





EXPANDED PUBLIC WORKS PROGRAMME (EPWP) POLICY

<i>Council Resolution No</i>	:	A 81
<i>Date</i>	:	29-05-2023
<i>Municipal Manager</i>	:	
<i>Executive Mayor</i>	:	
<i>Reference No</i>	:	6/1/B
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AMENDED 29.05.2023

TABLE OF CONTENT

1.	PURPOSE OF EPWP	3
2.	VISION OF OVERBERG DISTRICT MUNICIPALITY	3
3.	MISSION OF OVERBERG DISTRICT MUNICIPALITY	3
4.	GLOSSARY OF TERMS/DEFINITIONS	4
5.	POLICY OBJECTIVES OF EPWP	4
6.	OVERVIEW OF EPWP	5
7.	SECTORS IDENTIFIED FOR EMPLOYMENT OPPORTUNITIES	6
8.	LEGISLATIVE AND POLICY FRAMEWORK	6
9.	SOCIO-ECONOMIC ANALYSIS: OVERBERG DISTRICT MUNICIPALITY	8
10.	SOCIO-ECONOMIC BACKGROUND	8
11.	INSTITUTIONAL ARRANGEMENTS	9
12.	OVERBERG DISTRICT EPWP CO-ORDINATING STRUCTURES	10
13.	PROJECT IDENTIFICATION, TARGET GROUPS AND PARTICIPANT SELECTION	12
14.	CONDITIONS OF EMPLOYMENT	12
15.	EPWP CONDITIONAL GRANT AND TARGETS	12
16.	PROVINCIAL AND NATIONAL SUPPORT	13
17.	PROGRAMME PERFORMANCE INDICATOR	13
18.	REPORTING PROCESS	14
19.	ENDORSEMENT OF THE POLICY	14
20.	REVIEW OF THE POLICY	14

1. PURPOSE OF EPWP

The purpose of this policy document is to provide a framework for the implementation of the Expanded Public Works Programme (EPWP) within the Overberg District Municipality (ODM).

The thrust of this policy framework is to create work opportunities for unemployed individuals using the ODMs expenditure in the short to medium term, in line with the municipality's directive. It is also envisaged that the incentive will increase over the period, and this will allow the municipality to sustain the implementation of this programme over the long-term.

EPWP is a nationwide short- and medium-term government initiative aimed to alleviate poverty by utilising the public sector budgets to draw significant numbers of the unemployed individuals into productive work opportunities whilst enabling these workers to gain experience and skills in the work environment.

The ODMs EPWP Municipal Policy should formally be adopted by Council and include a process to be reviewed, and reports on progress to be submitted to Council. The ODM, through its co-ordinating Directorate will co-operate with other spheres of Government to ensure an effective, efficient, compliant and successful EPWP programme.

2. VISION OF OVERBERG DISTRICT MUNICIPALITY

Aims to have EPWP as a delivery strategy in the implementation of all municipal projects. To lead in the implementation of EPWP in the district by 2023 and beyond. For the new financial year of 2023/24, a target of 172 EPWP work opportunities were allocated to the ODM by the National Government.

This Vision intended to compliment:

- ❖ Council's Vision: "Overberg – the opportunity gateway to Africa through sustainable services"
- ❖ Council's Strategic Goal: To promote regional economic development by supporting initiatives in the district for the development of a sustainable district economy.
- ❖ Provincial Strategic Goal 1: Create opportunities for growth and jobs.
- ❖ National Government Outcome no. 4: Decent employment through inclusive economic growth; Output: Faster and sustainable inclusive growth; more labour-absorbing growth; strategy to reduce youth unemployment; implement EPWP.

3. MISSION OF OVERBERG DISTRICT MUNICIPALITY

- ❖ To render sustainable, customer-directed services and to be the preferred Provider of Shared Services within the Overberg, by:
 - Promoting social and economic development.
 - Utilising all available resources economically, efficiently, and effectively.
 - Ensuring the provision of optimal and quality service delivery; and
 - Enhancing effective stakeholder relations

4. GLOSSARY OF TERMS / DEFINITIONS

4.1 EPWP – The Expanded Public Works Programme

The Expanded Public Works Programme (EPWP) is a nation-wide National Government programme to draw significant numbers of unemployed individuals into productive work and accompanied by training, so that they can increase their capacity to earn an income and become more competitive in the job market.

4.2 Labour-Intensive Projects

Labour-intensive construction is an economically efficient employment of a great proportion of labour, as it is technically feasible throughout the construction process to achieve the standard demanded by the specification of the result being a significant increase in employment generated per unit of expenditure by comparison with conventional equipment-intensive methods.

4.3 Person-Days of Employment

The aggregate of the number of people who worked on a project multiplied by the number of days each person worked.

4.4 Job Opportunity

Paid work created for an individual on any EPWP project is dependent on the duration of a project that may differ from time to time, and it will indicate on his/her employment contract. Participants must receive training and skills development to further develop their skill levels during their job opportunities on the EPWP program. All workers are appointed from the Overberg District Municipal EPWP Database for unemployed persons within the municipal authority. Applicants will rotate to allow the optimum number of unemployed people to benefit from the project.

4.5 Demographic Characteristics of Workers

The number of workers that fall within the following categories must be recorded:

- Youth – 55%
- Women – 60%
- People with disabilities – 2%

5. POLICY OBJECTIVES OF EPWP

EPWP projects and programmes must be identified, using labour-intensive methods with predetermined key deliverables over a given timeframe in the infrastructure, environmental, social, and non-state sectors. The targets are to be achieved by channelling a substantial amount of the municipal annual budget allocation (capital projects, setting up a special vote to kick start the programme) towards implementation by -

- 5.1 Implementing labour-intensive infrastructure projects that can create short-term jobs for the unemployed within the local communities' projects to be identified in the CAPEX budget and negotiated with budget holders.

- 5.2 Capacitating SMME's and emerging contractors within the local communities by facilitating the transfer of skills (managerial, technical, and financial) through an appropriate Learnership Programme.
- 5.3 Maximising the percentage of the ODMs annual total budget spent and retained within local communities by promoting the procurement of goods and services from local manufacturers, suppliers, and service providers.
- 5.4 Engaging Area management / operational departments of the ODM in identifying labour-intensive projects and recruitment of suitable people based on defined target. Funds received from National to roll-out the programme totals R1 192 000.
- 5.5 Entrenching the EPWP methodology within the IDP – a methodology that expands the current service delivery model of goods and services to ensure shared growth.
- 5.6 Ensuring developmental integration across all sectors, re-engineer planning, design, and implementation of projects / programmes within the existing municipal operational and capital projects.
- 5.7 Establishing the ODM EPWP as an approved socio-economic developmental and poverty alleviation programme with sustainable exit strategies that maximise SMME development, employment creation and skills development.

6. OVERVIEW OF EPWP

The EPWP is a South African Government Programme initiated in 2003 by the National Cabinet as a Presidential Lead Programme. Phase 1 of the EPWP concluded on 31 March 2009, followed by the implementation of Phase 2 between period 1 April 2009 and 31 March 2014. The EPWP Phase 3 Business Plan was endorsed by National Cabinet for implementation from 1 April 2014 – 31 March 2019. Phase 4 between period 1 April 2019 - 31 March 2024 aims to create 5.1 million work opportunities over the five years and all spheres of government are required to re-orientate budgets and fiscal incentives to contribute to job creation. The Programme is implemented by all spheres of government, across four (4) defined sectors:

The Programme is co-ordinated by the National Department of Infrastructure, as mandated by Cabinet.

The Programme is implemented in isolation with other Government strategic objectives. The New Growth Path (NGP) outlines Key Job drivers, such as targeting more labour-absorbing activities across the main economic sectors; and substantial public investment in infrastructure both to create employment directly, in construction, operation and maintenance as well as the production of inputs, and indirectly by improving efficiency across the economy. EPWP work opportunities are all linked to the NGP Key Job drivers and expected to contribute to the NGP targets through its Full-Time Equivalent (FTE) targets.

The National Development Plan (NDP) Vision 2030 through the Diagnostic Report identified nine (9) main challenges facing South Africa, amongst others are: too few people work and the quality of education available to the majority are poor. The persistently high rate of unemployment in South Africa is one of the most pressing socio-economic challenges facing government. High youth unemployment in particular means young people are not acquiring the skills or experience needed to drive the economy forward. This inhibits the country's economic development and imposes a larger burden on the state to provide social assistance.

No single policy offers the solution. What is a sustained period of accelerated and inclusive economic growth and a comprehensive set of short- and long-term policy reforms and initiatives that encompass increasing demand for labour, improving education and skills, and labour market interventions that improve the employability of young people. EPWP is one of those short-term initiatives by Government aimed to create work opportunities for the marginalised: women, youth and the disabled.

7. SECTORS IDENTIFIED FOR EMPLOYMENT OPPORTUNITIES

- ❖ Infrastructure – Increase the labour-intensity of infrastructure projects.
- ❖ Environment and Culture – work opportunities in cleaning and arts.
- ❖ Social – opportunities in public social programmes; and
- ❖ Economic – developing SMME's and emerging service providers.

To date the Municipality has made significant contribution to the creation of employment opportunities through initiatives such as.

- Working For Fire - Emergency Services
- Cleaning projects
- Coastal Clean-up
- Maintenance of Buildings.
- Youth Development Programme
- APD Persons with Disabilities

The implementation of the EPWP initiative will be created on the above initiatives. What is interesting about this EPWP programme is that it is only restricted to the creation of infrastructure employment opportunities.

8. LEGISLATIVE AND POLICY FRAMEWORK

The development of the EPWP Municipal Policy is guided by the following legislative and policy prescripts:

❖ **The Constitution of the Republic of South Africa, 1996:** Sets out a broad framework for local government. In accordance with this framework the objectives of local government:

- o To provide democratic and accountable government for local communities.
- o To ensure provision of services to the community in a sustainable manner for the benefit of present and future generations.
- o To promote social and economic development.
- o To promote a safe and healthy environment; and
- o Encourage the involvement of communities and community-based organisations in the matters of local government.

❖ **Municipal Finance Management Act (MFMA), 2003:** In terms of the MFMA, funding is also available to build the capacity of municipalities to perform the functions assigned to them.

❖ **Municipal Systems Act (MSA), 2000:** The District has a distinct oversight role to play in terms of monitoring and ensuring implementation. The district is also to initiate, plan, lead and manage development. The Systems Act has resulted in the development

of the Integrated Development Plan (IDP) as a key strategic planning document. The IDP guides and informs all planning and infrastructure development activities. The IDP expressed as a rolling 5-year programme linked to a 3-year multi-term budget.

❖ **Division of Revenue Bill (B2), 2018:** To provide for the equitable division of revenue raised Nationally among the National, Provincial and Local spheres of Government for the 2018/19 financial year.

❖ **Basic Conditions of Employment Act (BCEA), 1997:** The purpose of this Act is to advance economic development and social justice by fulfilling the primary objects of this Act which are, (a) to give effect to and regulate the right to fair labour practices conferred by section 23(1) of the Constitution and (b) to give effect to obligations incurred by the Republic as a member state of the International Labour Organisation.

❖ **Skills Development Act (SDA), 1998:** To provide an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the South African workforce; to integrate those strategies within the National Qualifications Framework contemplated in the South African Qualifications Authority Act, 1995.

❖ **New Growth Path (NGP), 2010:** Outline Key Job Drivers. EPWP work opportunities are all linked to the NGP Key Job Drivers and expected to contribute to the NGP targets through its Full-Time Equivalent (FTE) targets.

❖ **National Development Plan (NDP), 2011:** One of the main challenges highlighted in the Diagnostic Report, was that too few people work. The 2030 Vision includes creating eleven million more jobs by 2030.

❖ **Ministerial Determination and the Code of Good Practice for EPWP, 2012:**
The Minister of Labour has in terms of Section 50 of the Basic Conditions of Employment Act, made a Ministerial Determination which establishes conditions of employment for employees in Special Public Works Programmes. Task-based and time-based payments to participants in the EPWP will be set in terms of this Ministerial Determination. The Code of Good Practice for employment conditions of work for Special Public Works Programmes does not impose any legal obligations in addition to those in the Basic Conditions of Employment Act. Its purpose is to give guidance to employers on key legal provisions in the Act. The Code provides guidelines for the protection of workers engaged in Special Public Works Programmes, considering the need for workers to have basic rights, the objectives of the programme and the resource implications for government. The Municipality and its entities should co-ordinate the determination of minimum wages to ensure that parity is achieved for the same or similar jobs within the Municipality's area of authority.

❖ **Expanded Public Works Programme (EPWP) Institutional Arrangement Framework, 2023:** The EPWP is one of government's initiatives to bridge the gap between the growing economy and the large numbers of unskilled and unemployed people who have yet to fully enjoy the benefits of economic development. The EPWP involves creating temporary work opportunities for the unemployed, using public sector expenditure. It builds on existing best-practice government infrastructure and social programmes either by deepening their labour absorption or extending them.

9. SOCIO-ECONOMIC ANALYSIS: OVERBERG DISTRICT MUNICIPALITY

Geographically, the Overberg District Municipality (ODM) is situated in the south of the Western Cape and borders the Indian and Atlantic Oceans to the south, and Cape Town, Cape Winelands, and Eden in the west, north and east.

The Overberg District Municipality is classified as a "Category C" Municipality, with the following "Category B" Municipalities in its area of authority:

- Cape Agulhas
- Overstrand
- Theewaterskloof
- Swellendam

The Overberg District Municipality considers the following socio-economic factors by ensuring implementation and monitoring of its EPWP projects.

10. SOCIO-ECONOMIC BACKGROUND

In the past few years we have experienced a growth in the Overberg District economy due to high performance of some sectors. Unfortunately, this growth in the sectors cannot cater for new labour entrants or the rising of in-migration of low-skilled people. The negative scenario and underdevelopment in the area includes.

- 10.1** The continuous rise of unemployment rate was recorded at 32,9 % and is among the highest in the world. According to the Quarterly Labour Force Survey (QLFS), this is an increase of 0,2 of a percentage point compared to the fourth quarter of 2022.
- 10.2** The decline in the ability of the formal sector to absorb new entrants to the labour force. It must be noted that the demand for highly skilled labour is on the rise but the rate in which skills are provided remains stagnant.
- 10.3** The variation in the levels of unemployment geographically and between the highly economic n concentrated main town in the Overberg Region. The levels of unemployment exceed the average [Bredasdorp as the main economic centre and the towns of Struisbaai, Arniston, Napier, Elim, Klipdale and Protém] by margins. Therefore, unemployment levels are much higher in the outlying areas.
- 10.4** The escalation of violence, increase in petty and social crimes, has led to extreme levels of instability in townships [living conditions and overcrowding resulting in unsafe and environmentally degraded places in townships]. This is prevalent amongst the younger age groups who are heavily dependent on drugs, illegal activities and are less educated.
- 10.5** The increase in poverty levels attributed to low-income levels and in some cases no stable income at all.

These aspects necessitate a move by the Municipality to prioritise job creation in line with National Government's vision.

EPWP is one of government's short- to medium term initiatives which focuses on the use of government expenditure to alleviate poverty and reduce unemployment. The EPWP intended objectives can be attained through the provision of work opportunities

coupled with training. Training is a key element of the programme, not only as a plan to leave, but also as a way of increasing the future employability of the beneficiaries / participants.

EPWP involves re-orientating line function budgets so that municipal expenditure results in more work opportunities, particularly for unskilled labour. Funding of the programme can be achieved through the normal budget of the Municipality.

11. INSTITUTIONAL ARRANGEMENTS

11.1 Political Champion: The Executive Mayor

In line with the EPWP Institutional Arrangement Framework and Protocol Agreement signed by the Minister of Public Works and the Executive Mayor (EM), the EM shall provide leadership and direction on the implementation of the EPWP in the Municipality.

The EM shall appoint a Member of the Mayoral Committee (MMC) to champion and lead the EPWP in the Municipality. The appointed MMC shall also ensure that EPWP is aligned with the IDP, key policies and programmes of the Municipality.

It noted that the EM may elect to delegate the above function to the Municipal Manager, who may sub-delegate to Directors and other members of staff.

11.2 Administrative Champion: The Municipal Manager

The Municipal Manager (MM) shall appoint the relevant Director/Manager and delegate functions of the overall coordination of EPWP to the relevant department.

The delegated Director/Manager shall ensure that the EPWP is incorporated in the Integrated Development Plan (IDP) of the Overberg District Municipality and ensure that the Municipal Departments incorporate EPWP FTE targets into their programme plans. The delegated Director/Manager shall ensure the effective co-ordination and monitor the implementation of EPWP within the Municipality, as well as assist and mobilise Departments to meet their targets.

EPWP cuts across all the Departments of the Overberg District Municipality. Each Department will make a systematic effort to target the unskilled and unemployed and develop a plan to utilise their budgets to draw significant numbers of the unemployed into productive work, in such a way that workers are given an opportunity to gain life and job specific skills while they work to increase their chances of getting out of the marginalised pool of unemployed people.

11.3 Organisational Structure

The programme will be co-ordinated and managed within the Directorate of Corporate Services under the Department Human Resources.

12. OVERBERG DISTRICT EPWP CO-ORDINATING STRUCTURES

12.1 EPWP Steering Committee

The Overberg District Municipality established an EPWP Steering Committee (SC) responsible for the strategic direction and co-ordination of EPWP. The Steering Committee is chaired by the Senior Manager: Human Resources or in her/his absence, the Director Corporate Services. This Committee is constituted as follows:

- ❖ Chairperson of the Corporate Services Portfolio Committee
- ❖ Director Corporate Services
- ❖ Director Community Services
- ❖ Senior Manager: Human Resources
- ❖ Senior Manager: Financial Services
- ❖ EPWP Secundi
- ❖ EPWP Champion
- ❖ All EPWP Budget holders

The EPWP Steering Committee is responsible for:

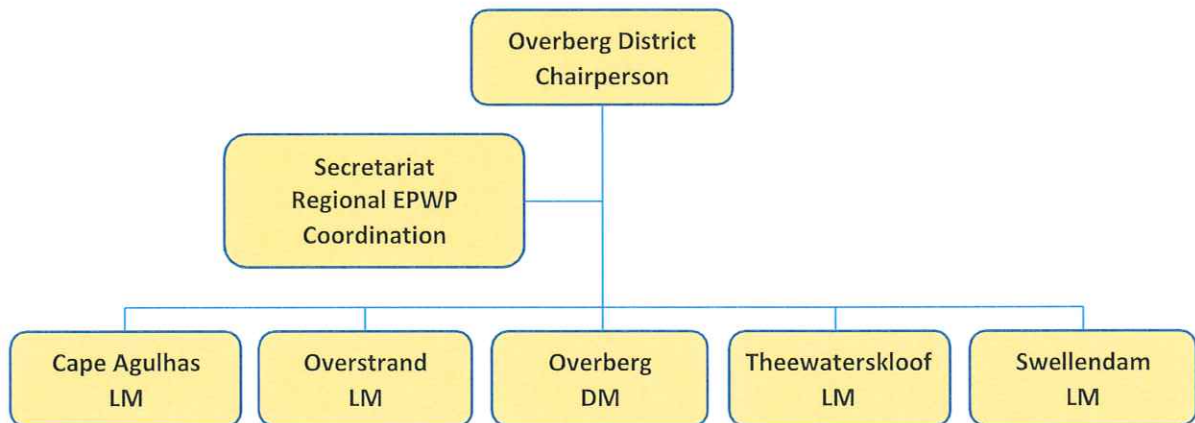
- ❖ Ensuring compliance with conditions and obligations of the EPWP Conditional Grant Agreement.
- ❖ Overall co-ordination of EPWP.
- ❖ Regular reviews of the EPWP Municipal Policy.
- ❖ Setting overall EPWP municipal targets.
- ❖ Ensuring transparency in the recruitment and selection of participants.
- ❖ Creating an enabling environment for the successful implementation of EPWP.
- ❖ Liaison with the Provincial, Regional and National EPWP Departments & Forums.
- ❖ Reporting to Council; and
- ❖ Compiling an EPWP Business Plan.

The EPWP Management Plan is to include the outputs for each Sector and will used to:

- ❖ Guide the execution of the EPWP, including project selection.
- ❖ Document EPWP related decisions and assumptions.
- ❖ Define Sector reviews.
- ❖ Facilitate communication among stakeholders; and
- ❖ Provide a baseline for progress measurement and programme control.

12.2 Overberg District EPWP Forum

An Overberg District EPWP Forum was established and is fully functional. Meetings are held on a bi-monthly basis. The Overberg District EPWP Forum is illustrated below:



Roles and responsibilities of the Overberg District EPWP Forum:

- ❖ The Champion to monitor and evaluate the progress of the EPWP in the District across all sectors.
- ❖ Identify constraints to the implementation of the EPWP and consider workable solutions.
- ❖ Identify EPWP best practice examples.
- ❖ Any planning, design, implementation, and technical support issues raised by a sector or Municipality.
- ❖ Liaison with other Government departments and stakeholders in the district; in consultation with Local Municipalities in the District, producing a District Plan to:
 - identify areas of expansion of EPWP approaches,
 - set targets for expansion,
 - describe how the expansion is to be achieved,
 - facilitate the meeting of common needs in the district, and
 - monitor implementation against the District Plan.
- ❖ Linking EPWP training to exit strategies – aligned to growth areas as identified through the LED Strategy and IDP.
- ❖ Producing District progress reports for the Provincial Steering Committee as directed.
- ❖ Appoint and/or co-opt additional members as and when required from National- and Provincial Departments operating within the district.
- ❖ Municipalities to supervise and assist their respective Data Capturers with:
 - collecting of relevant project information for capturing,
 - reporting of all projects into the EPWP reporting systems and update progress quarterly in accordance with the reporting requirements in the Conditional Grant Agreement, and
 - reporting to the Overberg District EPWP Forum on the implementation of the EPWP projects and progress on meeting EPWP targets.
- ❖ Attend the relevant EPWP Sector Sub-Working Group Meetings.
- ❖ Attend the Overberg District EPWP Forum Meetings.
- ❖ Do the LIC NQF Level 5 or 7 training if necessary/applicable; and
- ❖ Identify and submit training needs for participants on the projects.

13. PROJECT IDENTIFICATION, TARGET GROUPS AND BENEFICIARY SELECTION

13.1 Project Identification

Suitable projects will be identified by the various departments within the Overberg District Municipality, using the EPWP Sectors Guideline. Guided by the relevant Managers of the department, such identified project is to be tabled before the EPWP Steering Committee and captured in the Municipality's IDP, which is aligned with the Budget, and captured onto the EPWP project database. This is regularly monitored and reported to the Corporate Services Portfolio Committee.

13.2 Target Groups and Selection of Beneficiaries

The Overberg District Municipality will prioritise the EPWP target groups, i.e., women, youth, and persons with disabilities, during the recruitment of participants.

By way of sound social facilitation processes, the Municipality will ensure to drive the transparency recruitment of participants.

EPWP participants must be:

- South African citizens with a valid bar-coded ID
- Residents of designated area where project implemented
- Persons from indigent households
- Households with no income and priority given to one individual per household

Though participant recruitment and application procedures need to be fair, equitable, well-targeted, well-defined, simple, and transparent, the Overberg District Municipality will further facilitate and promote the predominant objective of the EPWP initiative, which is to develop and provide unskilled and unemployed persons in its communities with the necessary skills for them to become employable. This would assist in addressing the high rate of unemployment. In instances where potential applicants lack the required skills, the Municipality will endeavour to provide such persons with the necessary training by way of on-the-job training, job shadowing and mentoring.

14. CONDITIONS OF EMPLOYMENT

EPWP participants will be employed under the conditions of employment stipulated in the Ministerial Determination and Code of Good Practice for EPWP. The Overberg District Municipality will ensure that its projects fully comply with labour legislations such as Unemployment Insurance Fund (UIF), Compensation of Injuries and Diseases Act (COIDA), and Occupational Health and Safety Act (OHASA). Specific clauses addressing labour legislation compliance will be inserted in all EPWP contracts.

15. EPWP CONDITIONAL GRANT AND TARGETS

The Incentive Grant was introduced during the fourth phase of the Programme with the aim to provide work opportunities (WOs) and income support to poor and unemployed people through the labour-intensive delivery of public and community assets and services, thereby contributing to development.

The Municipal Manager will sign the Conditional Grant Agreement with the National Department of Public Works in which the Municipality agrees to receive and utilise the EPWP Conditional Grant based on the stipulations, requirements, conditions, and

obligations assigned to the Agreement. By signing the Conditional Grant Agreement, the Overberg District Municipality confirms its willingness to receive the grant as well as its undertaking to put in place measures to abide by the requirements of the progress reporting, audit, and disbursement procedures.

The Overberg District Municipality ensured inclusion in its 2023/24 Integrated Development Plan.

Below is a breakdown of Conditional Grant funding allocated to the Overberg District, as per the 2023/24 Division of Revenue Act (DoRA), as well as targets to be achieved:

Municipality	No. of Projects	Work Opportunities (WOs)		Full-Time Equivalents (FTEs)	
		Target	Performance	Target	Performance
Cape Agulhas	34	584	515	102	152
Overberg District	21	172	246	74	47
Overstrand	95	1 049	1 316	250	298
Swellendam	30	355	311	71	88
Theewaterskloof	50	321	562	119	130
TOTAL	230	2 481	2 950	616	715

16. PROVINCIAL AND NATIONAL SUPPORT

The National Department of Public Works and Infrastructure plays a supportive role in respect of the district.

The Provincial office depends on the National Office for assistance, as and when required.

17. PROGRAMME PERFORMANCE INDICATORS (PPIs)

The performance of Overberg District Municipality in the implementation of EPWP will be measured by National Public Works as per the following indicators:

17.1 Work Opportunities (WOs) Created

Opportunity to work provided to targeted individual for any period. The quality of WO measured by duration, the level of income and regularity of employment.

17.2 Person-Days of Employment

The number of person-days of employment created during the period under review. This is calculated by aggregating the duration of each of the job opportunities created and dividing the total by the appropriate unit (days, weeks, or months). The result is the number of person-days for any given period under review.

17.3 Project Budgets

The total expenditure aggregated for all EPWP projects inclusive of all the Sectors, i.e., Infrastructure, Environment & Culture and Social.

17.4 Person-Training Days

The total number of training opportunities aggregated and expressed in the equivalent number of person-training days.

17.5 Demographics

The number of job opportunities created for women, youth and persons with disabilities expressed as a ratio of the total number of job opportunities created for any given period under review, for each of the Sectors.

17.6 Expenditure Retained within Local Communities

The amount of the budget spent and retained within local communities through the procurement of goods and services from local manufacturers, suppliers and service providers that recorded for a given period. The expenditure injected into the community through wages paid to communities will also be measured. Consider the percentage of project expenditure that is paid in wages.

18. REPORTING PROCESS

The Overberg District Municipality will adhere to the EPWP Monitoring and Evaluation process by ensuring:

- ❖ Recording of the data at the project level using templates provided.
- ❖ Verify if the information/data is correct.
- ❖ Monthly capturing the project data on the EPWP reporting system.
- ❖ Correct all the non-compliant projects within a week after the Annexure report has been received.
- ❖ Ensure all documentation for auditing purposes.

19. ENDORSEMENT OF THE POLICY

The Expanded Public Works Programme (EPWP) Municipal Policy is to be tabled to Council for approval.

20. REVIEW OF THE POLICY

The Extended Public Works Programme (EPWP) Municipal Policy shall be reviewed as and when necessary, but at least once in two years to ensure alignment with the operational requirements and municipal strategic goals and objectives.

TABLE OF CONTENTS

ITEM NR	DESCRIPTION	PAGE
1.	Purpose	3
2.	Legal Framework	3
3.	Definitions	3
4.	Policy Content	4
5.	Acting Appointment	4
5.1	The Principle of Acting	4
5.2	Acting of Municipal Manager	5
5.3	Acting as Director (section 56) or other fixed-term contracts post	6
5.4	Acting as a Manager of a Department	7
6.	Secondment(s)	7
6.1	Principles of secondments	7
6.2	Secondment Allowance Calculation	8
7.	Additional Allowances	8
7.1	The Principles of Additional Allowance	8
7.2	Additional Allowance Calculation	9
8	General Administration	9
9.	The Process and Action Steps	9
10.	Implementation and monitoring	10
11.	Communication	10
12.	Policy Review	10
13.	Budget and Resources	10
14.	Roles and Responsibilities	10
15.	Record-Keeping	11
16.	Dispute Resolution	11
APPENDIXES		
	A: Request Memorandum (Acting and Additional)	12
	B: Secondment Memorandum	13
	C: Authorisation	14



EXTRACT FROM THE COUNCIL MINUTES HELD ON 29 MAY 2023

Item A81. 29.05.2023

MTREF BUDGET: 2023-2024 TO 2025-2026 OPERATING AND CAPITAL BUDGET, IDP AND POLICY DOCUMENTS

N Kruger : Chief Financial Officer

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

PURPOSE OF REPORT

The purpose of the report is to table the budget for 2023/2024 MTREF to Council for consideration.

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 respond to the submissions; and
 - (b) if necessary, 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 2023/24 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 27 March 2023, 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 2023 SIME/ LG MTEC Assessment Report on 26 April 2023 and the municipal response was discussed with Provincial Treasury on 8 May 2023. 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, yet in a deficit, furthermore cash is on a declining trajectory over the MTREF period indicating risks to future sustainability.

- (a) The Municipality tabled an operating deficit budget over the 2023/24 MTREF period. As a district municipality, the Municipality has limited revenue sources, but great effort is noted in identifying additional revenue sources. Tariffs are proposed aligned to inflation.

- (b) The Municipality has over the last three (3) 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.
- (c) The strategic goals (SGs) noted in budget tables SA5 and SA6 for the 2023/24 MTREF are aligned to the strategic goals in the IDP and reflects financial commitments for all five SGs.
- (d) Operating expenditure growth for SG1, is 5.9 per cent in 2023/24, compared to overall operating spend growth of 4.6 per cent, while for capital spending, overall spend in 2023/24 declines from R15.320 million to R5.771 million in 2023/24 (declining by 62.3 per cent), compared with SG1's declining from R10.327 million to R3.546 million in 2023/24 (declining by 65.7 per cent).
- (e) The ODM tabled an operating budget with projected operating revenue of R848.94 million and estimated operating expenditure of R856.71 million over the 2023/24 MTREF. Total operating revenue is projected to increase by 5.5 per cent in 2023/24, 3.7 per cent in 2024/25 and 3.2 per cent in 2025/26 whilst operating expenditure is estimated to increase by 4.6 per cent in 2023/24, 2.4 per cent in 2024/25 and 4.5 per cent in 2025/26.
- (f) The operating budget projections result in deficits over the MTREF period. It was noted that the operating expenditure is not in line with the scenario projections in the Long-Term Financial Plan (LTFP) which could hamper the long-term objectives. For the LTFP to remain a relevant and effective planning tool, the Municipality is advised to update its LTFP to consider the current economic reality, inclusive of the energy crisis, as well as recent economic shocks as a result of the Covid-19 pandemic.
- (g) The Municipality is under pressure to fund costs which are increasing at rates above inflation on the operating budget and salary increases above the revenue projections. This may suggest that current operating revenue is not sufficient over the MTREF necessitating that the Municipality must identify savings and efficiencies to generate operating surplus budgets in the future to improve its overall financial sustainability.
- (h) The Municipality has projected steady year on year increases in the surplus after application of cash and investments. ODM's projected positive cash position and cash flows should enable it to meet obligations as and when they are due.
- (i) The Municipality's budget is funded over the 2023/24 MTREF, suggesting that the Municipality is compliant with section 18 of the Municipal Finance Management Act, No. 56 of 2003 (MFMA).

FURTHER COMMENTS

Comments and inputs had been received on the advertised budget and tariffs.

Requests regarding Health Services fees (e.g. certificates) to alleviate tariffs for grant dependant institutions (old, aged homes, ECDs/schools), to accommodate smaller enterprises and including tariffs for short duration events was received. These were all addressed to assist the communities. Other enquiries regarding infrastructure fees on sewerage at the resorts was also made, and sufficient feedback was provided.

Other necessary amendments based on changed assumptions and additions were made in the 2023/24 budget document, as proposed and tabled to the Budget Steering Committee for consideration on 22 May 2023.

RESOLVED : (Proposed by Ald J Nieuwoudt and seconded by Cllr M Nomatiti)

- 1) That the consolidated budget of **R273 979 238**, consisting of an **Operating budget of R276 810 560** (resulting in a **deficit of R 2 831 322** including capital grant receipts) and a **Capital budget of R 6 355 000** 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 2023/2024 financial year as well as the medium term (indicative) budgets for the 2024/2025 and 2025/2026 financial years.
- 2) The tariffs as per tariff list is approved.
- 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 was approved.
- 4) That the measurable performance objectives for 2023/2024 for operating revenue by source and by vote is approved.
- 5) The following budget related policies are approved:
 - 5.1 Asset Management Policy (as amended)
 - 5.2 Credit Control and Debt Collection Policy (as amended)
 - 5.3 Cash Management and Investment Policy (as amended)
 - 5.4 Tariff Policy (as amended)
 - 5.5 Supply Chain Management Policy (as amended)
 - 5.6 Virement Policy (as amended)
 - 5.7 Borrowing Policy (as amended)
 - 5.8 Funding and Reserves Policy (as amended)
 - 5.9 Budget Policy (as amended)
 - 5.10 Customer Care Policy (as amended)
 - 5.11 Demand Management Policy (as amended)
 - 5.12 Infrastructure and delivery Management Policy (Repealed)
 - 5.13 Infrastructure investment and Capital projects Policy (as amended)
 - 5.14 Liquidity Policy (as amended)
 - 5.15 Long term Financial Planning Policy (as amended)
 - 5.16 Management and Admin of Immovable Assets Policy (as amended)
 - 5.17 Payroll Management and Administration Policy (as amended)
 - 5.18 Preferential Procurement Policy (Repealed)
 - 5.19 Cost containment Policy (as amended)
 - 5.20 Travelling and Subsistence Policy (as amended)
 - 5.21 Acting, Secondment and Additional Allowance Policy (as amended)
 - 5.22 Expanded Public Works Policy (EPWP) (as amended)

CERTIFIED A TRUE EXTRACT FROM THE MINUTES OF THE COUNCIL MEETING HELD ON 29 MAY 2023.



R BOSMAN
MUNICIPAL MANAGER