



Item A62. 24.05.2024

MTREF BUDGET: 2024-2025 TO 2026/2027 OPERATING AND CAPITAL BUDGET, IDP AND POLICY DOCUMENTS

N Kruger: Chief Financial Officer

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

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 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 2024/25 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), were distributed after tabling at the Council Meeting of 25 March 2024, and a Notice placed in the local newspapers to invite the public/community to submit comments on the draft tabled budget.

Input from Provincial Treasury

Provincial Treasury engaged with Overberg District Municipality on the 2024 SIME/ LG MTEC Assessment Report on 9 May 2024. Here follows aspects highlighted by Provincial Treasury, to which ODM Management responded to, during the SIME engagement held on 9 May 2024.

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 breakeven budget over the 2024/25 MTREF period but after Capital grant revenue was added. A surplus or breakeven budget should reflect before Capital grants is applied. As a District Municipality, the ODM has limited revenue sources, but great effort is noted in identifying additional revenue sources. Tariffs are proposed above inflation (7%) and may influence the revenue growth assumptions.
- (b) The Municipality's tabled budget is funded over the 2024/25 MTREF, suggesting that the Municipality is compliant with section 18 of the Municipal Finance Management Act, No. 56 of 2003 (MFMA).

- (c) Over the last few financial years, the Municipality has 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 deficit budgets but managed to achieve operating surpluses in prior financial years.
- (d) It is clear from the budgetary allocation to the strategic goals that the bulk of the 2024/25 MTREF allocation is focused toward SG1 'To ensure the health and safety of all in the Overberg through the provision of efficient basic services and infrastructure'. This SG incorporates many of the functional work areas, including waste management, municipal health services (including water quality monitoring, food control, health surveillance), environmental management services (including coastal and catchment management, solid waste management, spatial planning), emergency (fire) services and roads. This SG comprises of an operating budget allocation of R217.221 million (70.6 per cent of total Opex) and a capital allocation of R8.111 million (70.5 per cent of total Capex) in 2024/25.
- (e) The District has allocated R22.648 million towards its municipal health function (operating budget) and as well as a capital budget allocation of R530 000 (furniture and office equipment) in 2024/25. Following a significantly increased municipal health operating budget allocation in the 2024/25 financial year (18.4 per cent) compared to its 2023/24 allocation.
- (f) The road allocation for the 2024/25 financial year amounts to R132.757 million or a sizeable 43.1 per cent of the District's total operating budget.
- (g) The District has allocated a total operating budget of R45.237 million to the provision of fire-fighting services for 2024/25. This represents an 8.8 per cent increase from its 2023/24 adjusted budget allocation. Outer year growth indicated 3.3 per cent increases in operating expenditure.
- (h) For 2024/25, the District has allocated R20.749 million of its operational expenditure budget to 'Recreational facilities'; the capital allocation for LED, tourism, resorts and EPWP for the same year totals R1.315 million, which includes R100 000 each, towards access control to the Uilenkraalsmond and Die Dam resorts; R250 000 towards the upgrade of chalets; R150 000 towards electrical distribution boxes and R500 000 towards vehicles (people carrier).
- (1) 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. The respective equitable share allocation in the community service component will be allocated proportionally to each service and combined with the revenue for own sources, it will reflect the shortfall in rendering the service.
- (i) 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.
- (j) The liquidity ratios of the Municipality indicate that the Municipality can take care of their financial commitments.
- (k) 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 2024/25 budget document, as proposed, and tabled to the Budget Steering Committee for consideration on 13 May 2024.

The 2024/25 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 24 May 2024.

ATTACHMENTS

- SIME Assessment Report received from WCPG dated 30 April 2024
- Minutes of Budget Steering Committee dated 13 May 2024

Proposal 1: (Proposed by Ald. J Nieuwoudt and seconded by Cllr. M Nomatiti)

- 1) That the consolidated budget of **R303 057 838**, consisting of an **Operating budget of R303 057 838** (resulting in a **surplus R 0** after tariff increases). Capital transfers amounts to R2 700 000 in addition, and a **Capital budget of R11 504 500** 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 2024/2025 financial year as well as the medium term (indicative) budgets for the 2025/2026 and 2026/2027 financial years.
- 2) The tariffs as per tariff list be approved per attached schedules to the budget document.
- 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, as included or that accompany the budget document be approved.
- 4) That the measurable performance objectives for 2024/2025 for operating revenue by source and by vote be approved.
- 5) That the following budget related policies be approved as reviewed/amended:
 - i Asset Management Policy
 - ii Credit Control and Debt Collection Policy
 - iii Bad debt provision Policy (Reviewed December 2023)
 - iv Bad debt write-off Policy (Reviewed December 2023)
 - v Cash Management and Investment Policy (Reviewed December 2023)
 - vi Tariff Policy
 - vii Supply Chain Management Policy (Revised as from 1 March 2024)
 - viii Virement Policy
 - ix Borrowing Policy
 - x Funding and Reserves Policy
 - xi Budget Policy
 - xii Customer Care Policy
 - xiii Demand Management Policy
 - xiv Infrastructure investment and Capital projects Policy
 - xv Liquidity Policy
 - xvi Long term Financial Planning Policy
 - xvii Management and Admin of Immovable Assets Policy
 - xviii Payroll Management and Administration Policy

- xix Preferential Procurement Policy (as amended)
- xx Cost containment Policy
- xxi Travelling and Subsistence Policy
- xxii Acting Additional and Secondment Policy (as amended)

6) The new Municipal Health Services tariffs and the amended Preferential Procurement Policy be advertised for public comment or inputs.

Voting in favour of proposal

DA Councillors: (Cllrs. A Franken, H Coetzee, L de Bruyn, S Fourie, J Nieuwoudt, M Nomatiti, T Els, A Klaas, R Brinkhuys, Y van Tonder, D Julius, U Mabulu)

VF+ Councillors: (Cllrs. C Elgin & J van Staden)

Twelve (12) DA & two (2) VF+ = Total of 14 votes

Abstentions

The Good Party: (Cllrs. C Clayton and M Mathews)

The ANC Party: (Cllrs. M du Plessis, C Tafu-Nwonkwo, M Nomkoko, B Mkhwibiso, M Sapepa, R Mokotwana, T Olivier)

Seven (7) ANC & two (2) Good = Total of 9 abstentions

Proposal 1 was adopted with a majority of fourteen (14) in favour, to nine (9) abstentions.

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

- 1) The consolidated budget of **R303 057 838**, consisting of an **Operating budget of R303 057 838** (resulting in a **surplus R 0** after tariff increases). Capital transfers amounts to R2 700 000 in addition, and a **Capital budget of R11 504 500** 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 2024/2025 financial year as well as the medium term (indicative) budgets for the 2025/2026 and 2026/2027 financial years.
- 2) The tariffs as per tariff list was approved per attached schedules to the budget document.
- 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 2024/2025 for operating revenue by source and by vote was approved.
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- 6) The new Municipal Health Services tariffs and the amended Preferential Procurement Policy be advertised for public comments or inputs.

CERTIFIED A TRUE EXTRACT FROM THE MINUTES OF A COUNCIL MEETING HELD ON 24 MAY 2024.



**R BOSMAN
MUNICIPAL MANAGER**