



COST CONTAINMENT POLICY

REVIEWED: 30.05.2022

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1. DEFINITIONS

In this policy, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, unless the context indicates otherwise, and –

“Act” means the Local Government: Municipal Finance Management Act, 2003 (Act No.56 of 2003)

“catering” means the provisioning of a meal – sit down and dine at sit-down and dine proceedings of Council, but excludes refreshments at other gatherings of Council;

“consultant” means a professional person, individual partnership, corporation, or a company appointed to provide technical and specialist advice or to assist with a design and implementation of projects or to assist the municipality to achieve its objectives of local government in terms of section 152 of the Constitution.

“cost containment” means measures implemented to curtail spending in terms of the Regulations;

“credit card” means a card issued by a financial service provider, which creates a revolving account and grants a line of credit to the cardholder;

“delegated official” means an official with delegated powers to perform duties assigned to the official by the Municipal Manager;

“municipality” means Overberg District Municipality;

“other gatherings of Council” means an assembly or meeting held for a specific purpose;

“personal use” means items or goods that an official or political office bearer does not use for business purposes which is an integral part of the business model;

“proceedings of Council” means an event with a series of activities involving a set procedure for Council;

“professional purposes” means, in the case of communication, the execution of required duties through informed decision making and recordkeeping;

“refreshments” means a light snack and/or drink at other gatherings of Council;

“Regulations” means the Municipal Cost Containment Regulations as per National Treasury Notice 317 of 2019 issued in the Government Gazette No. 42514 dated 7 June 2019.

“social event” means an event with no series of activities involving a set procedure of Council; and

“uniforms” means the required protective and/or branded clothing.

2. LEGISLATIVE FRAMEWORK

This policy must be read in conjunction with the —

2.1 The Local Government: Municipal Finance Management Act 2003 (Act No. 56 of 2003), as well as the Municipal Cost Containment Regulations of 2019;

2.2 MFMA Circular 97 dated 31 July 2019; and

2.3 Travelling and subsistence policy.

3 OBJECTIVES OF THE POLICY

The objectives of this policy are to:

- 3.1 ensure that the resources of the municipality are used effectively, efficiently, and economically; and
- 3.2 To implement the Cost Containment Regulations.

4 SCOPE OF THE POLICY

This policy will apply to all:

- 4.1 Political Office Bearers; and
- 4.2 Municipal officials.

GENERAL EXPENDITURE

5. USE OF CONSULTANTS

- 5.1 Consultants may only be appointed after a gap assessment of the needs and requirements have been conducted to confirm that Overberg District Municipality does not have requisite skills or resources in its full time employ to perform the function.
- 5.2 An accounting officer must adopt a fair and reasonable remuneration framework for consultants considering the rates -
 - (a) determined in the "Guideline on fees for audits undertaken on behalf of the Auditor-General of South Africa ", issued by the South African Institute of Chartered Accountants;
 - (b) set out in the "Guide on Hourly Fee Rates for Consultants ", issued by the Department of Public Service and Administration; or
 - (c) as prescribed by the body regulating the profession of the consultant.
- 5.3 The tender documentation for the appointment of consultants must include a clause that the remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in sub -regulation (2).
- 5.4 When negotiating cost -effective consultancy rates for international consultants, the accounting officer may consider the relevant international and market -determined rates.
- 5.5 When consultants are appointed, the following should be included in the Service Level Agreements:
 - (a) consultants should be appointed on a time and cost basis that has specific start and end dates, preferable;
 - (b) consultants should be appointed on an output-specific, specifying deliverables and the associated remuneration, where practical possible;

- (c) ensure that cost ceilings are included to specify the contract price as well as whether the contract price is inclusive or exclusive of travel and subsistence disbursements;
- (d) all engagements with consultants should be undertaken in accordance with the municipality's supply chain management policy;
- (e) a clause that deals with skills transfer to the relevant officials; and
- (f) develop consultancy reduction plans to reduce the reliance on consultants.

5.6 All contracts with consultants must include a fee retention or a penalty clause for poor performance.

5.7 The specifications and performance of the service provider must be used as a monitoring tool for the work that is to be undertaken and performance must be appropriately recorded and monitored.

5.8 The travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department of Transport, as updated from time to time.

5.9 The contract price must specify all travel and subsistence costs and if the travel and subsistence costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance with the national travel policy of the National Department of Transport.

6. VEHICLES USED FOR POLITICAL OFFICE BEARERS

6.1 The threshold limit for vehicle purchases relating to official use by political office-bearers must not exceed R700 000 or 70% (VAT inclusive) of the total annual remuneration package for the different grades of municipalities, as defined in the Public Office Bearers Act and the notices issued in terms thereof by the Minister of Cooperative Governance and Traditional Affairs, whichever is lower.

6.2 The procurement of vehicles in sub -regulation (1) must be undertaken using the national government transversal contract mechanism unless it may be procured at a lower cost through other procurement mechanisms.

6.3 Before deciding to procure a vehicle as contemplated in sub -regulation (2), the accounting officer or delegated official must provide the council with information relating to the following criteria which must be considered:

- (a) status of current vehicles;
- (b) affordability of options including whether to procure a vehicle as compared to rental or hire thereof, provided that the most cost-effective option is followed, and the cost is equivalent to or lower than that contemplated in sub -regulation (1);
- (c) extent of service delivery backlogs;
- (d) terrain for effective usage of the vehicle; and
- (e) any other policy of council.

6.4 If the rental referred to in sub -regulation (3) is preferred, the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.

- 6.5 Regardless of their usage, vehicles for official use by political office bearers may only be replaced after completion of 120 000 kilometres.
- 6.6 Notwithstanding sub -regulation (5), a municipality or municipal entity may replace a vehicle for official use by political office bearers before the completion of 120 000km only in instances where the vehicle has a serious mechanical problem and is in a poor condition and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.
- 6.7 The Municipal Manager must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

7. TRAVEL & SUBSISTENCE

- 7.1 The Municipal Manager may only approve the purchase of economy class tickets for air travel.
- 7.2 Notwithstanding 7.1, the Municipal Manager may approve the purchase business class tickets for officials with disabilities.
- 7.3 International travel to meetings or events will only be approved if it is considered critical to attend the meeting or event, and only the officials that are directly involved with the subject matter will be allowed to attend the meeting or event.
- 7.4 The Municipal Manager in the case of officials, the Executive Mayor in the case of the Municipal Manager and Councillors, and the Council in the case of the Executive Mayor, will approve the officials or Councillors who may attend the meetings or events referred to in paragraph 7.3 above.
- 7.5 The municipality and travel agency must use the negotiated rates for flights and accommodation as communicated by National Treasury, from time to time, or any other cheaper flight or accommodation that is available.
- 7.6 The Municipal Manager, or the Executive Mayor in the case of the Municipal Manager, may approve accommodation costs that exceeds an amount as determined from time to time by the National Treasury.
- 7.7 Telephone and/or Video conferencing facilities must be used, where possible, to avoid unnecessary travelling and subsistence costs.
- 7.8 Recruitment and Selection processes will implement a "virtual" pre-screening interview phase (when required) for shortlisted candidates before physical interviews at ODM, this will reduce/curb the cost of travel and accommodation costs, hence promoting cost containment principles, but still obtaining the best candidate for the municipality.

8 DOMESTIC ACCOMMODATION

- 8.1 The Municipal Manager must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates for domestic accommodation (based on 3 star) and meals, as communicated by National Treasury, from time to time, and the travel and subsistence policy of the municipality.

8.2 Travel agencies must ensure that rates for domestic accommodation are equal or lower than the rates as determined by National Treasury.

8.3 Overnight accommodation may only be booked where the return trip exceeds 500 kilometres.

8.4 The Chief Financial Officer may approve overnight accommodation, where the return trip is less than 500 kilometres, in cases where;

- (a) attendance is required over a number of days (more than one day);
- (b) there is a risk to the health of official(s) or councillor(s);
- (c) it is cheaper to stay over;
- (d) attendance is required before 10:00 the following morning;
- (e) a road or any other conditions could jeopardise the safety of officials and councillors; or
- (f) any exceptional circumstances require that an official or councillor must stay over.

9. VEHICLE HIRE

9.1 Employees must consider ODM's own fleet first.

9.2 Employees must make use of shuttle services if the cost is below the cost for hiring a vehicle or where an employee claims for kilometres travelled plus parking costs.

9.3 Class B rates car rental will be payable in cases where car rental is appropriate.

9.4 Vehicle travel claims by employees must be restricted to the actual distance travelled.

9.5 The CFO may approve use of private vehicles if justified cause is provided.

10 CREDIT CARDS

The Municipal Manager must ensure that no credit card or debit card linked to a bank account of the municipality is issued to any official or public office-bearer. Where officials or public office bearers incur expenditure in relation to official municipal activities, such officials and public office bearers must use their personal credit cards or cash and may request reimbursement from the municipality in terms of the travel and subsistence policy, and petty cash policy.

11 SPONSORSHIPS, EVENTS, CATERING AND REFRESHMENTS

11.1 The municipality may not incur catering expenses for meetings that are only attended by persons in the employ of the municipality unless prior written approval is obtained from the Municipal Manager.

11.2 Catering expenses may be incurred by the Municipal Manager for the following, if it exceeds five (5) hours:

- (a) Hosting of meetings;
- (b) Conferences;
- (c) Workshops;
- (d) Courses;
- (e) Forums;
- (f) Recruitment interviews; and
- (g) Council proceedings

11.3 On the day of Council meetings where committee meetings and workshops are held, which exceeds five (5) hours in total, may catering/refreshments be provided.

11.4 No entertainment allowances for officials are allowed. In acceptable cases, entertainment costs may be approved by the Municipal Manager.

11.5 Expenses may not be incurred on alcoholic beverages.

11.6 Social functions, team building exercises, year-end functions, sporting events, budget speech dinners and other functions that have a social element must not be financed from the municipal budget or by any suppliers or sponsors.

11.7 Expenditure may not be incurred on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade, unless the costs thereto are recovered from the affected officials.

11.8 Expenditure may be incurred to host farewell functions in recognition of officials who retire after serving the municipality for ten (10) or more years, or retire on grounds of ill health, the expenditure should not exceed the limits of the petty cash usage as per the petty cash policy of the municipality.

11.9 All expenses in respect to catering and refreshments must be pre-approved by the Chief Financial Officer on condition that there is sufficient provision made for these expenses in the budget and the correct SCM processes is followed.

12 COMMUNICATION

12.1 All municipal related events must, as far as possible, be advertised on the municipal website, instead of advertising in magazines or newspapers.

12.2 Publications such as internal newsletters must be designed internally and be published quarterly in an electronic media format and be placed on the municipal website/intranet.

- 12.3 Newspapers and other related publications for the use of officials and full-time political office bearers must be discontinued on the expiry of existing contracts or supply orders; unless, authorised by the Municipal Manager for officials and the Executive Mayor for full-time political office bearers that is required for professional purposes, or where unavailable in electronic format.
- 12.4 The acquisition of mobile communication services by using the transversal term contracts that have been arranged by the National Treasury, must be encouraged.
- 12.5 Allowances to officials for private calls and data costs for use of personal/private telephones are limited to the amount of R 1000,00 per month and must be approved by the Municipal Manager.

13 CONFERENCES, MEETINGS & STUDY TOURS

13.1 The Municipal Manager must establish policies and procedures to manage applications to attend conferences or events hosted by professional bodies or non-governmental institutions held within and outside the borders of South Africa considering their merits and benefits, costs, and available alternatives.

13.2 Appropriate benchmark costs may be considered by the Municipal Manager prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa.

13.3 The benchmark costs may not exceed an amount determined by National Treasury.

13.4 When considering applications from officials to conferences or events within and outside the borders of South Africa, the accounting officer must take the following into account:

- (i) The official's role and responsibilities and the anticipated benefits of the conference or event;
- (ii) Whether the conference or event will address the relevant concerns of the municipality;
- (iii) the availability of funds to meet expenses related to the conference or event.
- (iv) The appropriate number of officials or political office bearers, not exceeding one attending the conference or event, or in the case of more than one official attending the conference or event, as approved by the Municipal Manager, or in the case of the more than one political office bearer attending the conference or event, as approved by the Executive Mayor.

13.5 The amount referred to in 13.2 above excludes costs related to travel, accommodation, and related expenses, but includes:

(i) Conference or event registration expenses; and

(ii) Any other expense incurred in relation to the conference or event.

13.6 When considering costs for conferences and events these may not include items such as laptops, tablets and other similar tokens that are built into the price of such conferences or events.

13.7 Attendance of conferences will be limited to one (1) per annum with a maximum of two (2) delegates.

13.8 Meetings and planning sessions that entail the use of municipal funds must, as far as practically possible, be held in-house.

13.9 Municipal offices and facilities must be utilized for conferences, meetings, and strategic planning sessions where an appropriate venue exists within the municipal jurisdiction.

13.10 The Municipal Manager must grant the approval for officials, and in the case of political office bearers and the Municipal Manager, the Executive Mayor, as contemplated in paragraph 13.4.

13.11 Overberg District Municipality must, where practical possible, take advantage of early registration discounts by granting the required approvals to attend the conference, event, or study tour, in advance.

13.12 Telephone and/or Video conferencing facilities must be used, where possible, to avoid unnecessary travelling and subsistence costs.

EMPLOYMENT RELATED COSTS

14. OVERTIME

14.1 Overtime be limited to minimum hours to resolve the issue

14.2 Overtime should be worked by the minimum and lowest ranked officials to resolve the issue.

14.3 Planned overtime should be approved by the relevant manager (Director) reporting directly to the Municipal Manager before overtime is worked. Unplanned/emergency overtime should be motivated and approved by the relevant manager (Director) reporting directly to the Municipal Manager, monthly before overtime is paid.

14.4 Authority to work overtime more than 40 hours per month, must be obtained from the Municipal Manager prior to the overtime being worked, as this is in contravention of Section 10 of the Basic Conditions of Employment Act (BCEA).

- 14.5 The Director must ensure that planned overtime worked more than 40 hours, was authorised by the Municipal Manager prior to the actual overtime being worked.
- 14.6 The core working hours of the employees to be changed to a shift system, where applicable and practical possible, to obviate the need for overtime.
- 14.7 The regulations issued by the Department of Labour, relating to annual salary thresholds within which overtime may be paid, must be adhered to.
- 14.8 Overberg District Municipality may consider providing additional time-off in lieu of payment for overtime worked.

CAPITAL EXPENDITURE

15. COMPUTER / ELECTRONIC EQUIPMENT

Equipment should be shared where practically possible to ensure efficiency.

16. VEHICLES

16.1 The procurement of vehicles must be undertaken using the national government transversal mechanism, where it is in the best interest of the municipality.

16.2 Pool vehicles must be used, where possible, to ensure that vehicles are used optimally.

16.3 A vehicle monitoring system should be encouraged to monitor usage/performance of vehicles to curb abuse of municipal vehicles and/or excessive petrol consumption.

OTHER

17. OTHER RELATED EXPENDITURE ITEMS

17.1 All commodities, services and products covered by a transversal contract by the National Treasury must be procured through that transversal contract before approaching the market, to benefit from savings and lower prices or rates that have already been negotiated.

17.2 Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing, and other inducements as part of, or during the election periods.

17.3 Expenditure on tools of trade for political office bearers must be limited to the upper limits as approved and published by the Cabinet member responsible for local government in terms of the remuneration of Public Office Bearers Act, 1998.

17.4 Overberg District Municipality must avoid expenditure on elaborate and expensive office furniture.

17.5 Overberg District Municipality may only use the service of the South African Police Service to conduct periodical or quarterly security threat assessments of political office bearers and key officials and a report must be submitted to the Speaker.

17.6 The Municipal Manager, or where applicable the Executive Mayor, must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

18. ENFORCEMENT PROCEDURES

Failure to implement or comply with this Policy and the Regulations may result in any official or political office bearer of the municipality that authorised or incurred any expenditure contrary to this Policy and the Regulations being held liable for financial misconduct, or a financial offence in the case of political office bearers as defined in Chapter 15 of the Act read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

19. DISCLOSURES OF COST CONTAINMENT MEASURES

19.1 The disclosure of cost containment measures applied by the Municipality must be included in the municipal in-year budget reports and annual cost savings disclosed in the annual report.

19.2 The measures implemented and aggregated amounts saved per quarter, together with the regular reports on reprioritisation of cost savings and on the implementation of the cost containment measures must be submitted to the Municipal Council for review and resolution. The Municipal Council can refer such reports to an appropriate Council Committee for further recommendations and actions.

19.3 The reports referred to in paragraph 19.2 above must be copied to the National Treasury and the Western Cape Provincial Treasury within seven calendar days after the report is submitted to the Municipal Council.

20. SHORT TITLE AND COMMENCEMENT

20.1 This policy shall be called the Cost Containment Policy of Overberg District Municipality and take effect when approved by Council.

20.2 This policy must be reviewed annually together with all budget related policies.

21. EFFECTIVE DATE

This policy shall come into effect on 1 July 2022



EXTRACT FROM THE COUNCIL MINUTES HELD ON 30 MAY 2022

Item A63. 30.05.2022

MTREF BUDGET: 2022-2023 TO 2024/2025 OPERATING AND CAPITAL BUDGET, IDP AND POLICY DOCUMENTS (Ref.-.6/1/1/3)

N Kruger : Chief Financial Officer

(Ref.:6/1/1/B & 6/1/1/1)

PURPOSE

The purpose of the report is to submit the budget for 2022/2023 MTREF to Council for consideration of approval.

BACKGROUND

In terms of section 16 of the Local Government: Municipal Financial Management Act, 2003 (Act 56 of 2003) Council must approve an annual budget before the start of the financial year.

LEGAL FRAMEWORK

The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) stipulates as follows:

Municipal budgets

16. (1) The Council of a municipality must for each year approve an annual budget for the municipality before the start of the financial year.
(2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

Contents of annual budgets and supporting documentation

17. (1) An annual budget of a municipality must be a schedule in the prescribed format—
- (a) setting out realistically anticipated revenue for the budget year from each revenue source;
 - (b) appropriating expenditure for the budget year under the different votes of the municipality;
 - (c) setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;
 - (d) setting out—
 - (i) estimated revenue and expenditure by vote for the current year; and (ii) actual revenue and expenditure by vote for the financial year preceding the current year; and
 - (e) a statement containing any other information required by section 215(3) of the Constitution or as may be prescribed.
- (2) An annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed.
(3) When an annual budget is tabled in terms of section 16(2), it must be accompanied by the following documents:

- (a) Draft resolutions—

- (i) approving the budget of the municipality;
- (ii) imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and
- (iii) approving any other matter that may be prescribed;

(b) measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan;

(c) a projection of cash flow for the budget year by revenue source, broken down per month;

(d) any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of section 34 of the Municipal Systems Act;

(e) any proposed amendments to the budget-related policies of the municipality;

(f) particulars of the municipality's investments;

(g) any prescribed budget information on municipal entities under the sole or shared control of the municipality;

(h) particulars of all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate;

(i) particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;

(j) particulars of any proposed allocations or grants by the municipality to— (i) other municipalities;

(ii) any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers;

(iii) any other organs of state; (iv) any organisations or bodies referred to in section 67(1);

(k) the proposed cost to the municipality for the budget year of the salary, allowances and benefits of—

(i) each political office-bearer of the municipality;

(ii) councillors of the municipality; and

(iii) the municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager;

(l) the proposed cost for the budget year to a municipal entity under the sole or shared control of the municipality of the salary, allowances and benefits of— (i) each member of the entity's board of directors; and

(ii) the chief executive officer and each senior manager of the entity; and (m) any other supporting documentation as may be prescribed.

22. Publication of annual budgets —

(1) Immediately after an annual budget is tabled in a municipal council, the accounting officer of the municipality must—

(a) in accordance with Chapter 4 of the Municipal Systems Act—

(i) make public the annual budget and the documents referred to in section 17(3); and

(ii) invite the local community to submit representations in connection with the budget; and

(b) submit the annual budget—

(i) in both printed and electronic formats to the National Treasury and the relevant provincial treasury; and

(ii) in either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget.

23. Consultations on tabled budgets —

- (1) When the annual budget has been tabled, the municipal council must consider any views of—
 - (a) the local community; and
 - (b) the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget.
- (2) After considering all budget submissions, the council must give the mayor an opportunity—
 - (a) to the submissions; and
 - (b) if necessary, respond to revise the budget and table amendments for consideration by the council.
- (3) The National Treasury may issue guidelines on the manner in which municipal councils should process their annual budgets, including guidelines on the formation of a committee of the council to consider the budget and to hold public hearings.
- (4) No guidelines issued in terms of subsection (3) are binding on a municipal council unless adopted by the council.

COMMENTS

The draft 2022/23 Medium Term Revenue and Expenditure Framework (MTREF) report inclusive of the budget schedules, which have been compiled in terms of the Municipal Budgeting and Reporting Regulations (MBRR), have been distributed after tabling it in the Council meeting of 28 March 2022, while a notice has been placed in the local newspapers to invite the public/community to submit comments on the draft/tailed budget.

Input from Provincial Treasury

Provincial Treasury has submitted their 2022 SIME/ LG MTEC Assessment Report on 26 April 2022 and the municipal response was discussed with Provincial Treasury on 6 May 2022. The following aspects were highlighted by the Province Treasury and herewith the issues raised as well as the respective response from ODM Management :

The Municipality's budget reflects funded, but the nett surplus after the application of cash is on a declining trajectory over the MTREF indicating risks to future sustainability

- a) The Municipality tabled an operating surplus budget over the 2022/23 MTREF period which is commendable. As a district municipality, the Municipality has limited revenue sources, but great effort is noted in identifying additional revenue sources. Tariffs are proposed above inflation and may influence the revenue growth assumptions.
- b) The Municipality has over the last two (2) financial years shown great resilience to remain financially stable under exceptionally uncertain economic conditions. The Municipality's continued success depends on its ability to recognise when to adapt and adjust plans during any uncertainty. The Municipality is encouraged to continue with ongoing assessments of assumptions to ensure that revenue, expenditure projections and policy decisions to be accurately informed over the MTREF. It should be noted that based on the prior year audited outcomes, the Municipality has reported a deficit budget in 2018/19 but managed to achieve operating surpluses in 2019/20 and 2020/21 financial years. It has been noted on the Municipality's performance that in the 2021/22 financial year, operational expenditure has increased by two (2) per cent whilst the operating revenue has also increased by six (6) per cent.

- c) It is clear from the budgetary allocation to the strategic objectives that the bulk of the 2022/23 MTREF allocation is focused towards Strategic Goal (1): 'To ensure the well-being of all in the Overberg through the provision of efficient basic services and infrastructure'; this includes an operating budget allocation of R180.9 million (71.2 per cent) and a capital allocation of R7.5 million (73.7 per cent) in 2022/23. It is evident that the Municipality's 2022/23 budget prioritised spending towards delivering on its service delivery mandate.
- d) Annual growth in operating expenditure is below projected inflation in 2023/24 and 2024/25, while capital expenditure declines from a high of R10.2 million 2022/23 over the MTREF, to R3.4 million in 2024/25.
- e) This largest of the allocations, for road transport, will mainly be directed towards refurbishment and rehabilitation as well as upgrades and additions to existing road transport infrastructure, the biggest of these for 2022/23 being for the Hermanus-Gansbaai project (R130.0 million), the reseal of the Stanford-Riviersonderend road (R105.0 million), refurbishment of the Caledon-Sandbaai road (R93.8 million), upgrades and additions to the Draaiberg road and refurbishment of the Barrydale – Ladismith road (R60.0 million).
- f) The District has allocated R20.8 million towards its municipal health function (operating budget) and as well as a capital budget allocation of R40 000 (mostly office equipment) in 2022/23. Districts are mandated to provide municipal health services, which includes the surveillance and prevention of communicable diseases such as the current COVID-19. The allocation for municipal health is part of an investment in future health provision. The importance of strengthening this function and providing it with adequate resources is crucial to attaining and maintaining levels and safety standards with regards to our physical environment. The District has significantly increased its municipal health operating budget allocation in the 2022/23 financial year (21.2 per cent) compared to its 2021/22 allocation.
- g) The District has allocated a total operating budget of R36.0 million to the provision of fire-fighting services for 2022/23. This represents a 7.2 per cent increase from its 2021/22 allocation. A capital budget of R2.6 million is geared primarily towards vehicle replacement (R2.2 million) and vehicle upgrades/refurbishment (R300 000). In total, allocations towards fire-fighting services equates to 14.6 per cent of the overall 2022/23 budget.
- h) For 2022/23, the District has allocated R16.2 million of its operational expenditure budget to 'Sport and Recreation'; the corresponding capital allocation for the year is R1.4 million. If resorts are well managed and maintained, upgraded, and appropriately marketed, it can play a role in promoting domestic and international tourism within the region. The Municipality must consider if the allocation for this function is sufficient given the 1.9 per cent drop in operating expenditure in 2022/23.
- i) Firefighting and health services remain an essential part of the Municipality's service delivery to its community, however huge deficits are incurred in the process of providing these services. The Municipality must identify efficiencies within these functions to minimise the cost and negative financial impact. In this regard, ODM raised the Health Service funding issues at the Cabinet and Municipalities "Meet & Greet Sessions" on 22 April 2022 and ODM was advised to approach Provincial Treasury to make a submission to National Treasury. This was to motivate sufficient funding through an Equitable Share formula review for District Municipalities which would provide a framework for funding of Municipal Health Workers in line with required norms and standards. Currently ODM reflects a deficit of EHP's based on population figures (1 EHP/10 000). An item was placed on the next CFO Forum for 10 June 2022 to discuss this issue with District CFO's.

- j) The Municipality is reliant on own funding to contribute to capital budget and must consider the return on investment to ensure ongoing sustainability. The main fiscal challenge facing the Municipality is the limited revenue base and the identification of revenue opportunities within a cost-efficient governance model of service delivery. Balancing affordability and increasing spending demands is key to maintain a healthy funding position with active contributions to the capital replacement reserve fund.
- k) The liquidity ratios of the Municipality indicate that the Municipality can take care of their financial commitments.
- l) (l) The draft budget data strings over the MTREF period indicates that the Municipality is not exposed to a liquidity risk.

FURTHER COMMENTS

No other comments or inputs had been received on the advertised budget and tariffs.

Other necessary amendments based on changed assumptions and additions were made in the 2022/23 budget document, as proposed and tabled to the Budget Steering Committee for consideration on 17 May 2022.

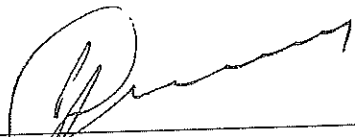
The 2022/23 Medium Term Revenue and Expenditure Framework (MTREF) report, inclusive of the budget schedules, which are compiled in terms of the Municipal Budgeting and Reporting Regulations (MBRR), will be distributed prior to the Council meeting of 30 May 2022.

RESOLVED : (Proposed by Ald A Franken and seconded by Ald J Nieuwoudt)

- 1) The consolidated budget of **R253 440 054**, consisting of an **Operating budget of R253 345 851** (resulting in a **surplus R 94 203** after tariff increases) and a **Capital budget of R10 273 000** and budgeted cash flows, as set out in the Municipal Budget is adopted and approved by Council and that it constitutes the Budget of the Council for 2022/2023 financial year as well as the medium term (indicative) budgets for the 2023/2024 and 2024/2025 financial years.
- 2) The tariffs as per tariff list be approved. That an application for waiver of tariffs be considered by the Municipal Manager, on written application.
- 3) That all other matters prescribed in sections 17(1) (a-e); 17(2) and 17(3) (a-m) of the Municipal Finance Management Act 56 of 2003, are included in or that accompany the budget document be approved.
- 4) The measurable performance objectives for 2022/2023 for operating revenue by source and by vote is approved.
- 5) That the following budget related policies are approved:
 - i Asset Management Policy (as amended)
 - ii Credit Control and Debt Collection Policy (as amended)
 - iii Cash Management and Investment Policy (as amended)
 - iv Tariff Policy (as amended)
 - v Supply Chain Management Policy (as amended)
 - vi Virement Policy (as amended)
 - vii Borrowing Policy (as amended)
 - viii Funding and Reserves Policy (as amended)

- ix Budget Policy (as amended)
- x Customer Care Policy (as amended)
- xi Demand Management Policy (as amended)
- xii Infrastructure and delivery Management Policy (Repealed)
- xiii Infrastructure investment and Capital projects Policy (as amended)
- xiv Liquidity Policy (as amended)
- xv Long term Financial Planning Policy (as amended)
- xvi Management and Admin of Immovable Assets Policy (as amended)
- xvii Payroll Management and Administration Policy (as amended)
- xviii Preferential Procurement Policy (Repealed)
- xix Cost containment Policy (as amended)
- xx Travelling and Subsistence Policy (as amended)

**CERTIFIED A TRUE EXTRACT FROM THE MINUTES OF THE COUNCIL MEETING HELD
ON 30 MAY 2022.**



**P. OLIVER
MUNICIPAL MANAGER (ACTING)**