5%	95.6%	97.2%	97.6%	87.3%



Source: IHS Rex Report, Global Insight, 2022

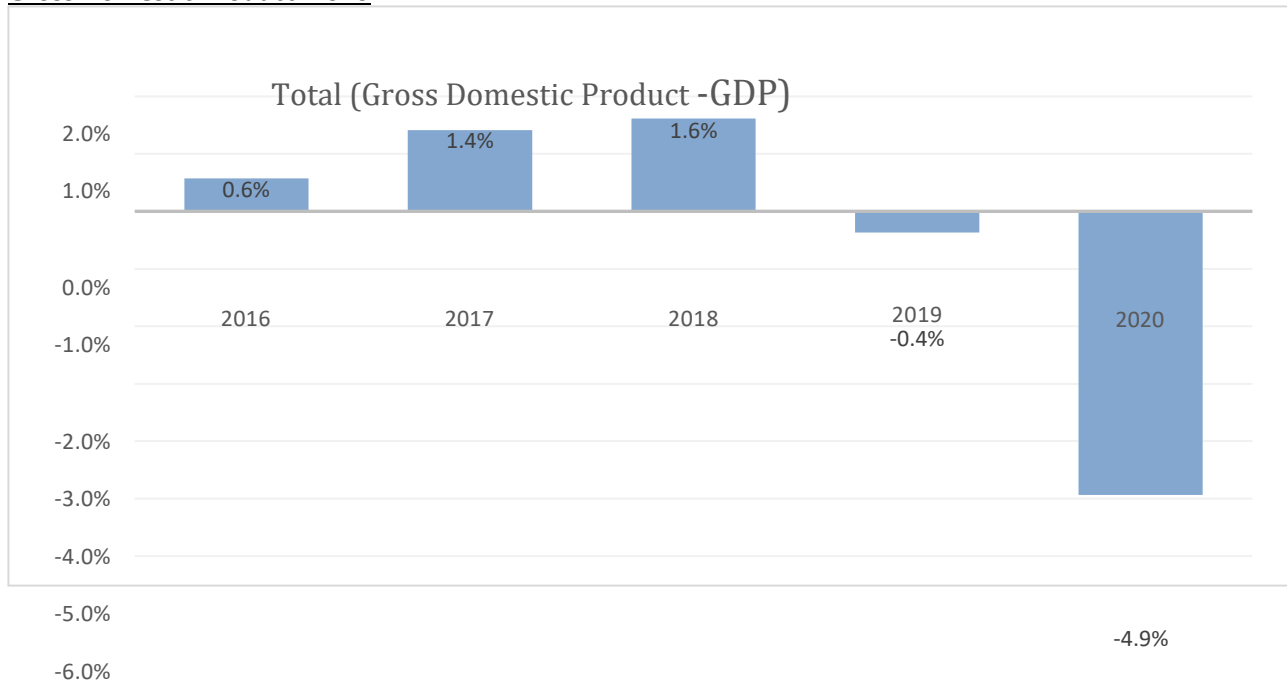
Economy

This Economic section touches on a few variables that will give you information on the status quo of the Cape Winelands economy. It will touch on the sectoral composition and strengths by highlighting key sectors and its contribution to the Gross Domestic Product.

Total Economic Growth: 2020



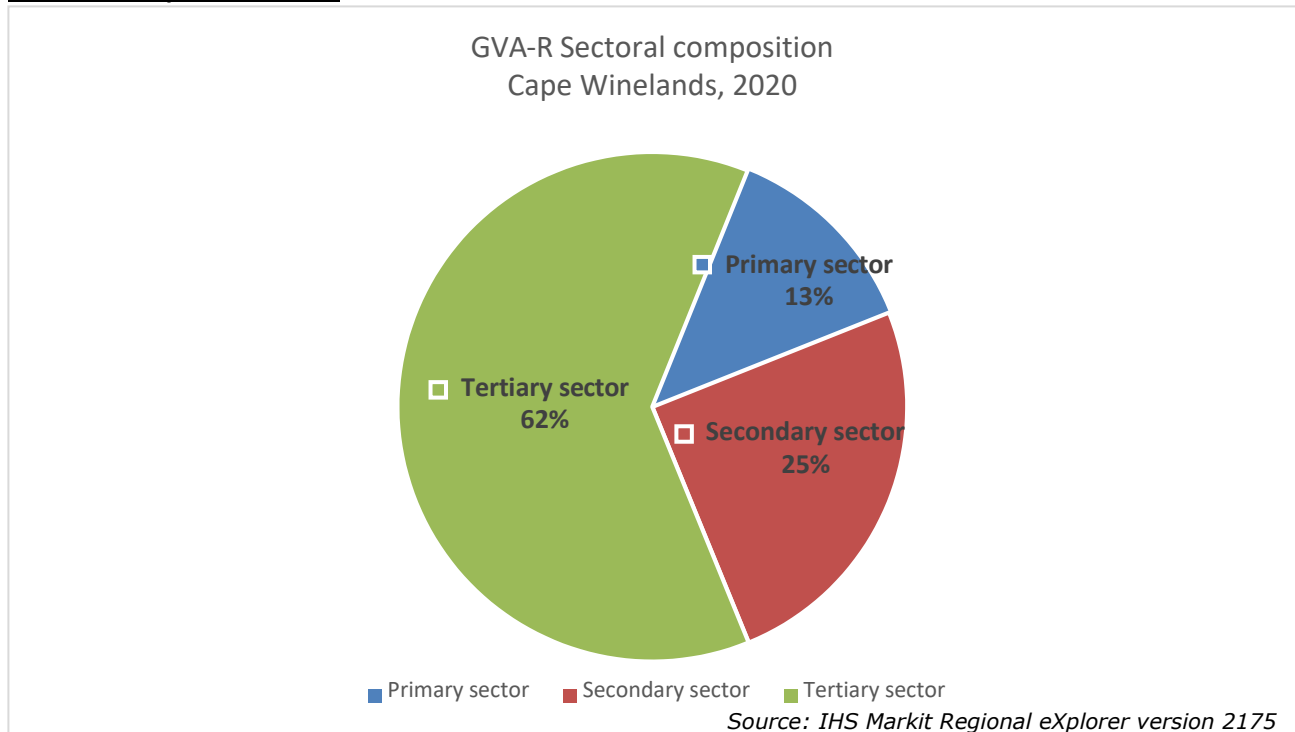
Gross Domestic Product: 2020



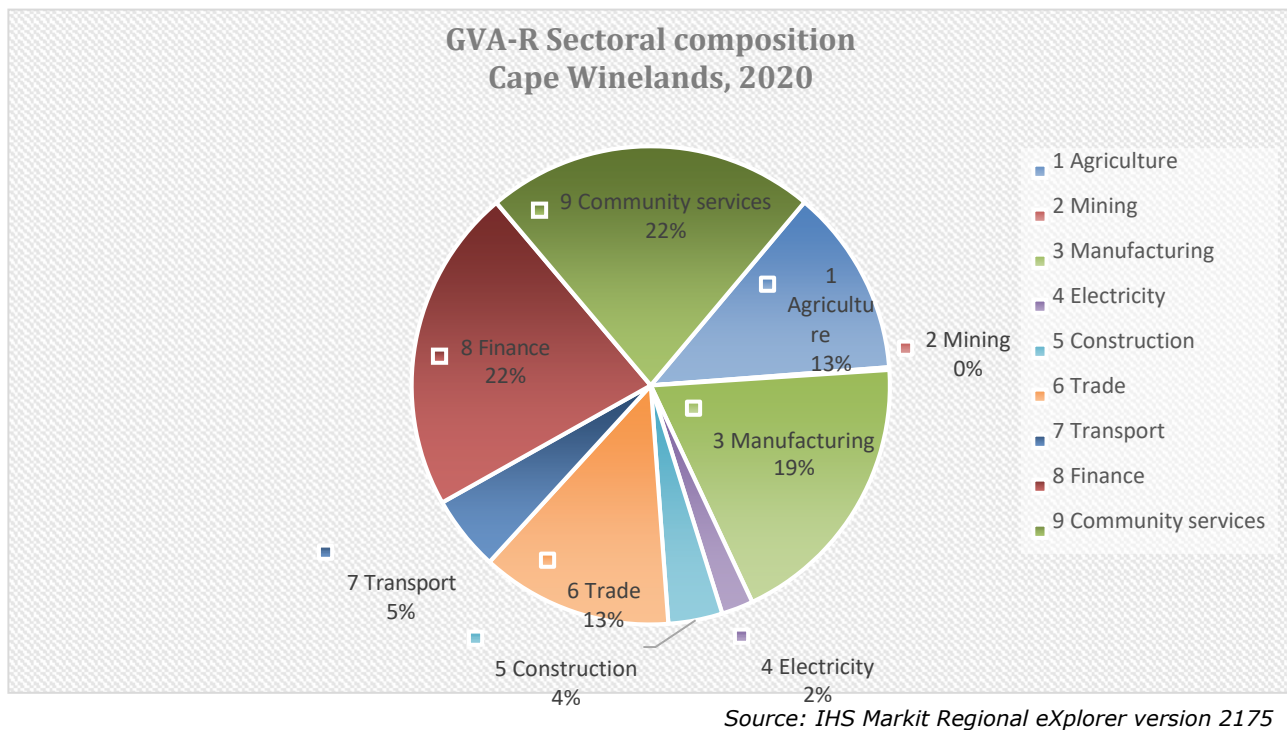
MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR THE FINANCIAL PERIOD 2022-2025

From the two graphs above we see a steady increase in economic growth/ GDP from 2016 to 2018 but the Covid-19 pandemic happened and we see a decline in economic growth/GDP in 2019 and a sharp decline in 2020.

Sectoral Composition: 2020



The economy of the Cape Winelands region is dominated by the Tertiary sector which accounts 62% ; then the secondary sector at 25%; and then the primary sector at 13%.



The chart above illustrates the sectoral composition in terms of Gross Value Added by Region. Financial services and Community services sectors is leading with 22% followed by Manufacturing at 19% then Trade and Agriculture sectors at 13% each, followed by Transport at 5% and Construction at 4% and lastly Electricity with

MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR THE FINANCIAL PERIOD 2022-2025

2%.

Source: IHS Rex Report, Global Insight, 2022

Labour

Unemployment rate: 2020

Geography	Unemployment Rate
Cape Winelands	10.6%
Witzenberg	5.4%
Drakenstein	13.1%
Stellenbosch	11.3%
Breede Valley	11.6%
Langeberg	8.5%

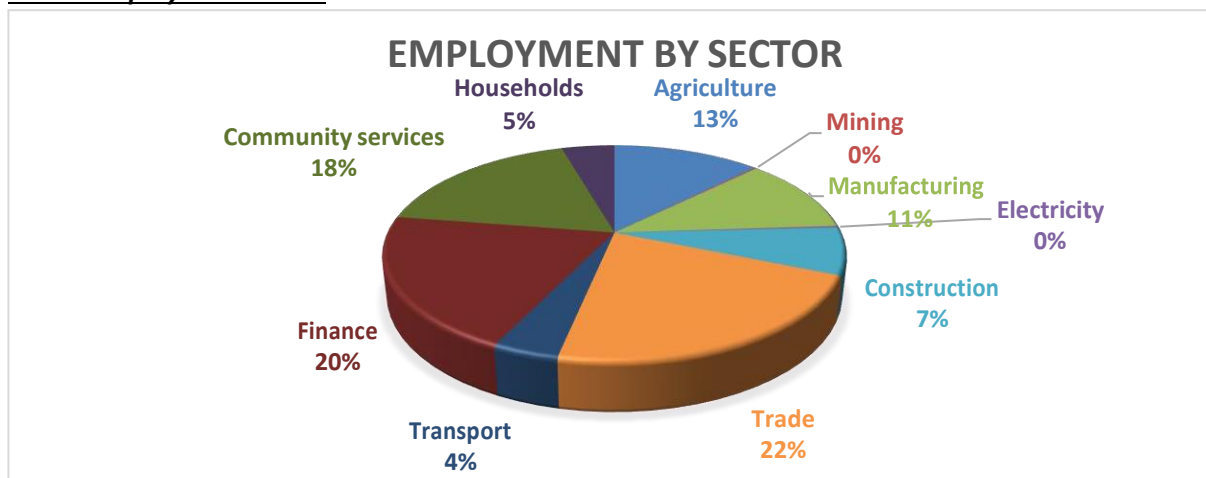
The table above indicates the unemployment rate for the Cape Winelands for 2020. The current unemployment rate for the district is 10.6 %, Drakenstein has the highest unemployment rate in the district at 13,1%, followed by the Breede Valley at 11,6%. Witzenberg has the lowest unemployment rate in the district of 5.4%.

Employment (Formal and Informal): 2020

Geography	2016	2017	2018	2019	2020
National	15,785,399	16,030,782	16,201,043	16,225,383	15,419,164
Western Cape	2,370,311	2,434,269	2,485,928	2,493,917	2,373,055
Cape Winelands	349,505	361,992	370,541	367,508	325,670
Witzenberg	60,686	62,759	64,146	63,998	57,822
Drakenstein	104,026	107,912	110,330	109,018	95,920
Stellenbosch	77,434	80,102	81,847	81,123	72,827
Breede Valley	68,029	70,517	72,405	71,927	63,104
Langeberg	39,331	40,702	41,812	41,442	35,997

From the table above we see a steady increase in employment from 2016 to 2018 but then the Covid-19 pandemic happened and we see a decline in employment in 2019 and a sharp decline in employment in 2020.

Sector Employment : 2020



The chart above illustrates the employment per sector in the Cape Winelands. Trade Sector is the highest employer currently in the district with 22% followed by the Financial Services Sector with a contribution of 20%. Community Services is 18%, Agriculture is at 13% and Manufacturing contributing 11% and Construction at 7% of employment. The least contributing sectors of the 9 sectors of the economy in the Cape Winelands is the Transport Sector with a contribution of 4 % and electricity and mining at 0% respectively.

Informal Sector employment:2020

	Cape Winelands	Witzenberg	Drakenstein	Stellenbosch	Breede Valley	Langeberg
Manufacturing	3 478	390	753	742	693	900
Construction	4 799	794	1 154	940	1 200	711
Trade	16 326	2 192	3 958	3 170	3 577	3 429
Transport	4 014	332	836	959	853	1 034
Finance	4 993	505	1 168	1 010	1 043	1 268
Community services	9 704	1.647	2 587	1 985	1 536	1 948
Total Informal Sector	43 314	5 860	10 458	8 806	8 901	9 289

The table above gives details on the total informal sector employment in the Cape Winelands region for at least the 5 economic sector and including the Community Services sector. The total number of people employed in the informal sector is 43 314 for the district with the highest contributing local municipality being Drakenstein with 10 458 followed by Langeberg at 9289 and Witzenberg contributing the least with an amount of 5860.

Source: IHS Rex Report, Global Insight, 2022

Trade

Total Trade (Export and Imports): 2020

The table above provide the trade statistics for South Africa, Western Cape and Cape Winelands for 2020. What is evident from the trade statistics is that South Africa and Cape Winelands had a trade surplus in 2020 and that the Western Cape had a trade deficit in 2020.

Total Trade (Export and Imports) Cape Winelands: 2016 - 2020

The table above gives an overview of trade in the Cape Winelands District and what can be seen is that from 2016 to 2019 the Cape Winelands had a trade deficit and only in 2020 a trade surplus. Exports in the Cape Winelands remains a key contributor to GDP in the district.

International Trade: Cape Winelands: 2020

Trade Bloc	Imports	Exports
APEC (Asia Pacific Economic Cooperation)	2,788,481,301	9,685,196,328
EFTA (European Free Trade Association)	95,734,218	325,373,152
EU (European Union)	3,484,282,101	16,404,832,556
MERCOSUR (Southern Common Market)	481,441,947	109,834,609
NAFTA (North American Free Trade Agreement)	554,739,700	3,199,562,768
SADC (Southern African Development Community)	283,274,377	1,984,801,404

In terms of international trade it is clear from the table above that the Cape Winelands trades the most with the EU followed by APEC in both imports and exports for 2020. The Cape Winelands has a positive trade balance with all trade blocs except for Mercosur (Argentina, Brazil, Paraguay Uruguay) in 2020.

Top 9 trading countries: 2020

Imports		Exports	
Country	Amount	Country	Amount
China	1,508,997,411	Netherlands	6,216,335,318
Germany	726,529,368	United Kingdom	5,251,653,427
Saudi Arabia	718,943,619	United States of America	1,804,831,694
Ghana	678,019,956	Germany	1,780,806,499
France	590,831,225	United Arab Emirates	1,699,181,505
Netherlands	533,363,974	Namibia	1,520,874,892
United States of America	512,925,856	Russia / Russian Federation	1,518,058,846
Spain	451,348,258	Canada	1,386,060,254
Italy	388,783,525	China	1,257,587,666

From the table above it is evident that the Cape Winelands imports most of its products from China, followed by Germany and Saudi Arabia. The Cape Winelands exports most of its products to the Netherlands followed by the United Kingdom and the United States of America.

Source: IHS Rex Report, Global Insight, 2022

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:

Democratic Alliance (DA)	=	23
African National Congress (ANC)	=	10
GOOD	=	3
Freedom Front Plus	=	2
Economic Freedom Fighters (EFF)	=	1
Patriotic Alliance (PA)	=	1
Breedevallei Onafhanklik (BO)	=	1

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

Name	Portfolio	Political Party
Ald. (Dr.) H. von Schlicht	Executive Mayor	DA
Ald. M. Sampson	Executive Deputy Mayor	DA
Cllr. D.D. Joubert	Speaker	DA
Cllr. W.M. Blom	Whip of Council	DA
Cllr. J.H.P. Steyn	Sport, Arts & Culture	DA
Ald. C. Meyer	Disaster Management	DA
Cllr. D. Swart	Fire Services	DA
Cllr. X.L. Mdemka	Municipal Health Services Cape Winelands Health Council	DA
Cllr. W.C. Petersen	Gender Based Violence Early Childhood Development Senior Citizens Youth Families Disabled	DA
Cllr. E. Groenewald	Budget and Treasury Office Human Resources Administrative Support Services Communications Legal Services Performance & Risk Management Internal Audit Information and Communication Technology	DA
Cllr. G.J. Carinus	Technical Services Facilities Roads & Mechanical Workshop Regulation of Passenger Transport Services Waste Management	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 PA 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 2022/2023, 2023/2024 and 2024/2025 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 2022/2023:

- MFMA Circular No 112 - Municipal Budget Circular for the 2022/23 MTREF - 06 December 2021.
- MFMA Circular No 88 - Rationalisation Planning and Reporting Requirements for the 2022/23 MTREF (Performance indicators).

Other circulars used during the compilation of the budget:

- MFMA Circular No. 12 Definition of Vote in MFMA – 31 January 2005
- MFMA Circular No. 13 Service Delivery & Budget Implementation Plan - 31 January 2005
- MFMA Circular No. 19 Budget Process 2006/2007 - 15 August 2005
- MFMA Circular No. 31 Budget Tabling and Adoption – 10 March 2006
- MFMA Circular No. 90 Tax Compliance Status – 30 January 2018

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 will table to Council the required new 5th Generation IDP (2022/23 – 2026/27) in May 2022.

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 2022/2023 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 2021/2022 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 2022. 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 5th Generation IDP to be approved by Council end of May 2022.

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, an 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 5th Generation IDP document which will be submitted to Council end of May 2022 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”.

Allowances and Benefits of Councillors

Appointment of Consultants Policy

Appointment of Councillor Support Staff

Asset Management Policy

Branding Policy

Budget Policy

Borrowing Policy

Cash Management and Investment Policy

Community Support Policy

Cost Containment Policy

Corporate Gifts Policy

Credit Control and Debt Collection Policy

Expenditure Management Policy

Funding and Reserves Policy

Grant in Aid Policy

Human Resource Management Policies:

- Education, Training & Development Policy
- Employee Assistance Programme (EAP) Policy
- Exit Management Policy
- Induction Policy
- Internship Policy
- Leave and Unpaid Leave Policy
- Medical Funds Administration Policy
- Mobile Device Policy
- Mentoring and Coaching Policy
- Occupational Health & Safety Policy
- Overtime Policy
- Post Retirement fund Medical Aid Benefits Policy
- Probation Period Policy
- Recruitment and Selection Policy
- Task Job Evaluation Policy
- Telecoms and Cellular Phone Allowance Policy
- Study Aid and Leave Policy
- Succession Planning and Career Pathing Policy

Implementation of the Expanded Public Works Program (EPWP) Policy

Inventory and Stock Management Policy

Long Term Financial Planning and Implementation Policy

Maintenance Management Policy

Official Vehicles and Fleet Management Policy

Petty Cash Policy

Practitioners and Role Players

Private Work: Declaration of Interest; Code of Conduct for Supply Chain Management

Provision of Basic Services to Rural Dwellings

Revenue Management Policy

Sponsorships Policy

Subsistence and Travel policy

Supply Chain Management Policy

Unauthorized, Irregular, Fruitless and Wasteful Expenditure Policy

Unforeseen and Unavoidable Expenditure Policy

Virement 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 2022/2023 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 is calculated at the rates quoted until the maturity date. An average rate of 5.9% per annum was used to calculate the budgeted income from investments.

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 2020/2021 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 2022/2023 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 2022-2023

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 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 2022/2023 MTREF in May 2022.
- 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 - Projects delayed from previous financial year/s

SA38 - Consolidated detailed operational projects

O: QUALITY CERTIFICATE

I..... 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: _____

Municipal Manager of Cape Winelands District Municipality

Signature _____

Date _____