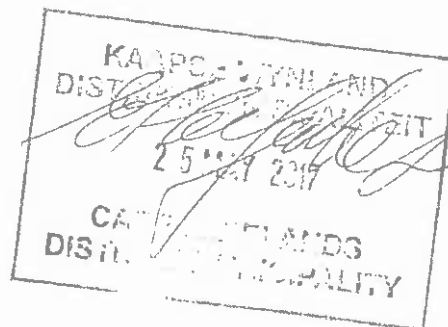


# ANNEXURE "A"

MEDIUM TERM REVENUE AND EXPENDITURE  
FRAMEWORK FOR THE FINANCIAL PERIOD 2017/2018  
TO 2019/2020

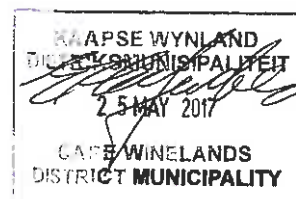


**CAPE WINELANDS DISTRICT MUNICIPALITY**



**CAPE WINELANDS DISTRICT  
MUNICIPALITY • MUNISIPALITEIT • UMMSIPALIA**

**MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR THE  
FINANCIAL PERIOD 2017/2018 TO 2019/2020**



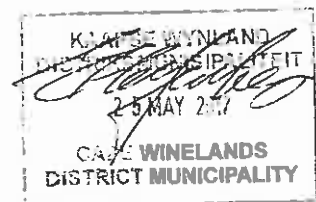
**TABLE OF CONTENTS**

**PART 1**

- A. Mayors Report
- B. Resolutions
- C. Executive Summary
- D. High Level Summary
- E. Annual Budget Tables (Budget and Reporting Regulations – Schedule A)

**PART 2**

- A. Overview of Cape Winelands District Municipality
  - Political Structure
  - Administration
- B. Legislative environment
- C. Overview of annual budget process
- D. Overview of alignment of annual budget with the Integrated Development Plan (IDP)
- E. Overview of budget related policies
- F. Overview of key budget assumption
- G. Expenditure on allocation and grant programmes
- H. Allocations and grants made by the municipality
- I. Councilor and board member allowances and employee benefits
- J. Monthly targets for revenue, expenditure and cash flow
- K. Contracts having future budgetary implications
- L. Detail Capital Budget 2015 – 2018
- M. Legislation Compliance
- N. Other Supporting Documents
- O. Quality Certificate



**PART 1**

**A: MAYORS REPORT**

In preparing this budget, the input of all communities and stakeholders in the area of the Cape Winelands District Municipality, was taken into account as required by Chapter 5 of the Local Government Municipal Systems Act. The main contributing factors that informed the MTREF are:

- (a) Medium Term Strategic Policy Framework presented by the Minister of Finance in February 2017 as well as provincial budget allocations;
- (b) The State of the Provincial 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.

The CWDM has a total budget of R1.3 billion for the MTREF period, which must be spent within our legislative functions but also in such a manner that it will demonstrate maximum benefit and value to the citizens of this region.

The needs of all sectors of the region of the Cape Winelands and within the core functions, were accommodated as far as possible and as far as it could be implemented in a realistic manner. Some new items were added to the budget to stimulate economic growth of our district which will inevitably give effect to the much-needed job creation in our region. At the same time the needs of the poorest of the poor were never excluded and specifically in our projects, significant amounts are allowed within our budget for this unmandated and unfunded function.

Cape Winelands District Municipality received a conditional grant in the amount of R1 000 000 through the Division of Revenue Act [DORA] from the Department of Public Works to create sustainable work opportunities for people in our area in the 2016/2017 financial year. This amount was also allocated for the 2017/2018 Financial year.

Local economic development is in terms of legislation not a core function of district municipalities, however to contribute to creating a conducive environment for economic development, we are using certain vehicles such as tourism and sport to not only unlock opportunities of economic development, but also to contribute to the creation of opportunities to a better quality of life.

Our core functions of which Firefighting, Environmental Health and Disaster Management receives significant amounts of money in the budget, render valuable services to the community and acts as the flagship for the services of our district.



The Cape Winelands District Municipality achieved its third clean audit in the 2015/2016 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.

A major challenge facing our municipality is the implementation of the Municipal Standard Chart of Accounts (mSCOA). We have already started with this process and we are confident that this goal will also be achieved by the due date of 1 July 2017.

Despite the financial challenges encountered by district municipalities in the country, our municipality is financially sound and sustainable, thanks to the financial stewardship of our council and administration.

**SUMMARY OF THE BUDGET**

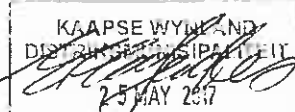
The total operating and capital expenditure budget appropriation over the 2017/2018 to 2019/2020 MTREF illustrates as follows:

	2016/2017	2017/2018	2018/2019	2019/2020	Total MTREF
	R	R	R	R	R
Operating Expenditure	357,837,907	368,434,638	379,762,663	386,754,301	1,134,951,602
Project Expenditure	40,938,090	33,208,500	36,693,329	35,805,963	105,707,792
<b>Sub Total</b>	<b>398,775,997</b>	<b>401,643,138</b>	<b>416,455,992</b>	<b>422,560,264</b>	<b>1,240,659,394</b>
Capital Expenditure	11,783,917	27,643,844	16,224,400	20,466,200	64,334,444
<b>Total Budget</b>	<b>413,171,073</b>	<b>429,286,982</b>	<b>432,680,392</b>	<b>443,026,464</b>	<b>1,304,993,838</b>

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.

KAAPSE WYNELAND  
 DISTRICT MUNISIPALITEIT  
  
 25 MAY 2017  
 CAPE WINELANDS  
 DISTRICT MUNICIPALITY

**FROM THE MAYOR'S DESK**

**1. MAYORAL BURSARY FUND**

The fund aims to ensure the development of our youth in the Cape Winelands District by providing bursaries for tertiary education to students who would not otherwise have access to those institutions, thereby assisting the development of our community and improving the quality of life.

**2. EXTERNAL RELATIONS:**

The Cape Winelands District actively encourages the creation of co-operative partnerships and agreements with key stakeholders. This boosts knowledge sharing via best practices and stimulates our local economy. The objective is to create a better Cape Winelands District for all its citizens.

Our External Relations are focus-driven and project based, to ensure measurable outcomes. It is obvious that, as part of cost-containment, we need to know that the monies we spend bring about the appropriate benefits to our region.

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.

We have a very active and positive working relationship with the local municipalities in our district. 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

**3. BENEVOLENT FUND**

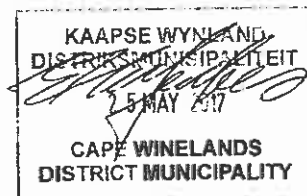
The Benevolent fund aims to support the poorest of the poor in our communities. Due to the current economic climate an overwhelming number of applications is processed on a weekly basis.

**CONCLUSION**

This budget is the result of consultation with our community through the IDP process and the collective effort of all political parties represented in Council with the united aim of poverty reduction through sustained economic development and growth for all the people in the Cape Winelands District Municipality.

**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 Risk

1. Financial viability of the Municipality
2. Lack of business continuity
3. Human resource capacity constraints
4. Budgetary Constraints
5. Climate Change

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 78, the following are highlighted in the budget:

- The municipality cut back on capital and operating expenditure related to the upgrading of rural roads (which is the property of the Provincial Government) to maintain accumulated reserves and ensure long term sustainability of the municipality
- 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 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)

**MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR THE FINANCIAL PERIOD 2017-2020**

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	Surplus(-)/Deficit
2017/2018	401,643,138	-401,643,138	0
2018/2019	416,455,992	-416,455,992	0
2019/2020	422,560,264	-422,560,264	0

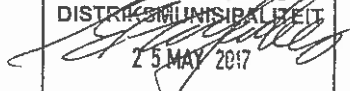
**CAPITAL BUDGET:**

Year	Expenditure	Income	Surplus(-)/Deficit
2017/2018	27,643,844	-27,643,844	-
2018/2019	16,224,400	-16,224,400	-
2019/2020	20,466,200	-20,466,200	-

**OPERATING BUDGET – REVENUE**

The Cape Winelands District Municipality is reliant on Grant funding as its main source of revenue. This is as a result of the abolishment of the RSC Levies. National Treasury increases the RSC replacement grant with only 1.88%, 1.04% and 2.94% over the MTREF period.


The following table reflects the revenue sources for the 2016/2017 and 2017/2018 financial years:

KAAPSE WYNLAND  
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 DISTRICT MUNICIPALITY



**MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR THE FINANCIAL PERIOD 2017-2020**

<b>Sources of Income</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>% Inc./-Dec</b>
Ex Rev: Operational Revenue	-3,000.00	-	-100.00
Ex Rev: Rental Fixed Assets	-132,000.00	-131,000.00	-0.76
Ex Rev: Agency Services	-111,862,000.00	-113,260,338.00	1.25
Ex Rev: Sales Goods and Services	-697,800.00	-512,800.00	-26.51
Ex Rev: Service Charges	-	-100,000.00	100.00
Ex Rev: Int Divident Rent on Land	-48,000,000.00	-52,000,000.00	8.33
Non-Ex Rev:	-249,000.00	-250,000.00	0.40
Non-Ex Rev: Transfers & Subsidies	-229,319,197.00	-230,386,000.00	0.47
- RSC Replacement Grant	-216,780,000.00	-220,853,000.00	1.88
- Equitable Share	-4,090,000.00	-1,886,000	-53.89
- LG Finance Management Grant	-1,250,000.00	-1,250,000.00	-
- WC Finance Management Grant	-2,056,340.00	-240,000.00	-88.33
- Fire Services Capacity Grant		-800,000.00	
- CWDM Integrated Transport Plan	-220,220.00	-900,000.00	308.68
- Community Development Workers	-117,504.00	-74,000.00	-37.02
- Audit	-25,526.00		-100.00
- Performance Management	-236,100.00		-100.00
- IDP Grant	-66,552.00		-100.00
- Human Capacity Dev. Grant	-60,000.00		-100.00
- DPSA Grant: Farm Dwellers	-33,955.00		-100.00
- Subs. DOW.: Hiring of Toilets	-700,000.00	-700,000.00	-
- Expanded Public Works Programme	-1,000,000.00	-1,000,000.00	-
- Rural Roads Asset Man, System (Dora)	-2,683,000.00	-2,683,000	-
Seta Refund	-271,000.00	-271,000	-
Working for Water	-4,399,000.00	-4,732,000.00	7.57
Upgrade Rural Roads (DoT)	-4,513,000.00		-100.00
Contribution from Private Land Owners	-250,000.00		-100.00
<b>Total</b>	<b>-399,695,997.00</b>	<b>-401,643,138.00</b>	<b>0.49</b>

KAAPSE WYNLAND  
 DISTRIKS MUNISIPALITEIT  
  
 25 MAY 2017  
 CAPE WINELANDS  
 DISTRICT MUNICIPALITY

**OPERATING BUDGET – EXPENDITURE**

The table below illustrates the operating Expenditure for 2016/2017 and 2017/2018 financial years:

Expenditure Categories	2016/2017	2017/2018	% Inc./-Dec.
Employee Related Costs	181,007,151	201,706,372	11.44
Remuneration of Councillors	11,301,850	11,042,100	-2.30
Operational Cost	77,853,650	76,172,252	-2.16
Contracted Services	74,197,802	69,190,261	-6.75
Interest Dividend Rent on Land	14,000	11,000	-21.43
Operating Leases	386,000	429,000	11.14
Bad Debt Written Off	3,127,665	2,476,000	-20.84
Depreciation and Amortisation	10,617,800	11,055,729	4.12
Inventory	33,070,079	21,290,424	-35.62
Transfers and Subsidies	7,663,000	8,250,000	7.66
Default	0	0	N/A
Gains and Losses	457,000	20,000	-95.62
Total	399,695,997	401,643,138	0.49

**EMPLOYEE RELATED COST**

Employee related costs increased with 11.44% opposed to the budgeted increase of 7% due to the following:

- Vacant posts were only budgeted for the period that it will be filled in the 2016/2017 financial year. The same vacant posts had to be budgeted for in full in the 2017/2018 financial year.

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

**DEPRECIATION**

Depreciation increased with 4.12% to make provision for depreciation related to new assets procured.

**OPERATIONAL COST**

The decrease of 2.16% in Operational Cost is mainly due to the reclassification of items due to the implementation of mSCOA .

**CAPITAL BUDGET**

The capital budget increase from R11 783 917 in 2016/2017 to R 27 643 844 In 2017/2018.

The detail is reflected in Annexure "G".

This overall increase is due to the increased capital budget requested by the following directorates:

- Fire Service
- Technical and Roads Services
- 

**D: HIGH LEVEL 2017/2018 OPERATING BUDGET SUMMARY PER STRATEGIC OBJECTIVE**

<b>STRATEGIC OBJECTIVE</b>	<b>Income</b>	<b>Expenditure</b>	<b>-Surplus / Deficit</b>
<b>Community Development and Planning Services</b>			
Regional Development and Planning	-4,782,000	25,869,539	21,087,539
Community & Developmental Services	-1,250,000	104,609,183	103,359,183
Rural & Social Development	-74,000	16,525,002	16,451,002
<b>Total: Community Development and Planning Services</b>	<b>-6,106,000</b>	<b>147,003,724</b>	<b>140,897,724</b>
<b>Technical Services</b>			
Engineering and Infrastructure	-5,418,000	50,236,931	44,818,931
Roads	-113,360,338	113,360,338	-
<b>Total: Technical Services</b>	<b>-118,778,338</b>	<b>163,597,269</b>	<b>44,818,931</b>
<b>Financial, Strategic and Administrative Support Services</b>			
Governance and Council/for Support	-53,886,000	31,496,954	-22,389,046
Office of the Municipal Manager	-	13,405,923	13,405,923
Corporate Services	-379,000	20,830,778	20,451,778
Financial Services	-222,493,800	25,308,490	-197,185,310
<b>Total: Financial, Strategic and Administrative Support Services</b>	<b>-276,758,800</b>	<b>91,042,145</b>	<b>-185,716,655</b>
<b>Total</b>	<b>-401,643,138</b>	<b>401,643,138</b>	<b>-</b>

**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 129 370 km<sup>2</sup>, 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 22 309 km<sup>2</sup>. 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 Profile<sup>1</sup>**

The Cape Winelands District (CWD) economy is the largest non-metro district within the broader Western Cape Province economy. It contributes 11.7 per cent to Provincial GDP and 14.2 per cent to Provincial employment in 2015. The economic sectors that contributed the most to the Cape Winelands District’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. The agriculture, forestry and fishing sector will continue to grow negatively in 2016 with an estimated average GDPR growth rate of -13.3 per cent.

#### **Growth in GDPR performance**

The CWD experienced an average GDPR growth rate of 3.6 per cent between 2004 and 2015. In 2015, the primary sector contributed 5.5 per cent to the GDPR of the District while the secondary

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

and tertiary sectors contributed 23 per cent and 71 per cent respectively to the GDBR of the District.

### **Economic Sectors**

The economic sectors that contributed the most to the CWD's economy in 2015 were:

- Finance, insurance, real estate and business services (23 per cent)
- Manufacturing (13.6 per cent)
- Wholesale and retail trade, catering and accommodation (19.7 per cent)

The agriculture, forestry and fishing sector and the manufacturing sector have been affected the worst in the District by the worsening economic conditions.

### **Employment**

The agriculture, forestry and fishing sector; the mining and quarrying sector; and the manufacturing sector all shed jobs over the 10-year period between 2004 and 2015. The agriculture, forestry and fishing sector shed 42 377 jobs before the recession (2004 - 2008); 7 927 jobs shed during the recession (2008 - 2009); and was still shedding jobs after the recession (2009 - 2015). This indicates that it has not only been the recession and drought that has had an impact on the agriculture, forestry, and fishing sector, but the fact that the global financial recession started from 2007 which could have impacted local exports.

### **Top Companies**

There are 39 top companies in terms of employment and contribution to GDP in the CWD. These include well-known brands such as KWV Holdings (Pty) Ltd, Parmalat, SASKO, KWV, Distell Limited, Parmalat Group, Rainbow Chicken, Coca-cola, Spier Wines (Pty) Ltd, Pioneer Foods; Tigerbrands, Rhodes Food; Ceres Fruit Juice; Ceres Food Growers; Ashton Canning, Spier Wines (Pty) Ltd, and Remgro Limited. Paarl Media has downscaled their operations within the CWD and have moved to Montague Gardens in Cape Town. Pioneer Foods have also downscaled their head office activities in Paarl and have located to Tygervalley.

### **International trade**

Of the total exports in the CWD in 2015, 67 per cent included manufacturing products and 33 per cent included agriculture, forestry and fishing products. Of total imports in 2015, 68 per cent included mining and quarrying products, 25 per cent manufacturing.

There has been a continuous trade deficit in the mining and quarrying sector since 2005, which could be attributed to a combination of the global recession, slowdown of Chinese manufacturing,

and the weakness of the commodity market due to currency fluctuations and inflation. The CWD's trade deficit has decreased from 2013 (-R27.4 billion) to 2015 (-R4.6 billion).

#### In summary

Apart from the challenges brought about by subdued commodity prices, a number of other challenges impact on the economy, such as the drought (causing increases in domestic food prices) and the currency depreciation, high inflation, and uncertainty in international markets (i.e. Brexit and the slowing down of the Chinese economy). South Africa could face another recession in 2017 if the economy does not improve.

#### Political Structure

Cape Winelands District Municipality is represented by 41 councillors. The Mayoral Committee consists of the Executive Mayor, the Deputy Executive Mayor and 6 councillors. The members of the Mayoral Committee and the Speaker are deemed to be full-time councillors. The situation is as follows:

Political Party	DA	ANC	EFF	Breedevallei Onafhanklik
No. of Councillors	27	11	2	1

The table below presents the Mayco, Speaker and portfolios:

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

#### Administration

The Development Priorities of the 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 M Mgajo**







**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:

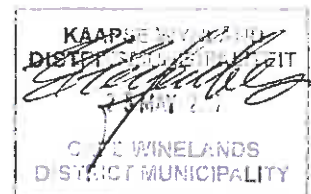
- the Constitution, Act 108 of 1996
- the Local Government Transition Act, Act 209 of 1993
- the Municipal Structures Act, Act 117 of 1998
- the Municipal Systems Act, Act 32 of 2000
- the Municipal Finance Management Act, Act 56 of 2003

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 2016/2017:

- 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 2014

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

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 IDP and budget time schedule on 21 July 2016.

#### **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 consultation process will be carried out during April 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, 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 aim of the 4<sup>th</sup> Generation IDP is to develop, coordinate and most important implement a coherent plan to improve the quality of life for all the people living in the Cape Winelands area, also reflecting issues of national and provincial importance. 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 4<sup>th</sup> Generation IDP document which will be submitted to Council on 30 March 2017 as Annexure "E".

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

##### ***Strategic Objective 1: Community Development and Planning Services***

*To create an environment and forge partnerships that ensures the health, safety, social and economic development of all communities including the empowerment of the poor in the Cape Winelands District through economic, environmental and social infrastructure investment*

- 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**

*To provide an effective and efficient financial and strategic support services to the Cape Winelands District.*

- 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 following existing policies were reviewed to achieve Council's strategic goals. It will be available for public scrutiny at the Ceres, Paarl, Robertson, Stellenbosch and Worcester offices of Council on 30 March 2017. Only the Asset Management, Virement and Supply Chain Management Policy needed to be amended:

**Existing Policies**

Budget Policy

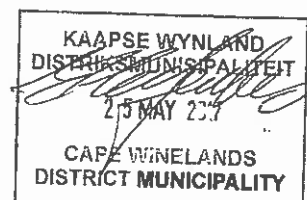
Cash Management and Investment Policy

Implementation of the Expanded Public Works Program (EPWP) Policy

Funding and Reserves Policy

Appointment of Consultants Policy

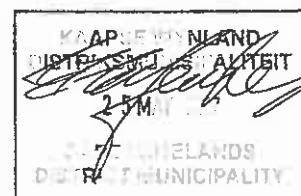
Mobile Device Policy



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  
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 2017/2018 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

### **Salary Increases**

Employee related costs were increased in accordance with the multi-year Salary and Wage Collective Agreement for the period 1 July 2015 to 30 June 2018.

### **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. Therefore 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**

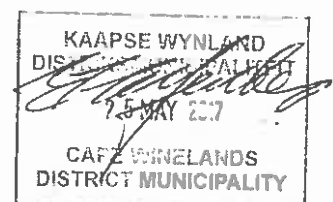
Refer to MBRR SA 19.

### **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).

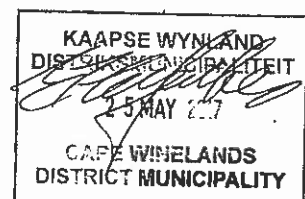
**N: OTHER SUPPORTING DOCUMENTS**





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



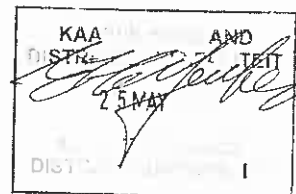
SA37 - Not applicable


**O: QUALITY CERTIFICATE**

I, M. Mgajo..... 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: Michael Mgajo

Municipal Manager of Cape Winelands District Municipality



Signature 

Date 25/05/2017

