

Annexure "A. 1"

CAPE WINELANDS DISTRICT MUNICIPALITY



CAPE WINELANDS DISTRICT

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**MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR THE
FINANCIAL PERIOD 2018/2019 TO 2020/2021**

KAAPSE WYNLAND
DISTRIKSMUNISIPALITEIT
31 MAY 2018
CAPE WINELANDS
DISTRICT MUNICIPALITY

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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 2018 as well as provincial budget allocations;
- (b) The 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 R1.26 billion for the MTREF period (2018/2019, 2019/2020 and 2020/2021) 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 new projects were added to the budget 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:

2018/2019	R354 241 500
2019/2020	R351 731 062
2020/2021	R370 290 303

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, Environmental Health 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 forth clean audit in the 2016/2017 financial year. I must commend the Municipal Manager, CFO, officials and councillors for their hard work to achieve this. Many people and organisations have complimented us on our achievements through the past four years. In creating a better environment for all our citizens, we were awarded runner-up for the greenest municipality in the province.

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 2018/2019 to 2020/2021 MTREF illustrates as follows:

	2017/2018	2018/2019		2019/2020		2020/2021		Total MTREF	
	R	R	R	R	R	R	R	R	R
Operating Expenditure	369,930,794	379,481,053	374,684,315	396,757,056	1,150,922,424				
Project Expenditure	31,917,538	25,596,147	25,047,047	25,047,047	75,690,241				
Sub Total	401,848,332	405,077,200	399,731,362	421,804,103	1,226,612,665				
Capital Expenditure	20,320,170	31,430,870	27,814,595	18,075,100	77,320,565				
Total Budget	422,168,502	436,508,070	427,545,957	439,879,203	1,303,933,230				

The following cost containment measures were implemented:

- Reduced overseas and local travel
- Reduced catering at official functions and meetings
- Improved prioritisation of expenditure
- Heeding the guidelines of National Treasury Circulars numbers 74 and 75.
- Reduced travel and subsistence expenditure

Reflecting on the progress made by the DM thus far, I must compliment the Council for the manner in which it conducts its work, minding the ever present fact of savings in a tight economic climate.

KAARSE WYNLAND
DISTRICTS MUNISIPALITEIT
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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 determined by the Cape Winelands District Municipality 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 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 Cape Winelands of excellence.

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

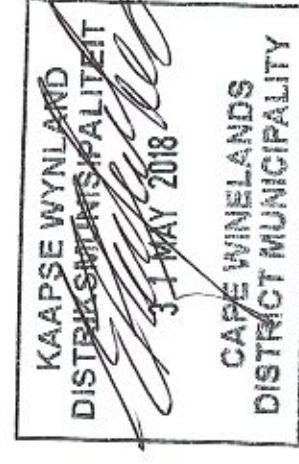
Locally the Cape Winelands District Municipality have a close working relationship with the local municipalities in its area. The district is also represented on various district, provincial and national forums where we meet and exchange information relating to the functioning of our municipality.

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 2017/2020 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 2017 annual risk assessment process:

Major risks:

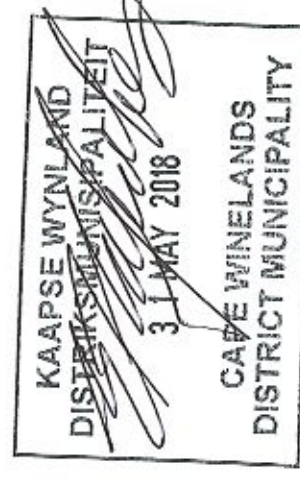
1. Climate change
2. Insufficient ICT Disaster Recovery of data and voice services
3. Inadequate Disaster Risk Management and Business Continuity in Infrastructure
4. Financial viability of the District Municipality
5. Inadequate contract management
6. Inability to retain skilled work force

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 89, 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 therefor 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 2017/2018 Medium-term Revenue and Expenditure Framework:



OPERATING BUDGET:

Year	Expenditure	Income	Sub Total	Capital Funding	Surplus(-) /Deficit
2018/2019	405,077,200	-407,425,300	-2,348,100	2,348,100	0
2019/2020	399,731,362	-404,914,862	-5,183,500	5,183,500	0
2020/2021	421,804,103	-423,474,103	-1,670,000	1,670,000	0

CAPITAL BUDGET:

Year	Expenditure	Income	Surplus(-)/Devicit
2018/2019	31,480,870	-31,480,870	-
2019/2020	27,814,595	-27,814,595	-
2020/2021	18,075,100	-18,075,100	-

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 1.04%, 2.94% and 2.7% over the MTREF period.

The following table reflects the revenue sources for the 2017/2018 and 2018/2019 financial years:

KAAPSE WYNLANDS
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MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR THE FINANCIAL PERIOD 2018-2021

Sources of Income	2017/2018	2018/2019	% Inc./- Dec
Ex Rev. Operational Revenue	-340,200.00	-340,000.00	-0.06
Ex Rev. Rental Fixed Assets	-131,000.00	-131,000.00	-
Ex Rev. Agency Services	-117,635,343.00	-121,144,500.00	2.98
Ex Rev. Sales Goods and Services	-891,250.00	-512,800.00	-42.46
Ex Rev. Service Charges	-100,000.00	-100,000.00	-
Ex Rev. Int Divident Rent on Land	-51,850,000.00	-51,850,000.00	-
Non-Ex Rev.	-350,000.00	-250,000.00	-28.57
Non-Ex Rev. Transfers & Subsidies	-232,248,100.00	-232,808,000.00	0.24
- RSC Replacement Grant	-220,853,000.00	-223,157,000.00	1.04
- Equitable Share	-1,886,000	-2,057,000	9.07
- LG Finance Management Grant	-1,250,000.00	-1,000,000.00	-20.00
-Financial Management Support: Financial Reporting		-480,000.00	
-Financial Management Support: mSCOA	-280,000.00		-100.00
-Financial Management Support: Asset Management	-700,000.00		-100.00
- Fire Services Capacity Grant	-800,000.00	-	-100.00
- CWDM Integrated Transprot Plan	-900,000.00	-900,000.00	-
- Community Development Workers	-74,000.00	-74,000.00	-
- Audit	-200,000.00		-100.00
- Performance Management	-236,100.00		-100.00
-Local Government Compliance	-96,000.00		-100.00
- Human Capacity Dev. Grant	-590,000.00	-360,000.00	-38.98
- Subs. DOW.: Hiring of Toilets	-700,000.00	-700,000.00	-
- Expanded Public Works Programme	-1,000,000.00	-1,391,000.00	39.10
- Rural Roads Asset Man, System (Dora)	-2,683,000	-2,689,000	0.22
Seta Refund	-289,000.00	-289,000	-
Total	-403,834,893.00	-407,425,300.00	0.89

OPERATING BUDGET – EXPENDITURE

The table below illustrates the operating Expenditure for 2017/2018 and 2018/2019 financial years:

Expenditure Categories	2017/2018	2018/2019	% Inc./-Dec.
Employee Related Costs	200,764,514	208,204,856	3.71
Remuneration of Councillors	11,482,939	11,745,588	2.29
Operational Cost	75,865,772	69,523,070	-8.36
Contracted Services	68,487,760	67,205,978	-1.87
Interest Dividend Rent on Land	8,000	8,000	-
Operating Leases	1,029,500	1,029,000	-0.05
Bad Debt Written Off	1,369,713	5,570,510	306.69
Depreciation and Amortisation	10,000,403	10,000,393	-0.00
Inventory	23,111,231	22,498,805	-2.65
Transfers and Subsidies	9,708,500	9,271,000	-4.51
Gains and Losses	20,000	20,000	-
Total	401,848,332	405,077,200	0.80

EMPLOYEE RELATED COST

Employee related costs increased with 3.71% opposed to the budgeted increase of 6% due to the following:

- Due to the decreasing growth rate of the municipalities income, less vacant positions were budgeted for than in the previous financial year.

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

OPERATIONAL COST

The decrease of 8.36% in Operational Cost is mainly due to the reclassification of items due to the implementation of mSCOA .

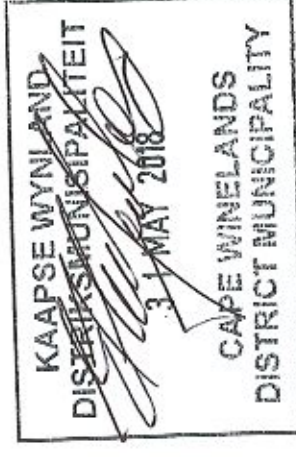
BAD DEBT WRITTEN OFF

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

CAPITAL BUDGET

The capital budget increase from R20 320 170 in 2017/2018 financial year to R 31 480 870 in 2018/2019 financial year.

The detail is reflected in Annexure “G” .



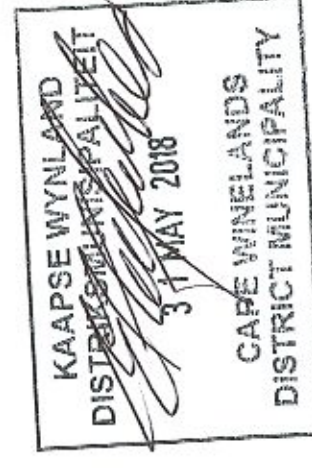
D: HIGH LEVEL 2018/2019 OPERATING BUDGET SUMMARY PER STRATEGIC OBJECTIVE

STRATEGIC OBJECTIVE	Income	Expenditure	-Surplus /Deficit
Community Development and Planning Services			
Regional Development and Planning	-4,782,000	23,872,013	19,090,013
Community & Developmental Services	-450,000	108,243,831	107,793,831
Rural & Social Development	-74,000	15,869,800	15,795,800
Total: Community Development and Planning Services	-5,306,000	147,985,644	142,679,644
Technical Services			
Engineering and Infrastructure	-5,815,000	43,721,997	37,906,997
Roads	-116,512,500	114,164,400	-2,348,100
Total: Technical Services	-122,327,500	157,886,397	35,558,897
Financial, Strategic and Administrative Support Services			
Governance and Councillor Support	-54,247,000	36,481,942	-17,765,058
Office of the Municipal Manager	-	13,546,911	13,546,911
Corporate Services	-757,000	21,327,387	20,570,387
Financial Services	-224,787,800	27,848,919	-196,938,881
Total: Financial, Strategic and Administrative Support Services	-279,791,800	99,205,159	-180,586,641
Total	-407,425,300	405,077,200	-2,348,100

E: ANNUAL BUDGET TABLES

The following compulsory schedules will only be submitted to Council as soon as National Treasury has finalized the Budget Reporting Schedules.

- 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 also 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.

Economic Profile¹

The Cape Winelands District is the second largest centre of economic activity in the Western Cape after the City of Cape Town. Economic activity is diverse, with tourism, agriculture, manufacturing and a strong financial services sector all featuring in the region. The region is famous for its spectacular scenery of beautiful mountains, valleys, as well as wine and fruit estates which attract local and foreign tourists.

Macro-Economic Environment

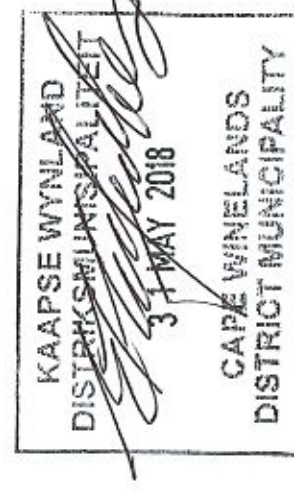
The cautious optimism expressed in the 2016 PERO of slightly higher growth in 2016 in advanced economies did not materialize as economic output moderated for that year. Growth in emerging and developing economies remained unchanged with the result that global economic growth slowed to 3.2 per cent in 2016. The outlook for 2017 is more optimistic: Global growth in the second half of 2016 was higher than the first half and continued to improve in the first two quarters of 2017. The more optimistic economic outlook for the global economy in 2017 and 2018 is the result of a firming growth outlook for the US, Europe and some other developed economies (notably Canada), rather than emerging and developing economies as in previous years.

Economic Sectors

According MERO, 2017 the economic drivers in the CWDM's economy in 2015 were the finance, insurance, real estate and business services sector, the manufacturing sector, and the wholesale and retail trade, catering and accommodation sector.

Table: The table below depicts the main economic and minor economic industries in the Cape Winelands district

¹ Source: Municipal Economic Review and Outlook (MERO) 2016, Western Cape Provincial Treasury



MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR THE FINANCIAL PERIOD 2018-2021

		Cape Winelands						
Total Industries		Gross value added at basic prices						
Date		2010	2011	2012	2013	2014	2015	2016
Industry	Geography	R millions current prices						
Primary sector	Cape Winelands	ZAR 4,273	ZAR 4,604	ZAR 4,636	ZAR 4,801	ZAR 5,063	ZAR 5,040	ZAR 5,553
Agriculture, forestry and fishing	Cape Winelands	ZAR 4,203	ZAR 4,530	ZAR 4,550	ZAR 4,704	ZAR 4,979	ZAR 4,945	ZAR 5,454
Mining and quarrying	Cape Winelands	ZAR 70	ZAR 74	ZAR 85	ZAR 96	ZAR 84	ZAR 95	ZAR 99
Secondary sector	Cape Winelands	ZAR 9,238	ZAR 9,931	ZAR 11,039	ZAR 12,159	ZAR 12,879	ZAR 14,051	ZAR 14,727
Manufacturing	Cape Winelands	ZAR 6,812	ZAR 6,875	ZAR 7,399	ZAR 7,796	ZAR 8,228	ZAR 8,886	ZAR 9,287
Electricity, gas and water	Cape Winelands	ZAR 633	ZAR 729	ZAR 927	ZAR 1,028	ZAR 1,135	ZAR 1,267	ZAR 1,343
Construction	Cape Winelands	ZAR 1,793	ZAR 2,326	ZAR 2,713	ZAR 3,335	ZAR 3,516	ZAR 3,898	ZAR 4,097
Tertiary sector	Cape Winelands	ZAR 24,082	ZAR 27,229	ZAR 29,499	ZAR 32,363	ZAR 34,721	ZAR 37,304	ZAR 40,189
Wholesale and retail trade, catering and accommodation	Cape Winelands	ZAR 6,166	ZAR 7,634	ZAR 7,612	ZAR 8,838	ZAR 9,497	ZAR 10,433	ZAR 11,433
Transport, storage and communication	Cape Winelands	ZAR 3,171	ZAR 3,591	ZAR 4,120	ZAR 4,661	ZAR 5,173	ZAR 5,544	ZAR 5,868
Finance, insurance, real estate and business services	Cape Winelands	ZAR 8,178	ZAR 8,659	ZAR 9,782	ZAR 10,237	ZAR 10,661	ZAR 11,220	ZAR 12,100
General government	Cape Winelands	ZAR 3,729	ZAR 4,158	ZAR 4,484	ZAR 4,941	ZAR 5,468	ZAR 5,839	ZAR 6,267
Community, social and personal services	Cape Winelands	ZAR 2,838	ZAR 3,187	ZAR 3,501	ZAR 3,686	ZAR 3,923	ZAR 4,269	ZAR 4,521

Source: Quantec, 2017

The table above depicts the main economic drivers in the district.

The main contributors to the total GGP of the district were as follows:

- Finance, insurance, real estate and business services: R12 100
- Wholesale & retail, catering and accommodation: R11 433
- Manufacturing: R9 287

Based on the above analysis it can be confirmed that the three industries still contribute strongly to the total GGP

Trade

The CWDM's growth is strongly linked to trade, in particular, exports. This puts the district's economy at risk of currency fluctuations, as well as international trends and policy shifts. Most exports from the district go to European Union (EU) followed by Africa and then Asia Pacific Economic Cooperation (APEC) see table below

Table: Import profile

Cape Winelands Import profile		SA Rand (ZAR): Total, all measures						2016 % change b/t 2010 and 2016	
Region	Port	2010	2011	2012	2013	2014	2015		
World	Total: All industries	ZAR 22,174,553,740	ZAR 30,885,548,180	ZAR 36,159,514,735	ZAR 47,138,423,368	ZAR 47,841,341,128	ZAR 51,673,274,471	ZAR 52,642,198,883	32.07
Africa		ZAR 8,321,570,980	ZAR 7,754,762,712	ZAR 13,106,928,240	ZAR 4,773,855,037	ZAR 15,457,241,488	ZAR 7,629,379,541	ZAR 8,434,528,681	9.67
America		ZAR 1,298,957,544	ZAR 2,434,987,231	ZAR 1,591,292,368	ZAR 1,802,869,122	ZAR 1,057,809,251	ZAR 1,468,355,253	ZAR 3,078,405,455	58.10
Asia		ZAR 10,295,325,875	ZAR 16,245,325,796	ZAR 19,460,696,805	ZAR 25,575,552,221	ZAR 25,206,997,156	ZAR 14,769,527,423	ZAR 13,260,673,664	22.54
Europe		ZAR 1,971,577,005	ZAR 4,284,180,145	ZAR 3,766,598,350	ZAR 4,933,471,538	ZAR 5,757,064,368	ZAR 7,269,355,127	ZAR 8,475,157,262	66.55
Oceania		ZAR 92,406,392	ZAR 128,407,053	ZAR 206,246,143	ZAR 226,276,731	ZAR 253,880,941	ZAR 263,391,438	ZAR 296,603,674	68.93
Not allocated		ZAR 3,125,944	ZAR 9,185,242	ZAR 17,747,308	ZAR 26,468,918	ZAR 59,138,763	ZAR 56,255,686	ZAR 66,532,178	95.30

Source: Quantec, 2017

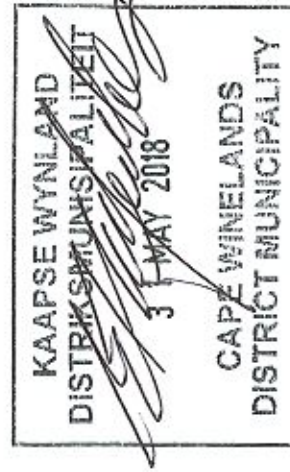


Table: Export profile

Cape Winelands Export profile		SA Rand (ZAR): Total, all measures						2016 % change bit 2010 and 2016	
Region	Port	2010	2011	2012	2013	2014	2015		
	QSIC								
World	Total: All industries	ZAR 12,707,895,305	ZAR 13,705,549,590	ZAR 14,187,194,296	ZAR 20,200,780,450	ZAR 22,080,944,923	ZAR 27,019,593,709	ZAR 29,476,305,903	56.89
Africa	Total: All ports	ZAR 1,305,016,555	ZAR 1,579,619,559	ZAR 1,998,559,946	ZAR 2,758,673,524	ZAR 4,159,716,957	ZAR 7,377,057,219	ZAR 7,151,821,363	81.75
Americas		ZAR 1,306,662,821	ZAR 1,555,359,037	ZAR 1,570,891,444	ZAR 1,933,049,475	ZAR 2,019,789,902	ZAR 2,216,574,324	ZAR 2,292,279,140	43.00
Asia		ZAR 2,593,262,737	ZAR 3,238,450,553	ZAR 2,785,899,512	ZAR 4,707,168,415	ZAR 4,472,163,495	ZAR 4,821,683,340	ZAR 6,063,794,263	57.23
Europe		ZAR 7,779,283,660	ZAR 9,983,740,270	ZAR 7,544,802,417	ZAR 10,558,228,963	ZAR 11,013,769,927	ZAR 12,122,284,802	ZAR 13,337,771,912	45.37
Oceania		ZAR 322,256,730	ZAR 270,536,310	ZAR 312,456,361	ZAR 335,240,354	ZAR 412,869,810	ZAR 472,600,869	ZAR 576,726,836	43.94
Antarctica		ZAR 0	ZAR 0	ZAR 0	ZAR 0	ZAR 0	ZAR 2,863,221	ZAR 0	0.00
Net allocated		ZAR 380,772	ZAR 632,352	ZAR 13,977,584	ZAR 8,219,709	ZAR 2,626,932	ZAR 6,319,634	ZAR 3,822,089	90.79

Source: Quantec

The analysis from above export table is clear that exports to Africa outperformed exports to the Asian market from 2014. Exports to Africa has increased by 42% between 2014 and 2016. The three main export destinations from the district are.

1. Europe = R12 122 264 602
2. Africa = R7 151 821 363
3. Asia = R6 063 764 263

The trade profile of CWDM is shown in the following table;

CWDM trade profile, 2016

Exports (R1,000)	R29 476 305 603
Imports (R1,000)	R32 642 198 883
Total Trade (R1,000)	R62 118 504 486
Net Exports (R1,000)	Deficit (R316 589 328)
Exports as a % of GDP	48.75%
Trade as a % of GDP	0
Gross Geographic Product	R60 469 000 000

Source: Quantec

In the Cape Winelands District exports make up 48.75% of the total GGP of the district. As an export orientated economy it is very dependent on exports for growth, which makes the economy vulnerable to exogenous factors such as international trade policies and exchange rate fluctuations.

In summary

The municipal areas within the CWDM, together with the Province, experienced the same trends in growth over the past decade. After 2014, the economy of CWDM grew at a slower rate each year, with 2016 experiencing the lowest growth rates since the recession in 2009. The decline in GDP

growth in the CWDM and the Province post 2014, is mainly due to national and international developments affecting the local economy. General increases in food prices due to the drought, rising national unemployment and increasing interest rates are all having a negative effect on investment while the volatility in the Rand against currencies such as the US Dollar, Pound Sterling and Euro are contributing to rising inflation as SA is generally a net importer of goods. Other factors such as declining business confidence, political instability and the sub-investment credit rating by rating agencies are all contributing to the deteriorating economic conditions.

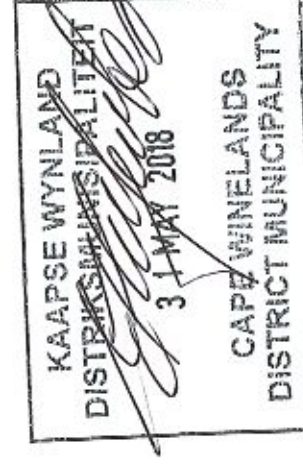
Political Structure

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 6 councillors. The members of the Mayoral Committee, Speaker and Whip of Council are deemed to be 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, Whip of Council and portfolios:





Portfolio	Name	Political Party
Executive Mayor	Cllr. (Dr.) H. von Schlicht	DA
Deputy Executive Mayor	Cllr. D. Swart	DA
Rural and Social Development	Cllr. P.C. Ramokhabi	DA
Strategic Support Services	Cllr. J.D.F. Van Zyl	DA
Financial Management Services	Cllr. G.J. Carinus	DA
Technical Services	Cllr. J.J. Du Plessis	DA
Local Economic Development	Cllr. A. Florence	DA
Tourism and Sport	Cllr. L.W. Niehaus	DA
Fire Services, Disaster Management and Municipal Health Services	Cllr. C. Meyer	DA
Speaker	Cllr. L. Landu	DA
Whip of Council		



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		Chief Financial Officer: Financial and Strategic Support Services Ms FA du Raan-Groenewald
	Executive Director: Community Development and Planning Services Mr CV Schroeder		Executive Director: Technical Services Mr F van Eck

B: LEGISLATIVE ENVIRONMENT

Legal Requirements

The medium-term revenue and expenditure framework for 2017/2018, 2018/2019 and 2019/2020 was compiled in accordance with the requirements 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 2018/2019:

- MFMA Circular No. 91 Municipal Budget Circular for the 2018/2019 MTREF – 7 March 2018
- MFMA Circular No. 90 Tax Compliance Status – 30 January 2018
- MFMA Circular No. 89 Municipal Budget Circular for the 2018/2019 MTREF – 8 December 2017

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 20147

Other Guidelines:

- National outcomes/priorities
- Headline inflation forecasts
- Revising rates, tariffs and other charges
- Funding choices and management issues
- Conditional transfers to municipalities
- Budget process and submissions for the 2016/17 MTREF
- Budget process and submissions for the 2017/18 MTREF

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 and budget time schedule on 25 May 2017.

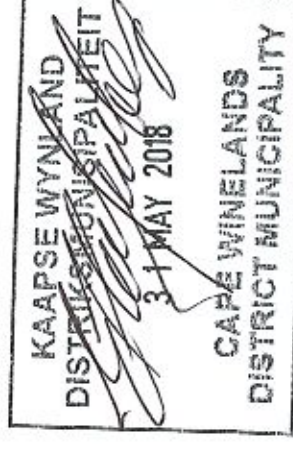
2. IDP and Service Delivery and Budget Implementation Plan

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 2017/2018 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 2016/2017 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 May 2017. 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 to be approved by Council end of May 2017.



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 4th Generation IDP document which will be submitted to Council on 25 May 2017 as Annexure "E".

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

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 knowledge.

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

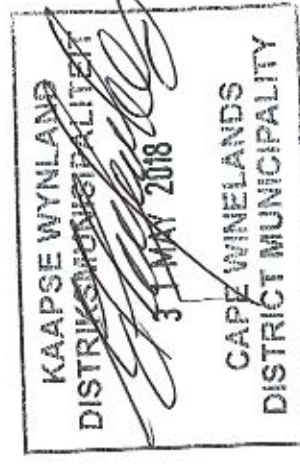
Providing effective and efficient financial and strategic support services to the Cape Winelands District Municipality.

- 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 and are available on the Municipalities website, use the following route: *Information Library/Financial Information and Reports/Budget Related Policies*

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
Preferential Procurement Policy
Virement Policy
Combatting Abuse of Supply Chain Management System Policy
Branding Policy



Leave and Unpaid Leave Policy
Asset Management Policy
Contract Management Policy
Private Work: Declaration of Interest; Code of Conduct for Supply Chain Management Practitioners and Role Players
Petty Cash Policy
Community Support Policy
Appointment of Consultants Policy
Branding Policy
Combatting Abuse of Supply Chain Management System 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
Preferential Procurement Policy
Revenue Management Policy
Sponsorships Policy
The provision of basic service for rural dwellings 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 2018/2019 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

Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focused service delivery and in this regard, various measures were implemented to align IDP's provincial and national strategies around priority spatial interventions. Therefor the following national priorities form the basis of all integration initiatives:

- Creating opportunity for growth and jobs;
- Improve education outcomes and opportunities for youth development;
- Increase wellness, safety and tackle social ills;
- Enable a resilient, sustainable, quality and inclusive living environment; and
- Embed good governance and integrated service delivery through partnerships and spatial alignment.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

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

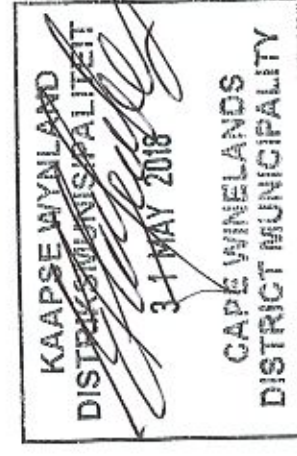
Refer to MBRR SA 23 and Annexure "F"

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" at the Council Meeting on 25 February 2016.

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 detail SDBIP document is at a draft stage and will be finalized after approval of the 2017/2018 MTREF in April 2016.

- 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 will be submitted to National Treasury. 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 2015/2016 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 applicable

O: QUALITY CERTIFICATE

I, HENRY 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 Prins

Municipal Manager of Cape Winelands District Municipality

Signature 

Date 7 June 2018

