



# **MANAGEMENT AND ADMINISTRATION OF IMMOVABLE ASSETS POLICY**

**REVIEWED: 30.05.2022**

## TABLE OF CONTENT

1. BACKGROUND.....	3
2. PURPOSE OF THE POLICY .....	3
3. DEFINITIONS .....	4
4. LEGISLATIVE CONTEXT.....	4
5. SCOPE OF THE POLICY .....	4
6. GENERAL PRINCIPLES .....	5
7. CONDITIONS OF SALE .....	8
8. CONDITIONS OF LEASE .....	9
9. OUT OF HAND SALE AND LETTING .....	11
10. PROJECTIONS, PROJECTING STRUCTURES AND ENCROACHMENTS.....	133
11. REVENUE GENERATED IN TERMS OF THIS POLICY .....	15
12. RELATED POLICIES .....	15
13. REVIEW .....	16
14. EFFECTIVE DATE .....	Error! Bookmark not defined.

## **1. BACKGROUND**

1.1 Immovable property of the Council needs to be managed and administrated in the best interests of the local community entailing the provision of a policy framework for the management of the Council's immovable property, the establishment of criteria for determining various categories of immovable property in order to regulate the use, sale and lease thereof and the establishment of criteria within which property transactions may be regulated within the following enabling legislation:

1.1.1 The Council has the right to govern the local government affairs of its communities, on its own initiative, subject only to national and provincial legislation, as provided for in the Constitution, 1996;

1.1.2 The Council has executive and legislative authority over, and has the right to administer the matters provided for in the Constitution;

1.1.3 The municipal council makes decisions concerning the exercise of powers and performance of functions of the Council, save for those matters excluded by legislation;

1.1.4 The Council has the right to do anything reasonably necessary for, or incidental to, the effective performance of its functions and the exercise of its powers;

1.1.5 The municipal council has the duty to use the resources of the Council in the best interests of the local communities, within the Council's financial and administrative capacity and having regard to practical considerations.

## **2. PURPOSE OF THE POLICY**

2.1 The purpose of the management and administration of immovable assets policy is:

2.1.1 To administer and manage the immovable assets of Overberg District Municipality in a way that is aligned with the Municipality's strategic objectives and best practice.

### **3. DEFINITIONS**

For the purpose of this policy-

**“Advertise”** has the same meaning as the definition of the same provided for in the Land Use Planning Ordinance 15 of 1985.

**“Council”** – OVERBERG DISTRICT MUNICIPALITY or any of the Council’s committees or officials by virtue of authority, functions and duties delegated to them in terms of any existing law, ordinance or decree which is in force within the jurisdiction of the Council;

**“MFMA”** refers to the Local Government: Municipal Finance Management Act (56 of 2003).

**“MSA”** refers to the Local Government: Municipal Systems Act (32 of 2000).

**“Municipality”** – means the Overberg District Municipality;

**“Official”** – shall mean all persons in the employment of the Overberg District Municipality.

**“Social Care”** is defined as services provided by recognised welfare, charitable, non-profit, amateur and school sporting, cultural or religious organisations.

### **4. LEGISLATIVE CONTEXT**

- 4.1 Constitution of the Republic of South Africa, 1996
- 4.2 Local Government; Municipal Systems Act 32 of 2000
- 4.3 Local Government: Municipal Finance Management Act 56 of 2003
- 4.4 Conservation of Agricultural Resources Act 43 of 1983
- 4.5 Housing Act 107 of 1997
- 4.6 Municipal Systems Act 32 of 2000
- 4.7 Regulations issued by National Treasury in terms of the MFMA

### **5. SCOPE OF THE POLICY**

This policy applies to immovable assets of the municipality.

## 6. GENERAL PRINCIPLES

### 6.1 The Council may:

6.1.1 alienate, let or permit to be built upon occupied, enclosed or cultivated, any immovable property owned by the Council;

6.1.2 grant a servitude on any land of which the Council is the owner subject to this policy and the provisions of applicable legislation or,

unless it is precluded from so doing by law or the conditions under which such property was acquired by the Council.

### 6.2 The Council shall not act in terms of paragraph 10.1, unless it has

6.2.1 advertised its intention to that effect by:

- Having published in a newspaper that is circulated within the judicial area of the district where the relevant property is situated, in which any person who wishes to object to proposed intention, is called upon to lodge his/her objection in writing with the municipal manager within a period of not less than **30 (thirty days)** calendar days from the date of the publication of the notice in the newspaper and
- having affixed notices in terms of legislation to the public notice boards and / or website of the Council.

6.2.2 considered the objections (if any) lodged in accordance with the advertisement contemplated by paragraph 6.2.1.

### 6.3 The Council may:

6.3.1 not transfer ownership as a result of a sale or other transaction, or otherwise permanently dispose of immovable property needed to provide the minimum level of basic municipal services;

6.3.2 transfer ownership or otherwise dispose of immovable property other than contemplated in paragraph 6.3.1, but only after the municipal council, in a meeting open to the public –

- Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services, and
- Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

6.4 A decision by the municipal council that a specific immovable property is not needed to provide the minimum level of basic municipal services, may not be reversed by the Council after that asset has been sold, transferred or otherwise disposed of.

6.5 Any transfer of ownership of immovable property in terms of paragraph 6.3.2 must be fair, equitable, transparent, competitive and consistent with the supply chain management policy of the Council.

6.6 Paragraphs 6.2 and 6.3 do not apply to the transfer of immovable property to another Council or to a national or provincial organ of state.

6.7 The community value to be received in exchange for an asset shall be applicable and taken into consideration:

6.7.1 in the case of sales to social care organizations/institutions in which case the purchase price of such immovable property shall be fixed at percentage determine by council per transaction of the market value and shall be subject to a reversionary clause being included in the relevant deed of sale; and

6.7.2 in the case of immovable properties referred to in the Housing Act, 1997 (Act 107 of 1997), or any ensuing act, in which case such properties shall be sold/let as provided for in that Act.

6.8 Alienation or leasing must be effected by means of public competition, except in the instances detailed in paragraphs 6.7.1, 6.7.2 and 9.9.

6.9 The Council shall, as a rule, not –

6.9.1 let immovable property at a lower rental than the rental determined;

6.9.2 sell, alienate or dispose of immovable property, grant a servitude or alienate a right at a lower amount than the amount at which it has been valued, except where factors are applicable, affecting the current Market Value, hence a report, justifying this reduction will be supplemented and considered by Council

6.9.3 exchange immovable property for other property if the amount at which the other property has been valued is lower than the amount at which the immovable property which the Council wishes to exchange, has been valued.

6.10 The fair market value or the rental amount of property shall be determined by an independent professional valuer or professional associated valuer registered in terms of the Property Valuers Profession Act, 2000 (Act 47 of 2000), or any ensuing act at the cost of the purchaser.

6.11 In assessing tenders, the Council will take cognisance of the total cash value of the packages offered by the tenderers, where such packages are permissible in terms of the conditions of the tender. In other words, where the actual amounts tendered are roughly similar, but a particular tenderer, for example, also offers to make improvements to the property, the cash value of such improvements, which proposed improvements may not be deviated from, may also be taken into consideration to determine the highest tender.

6.12 Where immovable property is alienated or leased:

- for a specific type of development project, including a business project, and
- the specific type of development which the Council is prepared to allow, is of cardinal importance,

the Council may call for development proposals, which may include a monetary offer.

In such a case, the price offered for the immovable property by the developer will only form part of the total package.

- 6.13 Should the Council consider it desirable not to accept the highest tender or offer or decide to accept a particular development proposal in which the amount tendered is not the highest offer, the reasons for this decision must be fully set out and recorded in the minutes of the council meeting in question.
- 6.14 In cases where tenders are, according to the discretion of the council, identical and the provisions of paragraphs 6.10 and 6.11 are not applicable, the successful tenderer may be determined by the drawing of lots.
- 6.15 Immovable property sold or let by the Council shall be inspected regularly by officials of the Council to ensure compliance with the terms and conditions of the agreement of sale or lease.
- 6.16 The Council shall at all times, when considering the alienation of its immovable assets, take into consideration the Council's obligation to, as part of its process of integrated development planning, take all reasonable and necessary steps within the framework of national and provincial housing legislation and policy to identify and designate land for housing development.

## **7. CONDITIONS OF SALE**

- 7.1 All costs pertaining to a transaction shall be borne by the buyer, e.g. amongst others survey, advertisements, valuation, rezoning, relocation or provision of services where necessary. The Council may, however, waive its right to claim the costs should it be to its advantage to bear the costs. Where necessary, a deposit to cover the costs may be required.
- 7.2 Where applicable, existing services must be relocated or secured by means of the registration of a servitude in favour of the Council and costs shall be borne by the buyer.
- 7.3 Small areas of land such as closed roads or portions of public place sold to an adjacent owner must be consolidated with the existing property of the adjacent owner, unless circumstances exist which, in the opinion of the Council, make such consolidation undesirable.



- 7.4 Where immovable property is sold for development, a condition must be included in the Deed of Sale stipulating that such development must be completed within two years from date of purchase. Likewise a condition must be included in the agreement to provide for forfeiture in the event that the development has not been completed within the required time period, unless an extension has been granted by the Council.
- 7.5 Save with prior approval, the property alienated may only be used for the purpose for which it was originally sold and purposes permitted by town planning scheme regulations.
- 7.6 The agreement of sale shall be finalised and concluded within 120 days from the date of the official request; failure to comply shall cause the sale to lapse, except if extension is granted by both parties and according to legislation provisions.
- 7.7 The agreement must contain a suspensive condition in respect of property which is sold subject to approval in terms of land use legislation.

## **8. CONDITIONS OF LEASE**

- 8.1 All costs pertaining to a transaction, e.g. survey, advertisements, valuation, relocation or provision of services, where necessary, shall be borne by the Lessee. The Council may, however, waive its right to claim all or any portion of the costs. Where necessary a deposit to cover the costs may be required.
- 8.2 No immovable property shall be sub-let and no lease may be ceded or assigned without the prior approval of the Council.
- 8.3 An owner of immovable property who leases adjoining municipal property may be substituted by his successor in title for the duration of the remainder of the lease term.
- 8.4 Rental, except where it is decided otherwise by the Council, shall escalate annually by a percentage fixed in accordance with the consumer price index averaged over the three months prior to commencement of the lease.

- 8.5 The Lessee shall, as a rule, be liable for the payment of rates and service charges in respect of the property. In the case of leases to certain social care users at rentals lower than market value, the Council may consider granting a rebate on rates. In the case of small unsurveyed areas of land used for e.g. gardening purposes, no rates shall be levied.
- 8.6 The letting of lanes, public open spaces, road reserves and the like shall be subject to the following:
- 8.6.1 closing off/securing by the Lessee to the satisfaction of the Council; and
- 8.6.2 the Lessee shall be responsible for the cost of relocation or installation of services where required and for the securing of servitudes.
- 8.7 The Lessee shall indemnify the Council against any possible claims arising from the lease or use of the immovable property.
- 8.8 Where land is leased for development, a condition shall be included in the lease agreement stipulating that such development shall be completed within two years from date of conclusion of the lease agreement. Likewise a suspensive condition shall be included in the lease agreement to provide for cancellation in the event that the development has not been completed, unless an extension has been granted by the Council.
- 8.9 Save with prior approval of the Council, the property may only be used for the purpose for which it was let.
- 8.10 Officials of the Council shall at all reasonable times be entitled to enter and inspect the immovable property.
- 8.11 The Lessee shall be responsible for maintaining the leased property.
- 8.12 Improvements provided by the Lessee and which the Council wishes to retain, shall revert, free of charge, to the Council once the lease period has terminated and/or in the event of breach of contract. Any improvements erected from his/her own funds that the Lessee has the right to remove, must be removed within three months of termination of the lease agreement, failing which such improvements shall revert to the Council free of charge.

8.13 Lease agreements for a term up to 3-years entered into under this policy may be renewed without applying the provisions of paragraph 8.2.

8.14 Immovable property let for short-term periods up to 12 months without the option of renewal, need not be advertised in terms of paragraph 8.2 but shall be subject to inter alia the following:

8.14.1 the Lessee shall be responsible for all costs regarding services, ablution facilities, and other facilities if required;

8.14.2 the Council shall determine the rental to be paid;

8.14.3 the Lessee shall undertake in writing to compensate the Council for damages caused to the property for whatever reason.

8.14.4 the Lessee shall indemnify the Council against any claims.

## **9. OUT OF HAND SALE AND LETTING**

9.1 Where any immovable property is offered for sale or lease by public competition, any remaining immovable property may be sold, subject to the provisions of paragraph 6.3.2, or leased out of hand by the Council at the upset price or higher. The upset price must be determined in such a way that it corresponds with a reasonable market value and must include the recoverable development costs such as municipal services, advertising and survey costs. The Council shall review the position on a regular basis.

9.2 In the case of the out-of-hand lease of immovable property to social care organisations/institutions, the rental shall be determined by the Council.

9.3 Closed streets and lanes, public open spaces and odd lots of land which can be of no practical use to any other person may be sold/leased out of hand to adjoining owners, provided that -

9.3.1 written notices have been served on all adjoining owners; and

- 9.3.2 the selling price/rental shall be at market value, provided that the Council shall determine the rental of land for garden purposes.
- 9.4 Immovable property may be sold/leased out of hand to other spheres of government and other local authorities. All such immovable property transactions shall be considered at a market value basis, except in the following cases:
- 9.4.1 Where immovable property was acquired for the development of a less formal township and such township is to be transferred to the Council at a later stage;
- 9.4.2 Where the property will be used for projects with a view to social and economic upliftment of a previously disadvantaged group.
- 9.5 Immovable properties may be sold out of hand to existing tenants who have leased such premises for five years or longer on condition that the immovable property is sold at market value.
- 9.6 Immovable property may be sold/leased out of hand in exceptional cases where the Council has a reasonable belief, objectively determined, that public competition would not serve a useful purpose or that it is in the interest of the community and the Council, and where none of the conditions as set out in this policy document provides for such exception is permitted, and where they are not in conflict with any provision of this policy document. In such cases the full reasons for council preferring such out-of-hand sales or leases shall be recorded in the minutes of the council meeting concerned.
- 9.7 Odd lots of land which can be of no practical use to any other person may be sold, subject to the provisions of paragraph 6.3.2, or leased out of hand to any applicant.
- 9.8 Immovable property acquired by a Council for public purposes or in the community's interest, may be leased out of hand to any applicant for temporary use until such time as the property is required for development.
- 9.9 Houses may be sold/leased out of hand to employees of the Council, on condition that rentals comply with all policies laid down and those selling prices are market related.

## 10. PROJECTIONS, PROJECTING STRUCTURES AND ENCROACHMENTS

10.1 The Council may, subject to such conditions as it may deem fit –

10.1.1 permit the erection or retention of a veranda, balcony, sign, signboard or similar structure, device or contrivance which projects or extends into, under or over any public place or public street (hereinafter referred to as a “projection”) provided that:

- the erection or retention of such a projection shall not be permitted on the level of more than one floor;
- no such projection shall be wholly enclosed to a height of more than one comma five metres measured from the floor level thereof; and
- no such projection shall be partially enclosed to a height of more than one comma five metres measured from the floor level thereof except with the prior written approval of the council and subject to such conditions as it may impose, or

10.1.2 permit encroachments on road reserves and public thoroughfares in order to encourage adjoining owners to maintain the road reserves adjoining their properties, provided that:

- the planting of trees and shrubs and the erection of seating, statuary or other similar objects within one comma five metres measured from the tarred or gravel surface of the road, is not permitted;
- the one comma five meter area referred to in paragraph 10.1.2 bullet 1 may be planted with lawn of a type approved by the relevant directorate of the Council and subject to the owner of the adjoining property allowing at all times the free movement of pedestrians and the parking of vehicles in those encroached areas;

- no encroachment fee shall be charged by the Council and no formal agreement need to be entered into in respect of the above encroachment; and
- the Council shall have the right of free access to the encroachment at all times for inspection, maintenance and repair of any services which may traverse the encroachment or to install such services in which case the Council shall not be liable for any damage to the encroachment which may arise from such inspection, maintenance, repair or installation, or

10.1.3 permit encroachments of garden areas onto commonage, public open spaces or conservation areas, save for the area mentioned in paragraph 10.1.2 bullet 2, provided that:

- written applications accompanied with an application fee tantamount to the relevant council's fee in respect of applications for departure, for such encroachments plus 10% administrative costs shall be submitted to the Council;
- the Municipal Manager or his duly authorised nominee shall –
  - cause the said application to be advertised;
  - where objections against the said application are received, submit them to the applicant for his/her comment;
  - obtain the comment of the relevant parties;
  - submit the application and all relevant documents to the council or its nominee;
  - notify the applicant of the council's or its nominees decision and where applicable furnish him/her with a copy of any conditions imposed by the council or its nominee;
  - issue a permit to the successful applicant to give effect to the approval of the application and

- levy an annual encroachment fee, determined by the relevant council, be levied/proportionally levied on successful applicants for the right obtained to encroach.

10.1.4 permit the enclosure or exclusive use of portions of the commonage or public open spaces for gardening purposes, provided that:

- the provisions of paragraphs 8 and 10 of this policy shall apply; and
- the manager: town planning or his duly authorised nominee shall also obtain the comment of the relevant municipal directorate in respect of each such application in order to submit same to council or its nominee for consideration.

10.1.5 permit the use of municipal land for outdoor seating adjoining a restaurant, provided that:

- the provisions of paragraphs 8 and 10 of this policy shall apply and
- the safe movement of pedestrians are not hampered.

## **11. REVENUE GENERATED IN TERMS OF THIS POLICY**

11.1 Revenue generated in terms of this policy must be recognised and reported in the relevant municipal standard chart of accounts.

## **12. RELATED POLICIES**

The following documents are related to this policy:

12.1 Supply Chain Management policy

12.2 Tariff policy

12.3 Cash management and investment

**13. REVIEW**

13.1 This policy will be reviewed at least annually and updated if needed.

**14. EFFECTIVE DATE**

14.1 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 Krugér : 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/taled 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)**