

# George Municipality Budget 2024/25 to 2026/27

Medium Term Revenue and  
Expenditure Framework (MTREF)

**31 May 2024**





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## Glossary

<b>Adjustments Budget</b> – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.
<b>Allocations</b> – Money received from Provincial or National Government or other municipalities.
<b>Budget</b> – The financial plan of the Municipality.
<b>Budget Related Policy</b> – Policy of a municipality affecting or affected by the budget, such as the tariffs policy, rates policy and credit control and debt collection policy.
<b>Capital Expenditure</b> - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's balance sheet.
<b>Cash flow statement</b> – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it scores as expenditure in the month it is received, even though it may not be paid in the same period.
<b>DORA</b> – Division of Revenue Act. Annual piece of legislation that shows the amount of allocations from national to local government.
<b>Equitable Share</b> – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.
<b>Fruitless and wasteful expenditure</b> – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.
<b>GFS</b> – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.
<b>GRAP</b> – Generally Recognised Accounting Practice. The new standard for municipal accounting.
<b>IDP</b> – Integrated Development Plan. The main strategic planning document of the Municipality
<b>KPI's</b> – Key Performance Indicators. Measures of service output and/or outcome.
<b>MFMA</b> – The Municipal Finance Management Act – no 53 of 2003. The principle piece of legislation relating to municipal financial management.
<b>MTREF</b> – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years' budget allocations. Also, includes details of the previous and current years' financial position.
<b>Operating Expenditure</b> – Spending on the day to day expenses of the Municipality such as salaries and wages.
<b>Rates</b> – Local Government taxation based on an assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

<b>SDBIP</b> – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.
<b>Strategic Objectives</b> – The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.
<b>Unauthorised expenditure</b> – Generally, spending without, or in excess of, an approved budget.
<b>Virement</b> – A transfer of budget.
<b>Virement Policy</b> - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.
<b>Vote</b> – One of the main segments into which a budget is divided, usually at directorate / department level.

## **Part 1 – Annual Budget**

### **1.1 Mayoral Budget Speech**

#### **EXECUTIVE MAYOR'S BUDGET SPEECH FOR 2024/25**

#### **AT THE SPECIAL COUNCIL MEETING OF GEORGE MUNICIPALITY ON 31 MAY 2024**

Good morning

Speaker, Aldermen, Deputy Mayor, Chief Whip, Councillors, Municipal Manager, Directors, Officials, Members of the Public and the Media

I am today tabling the George Municipality Budget for 2024/25 and for the MTREF (Medium Term Revenue Expenditure Framework) up to 2026/27 for approval.

This budget has already been scrutinised and accepted as credible and funded by both Provincial Treasury and National Treasury.

In view of the difficult economic circumstances being experienced in the country, tariff increases have been limited to 6% except for electricity as I will refer to later in the speech.

During the tabling of the draft budget in March 2024, a detailed overview was provided of the background to the Budget. Accordingly, I am only dealing with a summary of the underlying factors forming the basis of the budget before us.

We need to deal with various challenges:

- The budget needs to be affordable;
- In George there is a delicate balance between the numbers of customers who are unemployed, live in poverty or difficult circumstances and those who are able to afford services. These circumstances therefore impact our tariff structuring;
- Our current debtors collection rate is 93% whereas the norm expected of us by National Treasury is 95%;
- For every drop of 1% in the collection rate there is an impact on service delivery, which is the equivalent of R22m. This then means that if you are not collecting at 95% you would need to cut back expenses on services by the amount not collected. Alternatively, this means that there is a similar that is not available in cash reserves to help fund the replacement of capital items;
- Included within Debtors there are amounts of old debt that are not collectable. The Finance Directorate has systematically been working through that debt to write off uncollectable debt. In this way approximately R50m was written off by Council in 2023 along with the monthly write offs approved by Council. Finance is on an ongoing basis continuing to deal with a concentrated effort to write off such uncollectable debt;

- In recent years we have experienced an influx of citizens that has led to an increase in population per Census 2022 up to 295000 as of February 2022. This places additional pressure on our infrastructure and services;
- The pressure on infrastructure has meant that in recent years we have had to undertake projects to increase the treatment capacity of the Outeniqua Waste Water Works and the Water Works. We had previously reached the maximum capacity for treatment of waste water which meant that construction activity could not continue thereby negatively impacting on employment and the local economy;
- In respect of Electricity, we have experienced severe bouts of loadshedding as a result of Eskom being unable to supply sufficient electricity. This has meant that we had to invest in renewable energy via solar PV plants;
- We are well-advanced with capital expenditure on the R1100 million plus BFI (Budget Facility for Infrastructure) projects to upgrade water treatment facilities and sewer pump station upgrades. These projects should be completed by June 2025.

The ability to execute Capital Expenditure projects has been recognised by National Treasury through the R505m grant recently received for GIPTN where road strengthening is to be undertaken to ensure the further roll-out of bus routes in Thembaletu and elsewhere.

In the 2024/25 financial year Public Transport will receive National and Provincial Grants totalling R442m.

As part of continuing to prepare for the future we are approving projects that will see spending on the upgrade of the Ultra Filtration Water plant to ensure water sourcing into the future as well as capacity upgrading of the Gwaiing Waste Water Treatment plant.

Our Capital Budget for 2024/25 is R1224m with a total of R3114m to be spent over the MTREF period up to 2026/27. The growth materialising in George requires us to increase our levels of spending on infrastructure for the next five to seven years which will require careful financial management.

The funding sources of Capital projects for 2024/25 will come from:

CRR (Capital Replacement Reserve) of R418m;

Loans of R466m; and

Grants of R341m.

In the foreseeable future, given the growth trajectory of George, we need to prepare ourselves to be able to successfully apply for capital grants of R200m to R250m per annum to fund our infrastructure needs.

Turning to the Operating Budget, I have already mentioned that we are restricting tariff increases for Water, Waste Water, Refuse, Property Rates and Other General Services to 6% for the 2024/25 financial year.

In respect of Electricity, NERSA has granted Eskom an increase of 12,72% which is the amount by which bulk purchases of electricity from Eskom will increase as from July 2024. The effect of this is that George will need to increase tariffs to its customers by 12% to offset the increased purchase price and to be able to maintain the electricity distribution network within George.

In terms of the Total Budgeted Revenue, Council will note that this amounts to R3942m of which Core Services will comprise revenue of R2209m.

As we are aware, Core Services comprises revenue from Electricity, Water, Waste Water, Refuse and Property Rates.

Turning to Total Overall Expenditure, this amounts to R3473m.

The three largest expenditure category items are:

Employee Related Costs amounting to R824m;

Bulk Purchases of Electricity amounting to R785m; and

Contracted Services of R828m. Contracted services includes all the various services acquired by way of contract including many of the GIPTN services.

Turning to the Equitable Share Grant which inter alia funds Free Basic Services for the Indigent, we will be receiving R230m for the 2024/25 year instead of R235m originally approved. This reduction flows from the fiscal cutbacks announced by National Government during the MTBPS (Medium Term Budget Policy Statement) towards the end of 2023. Each of these reductions places additional pressures on the budgets of municipalities.

The Indigent package benefit for persons who qualify for free basic services will amount to R1318 per month (or R15816 per annum) for 2024/25 which is an increase from R1234 per month at present. This is an increase of 6,8%.

In closing I wish to thank the Municipal Manager, The Chief Financial Officer, the Finance teams, the Directors and their teams for all the diligent work and long hours undertaken to prepare this budget. My thanks also go to Cllr Wessels as MMC Finance who has also played a vitally important role through his oversight and inputs for this Budget. He will no doubt provide further insight into this budget in his speech hereafter.

Speaker, I herewith table the George Municipality Operating and Capital Budget for the 2024/25 to 2026/27 MTREF for adoption by Council.

Thank you.



## **1.2 Council Resolutions**

The Council of George Municipality at a meeting that will take place on 31 May 2024 will table the draft annual budget. The following resolutions are contained in the agenda of the Special Council meeting to be held on 31 May 2024:

### **RECOMMENDATION**

That the following resolutions in terms of sections 16(2) and 17(3) of the Municipal Finance Management Act, (Act 56 of 2003) be considered for approval.

### **RESOLUTIONS**

- a) that the following draft policies be tabled for public comment:
  - i) Tariff Policy and By-laws;
  - ii) Customer Care, Credit Control and Debt Collection Policy and By-laws;
  - iii) Property Rates Policy and By-laws;
  - iv) Indigent Policy;
  - v) Virement Policy;
  - vi) Budget Implementation and Monitoring Policy;
  - vii) Cash Management and Investment Policy;
  - viii) Unauthorized Irregular and Fruitless and Wasteful Expenditure Policy;
  - ix) Unauthorized Irregular and Fruitless and Wasteful Expenditure Policy (UIF & W) Reduction;
  - x) Asset Management Policy;
  - xi) Funding Borrowing & Reserve Policy;
  - xii) Liquidity Policy;
  - xiii) Cost Containment Policy;
  - xiv) Travel & Subsistence Policy;
  - xv) Cell Phone Allowance Policy.
  - xvi) Supply Chain Management Policy;
  - xvii) George Municipality's SCM Policy Framework for Infrastructure Delivery and Procurement Management FIDPM
  - xviii) PPPPFA Policy;
  - xix) Long Term Financial Plan;
  - xx) Information and Communications Technology ICT Policy.
  
- (b) that the annual budget for the financial year 2024/25 and indicative outer years 2025/26 and 2026/27 be approved as set-out:
  - (i) Capital expenditure by project as contained in annexure "A" to the agenda;
  - (ii) Capital funding by source as contained in annexure "A" to the agenda;

- (iii) Operating revenue by source as contained in Table A4 of the report;
- (iv) Operating expenditure by type as contained in Table A4 of the report;
- (c) that the tariffs for property rates and service charges as reflected in the formal tariff list contained in Annexure “B” be approved for the budget year 2024/25;
- (d) that the annual budget documentation for 2024/2025 – 2026/2027 as outlined in the budget regulations be submitted to National and Provincial Treasury.

### 1.3 Budget 2023/24 Mid-year Review and Adjustments Budget

The following table shows the original and adjustments budget for 2023/24.

	<b>Original Budget 2023/24 R'000</b>	<b>Adjusted Budget 2023/24 R'000</b>	<b>Difference R'000</b>
Capital	1 023 043	1 728 729	705 686
Operating Income	3 342 120	4 545 427	1 203 307
Operating Expenditure	2 922 128	3 167 496	245 368

The 2023/24 adjustments budget approved on 23 February 2024 was considered in the preparation of the 2024/25 MTREF. The capital budget must be set at a level that is realistic in terms of the capacity to deliver and the ability to fund.

### 1.4 Executive Summary

As is annually the case, the Budget Committee was confronted with numerous challenges during the budget process. It remains a complex task balancing the needs of the community with limited resources whilst having to operate within the legislative framework determined by the various spheres of government in ensuring a credible, funded budget is implemented.

Some of the crucial factors taken into account in the Budget Process are listed and discussed below for further clarity.

#### 1.4.1 A Credible Funded Budget

A budget makes budgetary provision for service delivery to the community of George. The community should realistically expect to receive services that are affordable for which provision is made in a budget.

Amongst other things, a credible budget is a budget that:

- Funds only activities consistent with the revised IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the municipality;
- Is achievable in terms of agreed service delivery and performance targets;
- Contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions;
- Does not jeopardize the financial viability of the municipality i.e. ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term; and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

Furthermore, budgets tabled for consultation at least 90 days prior to the start of the budget year should already be credible and close to the final approved budget. Six Budget Steering Committee meetings were held and various one-on-one sessions with the different directorates. The Budget Committee was again confronted with various challenges during the budget process. The following factors had an impact:

- GDP is expected to grow by 0.8 per cent in real terms in 2023, compared with an estimate of 0.9 per cent projected in the 2023 Budget Review. Growth is projected to average 1,4 per cent from 2024 to 2026.

The economic outlook faces a range of risks, including weaker-than-expected global growth, further disruptions to global supply chains and renewed inflationary pressures from the war in Ukraine, continued power cuts and a deterioration in port and rail infrastructure, widespread criminal activity, and any deterioration of the fiscal outlook.

Employment growth continues to lag South Africa's post-COVID-19 economic recovery, with 74 000 fewer people in employment in the second quarter of 2023 than in the fourth quarter of 2019. Improving employment growth sustainably over the long term requires faster GDP growth and improved education and skills development.

Headline inflation is expected to decelerate as the energy and food price shocks associated with global supply chain disruptions and the war in Ukraine dissipate. Headline consumer prices are expected to fall from an expected 6 per cent in 2023 to 4.9 per cent in 2024. Fuel prices have fallen since June 2023, largely reflecting base effects. Food price inflation, which peaked at 14.4 per cent in March 2023, slowed to 8.2 per cent by August 2023. However, the pace of deceleration has been slow relative to global food prices. This can be attributed to a weaker rand exchange rate and elevated production costs. Core inflation has remained near 5 per cent for most of 2023 due mainly to higher insurance and vehicle price inflation. Headline inflation is projected to return towards the mid-point of the 3 to 6 per cent target range in 2025.

Household consumption expenditure is expected to slow from 2.5 per cent in 2022 to 0.8 per cent in 2023 due to the cumulative effect of interest rate increases, elevated inflation and falling real disposable income, and generally weak consumer confidence. Growth in credit extended to households continues to decelerate for both secured and unsecured credit. National Credit Regulator data shows that in the first quarter of 2023, banks rejected 70 per cent of credit applications – the highest rate on record – reflecting concerns over households' ability to repay loans. Household consumption expenditure is expected to average 1.6 per cent from 2024 to 2026.

The following macro-economic forecasts must be considered when preparing the 2024/25 MTREF municipal budgets.

<b>Table 1: Macroeconomic performance and projections, 2022 - 2027</b>					
<b>Fiscal year</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Forecast</b>		
<b>CPI Inflation</b>	6.9%	6.0%	4.9%	4.6%	4.6%

Source: Medium Term Budget Policy Statement 2023.

*Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.*

The above economic challenges will place pressure on households' ability to pay municipal accounts and Eskom power cuts affect sustainability of small and large businesses. Both these factors have placed pressure on municipal own revenues.

Government is taking urgent measures to reduce load-shedding in the short term and transform the sector through market reforms to achieve long-term energy security. Several reforms are under way to improve the performance of the transport sector, specifically freight rail and to improve the capability of the state. (MFMA Circular No's.126 & 128);



- Although George Municipality received the budget facility for infrastructure grant (BFI) allocation of R1.1 billion rand for the upgrading of the bulk water services the need for the upgrading and rehabilitation of the other core services infrastructure remains high. This demand is clearly visible in the capital budget;
- A continued risk to the South-African economy remains the ongoing problems with Eskom's operations that continue to disrupt the supply of electricity to households and businesses with the ongoing load shedding;
- The addressing of service delivery shortcomings as identified in the adjustments budget in February 2024 and its effect on the available funding;
- The continued funding constraints with regards to the low available funding for the Capital Budget through the Capital Replacement Reserve (CRR) and the ability to take up loans to meet the demand for upgrading and replacing of infrastructure.

A strategy guided by council's long-term financial plan (LTFP) was followed with the compilation of the budget. The following was applied:

- The municipality needs to focus on its core functions. During the February 2024 adjustments budget the Budget Committee and portfolio councillors in conjunction with the heads of departments, scrutinized the budget to affect all possible savings and to align the capital budget to achievable goals;
- The February 2023/24 adjustments budget was the base for the 2024/25 MTREF;
- The need to maximize revenue through efficiencies and the way we do business before we decide to increase our rates, service charges and other tariffs was again emphasized;
- A renewed focus on enforcing all the credit control actions to maximize the payment ratio and collections to ensure that the MTREF budget is funded;
- Revenue "enhancement" assessment to ensuring that all consumers are billed correctly and are contributing to the municipality's revenue as set out in our tariff policy;

- The need to return to normal credit control and debt collection processes was also stressed to improve the debt collection ratio. A 96% ratio was assumed for this budget, which is above the current level of 93%. The National Treasury accepted norm is 95%. Every 1% drop below 95% puts significant pressure on the cash reserves of the municipality and results in the possible need to reduce service delivery and capital expenditure levels to the detriment of the community.
- A contribution of R99.9 million was made to the provision for debtor's impairment in the operating budget. The writing off, of irrecoverable debt will continue to be scrutinized through the business processes of the internal credit control unit. The unit is guided by an internal credit control committee to ensure that proper credit control measures are performed and to recommend to council the writing off, of debt;
- All attempts need to be made to maximize available National and Provincial Government Grants to service part of our capital program. In this regard George Municipality, has liaised with National Treasury regarding additional grant funding and was successful with the application for a BFI grant. George Municipality has applied for the IUDG grant and the necessary approval was given for the 2023/24 financial year. An amount of R60 837 000 was gazette for George Municipality for the IUDG for 2024/2025.

#### **1.4.2 Legal Directives**

The following legal directives/prescriptions were followed with the compilation of this budget:

- National Treasury sent out MFMA Budget Circular No. 126 on 7 December 2023 providing guidance to municipalities on their 2024/25 budget and Medium-Term Revenue and Expenditure Framework (MTREF).
- This was followed by MFMA Budget Circular No. 128 – on 8 March 2024.

#### **1.4.3 Municipal Standard Chart of Accounts (mSCOA)**

The mSCOA Regulations apply to all municipalities from 1 July 2017. George Municipality has early adopted mSCOA in July 2016 and has been transacting across all the segments. Although the municipality is transacting in mSCOA

there are areas of improvement needed for example further expanding on the project segment. The further integration of our sub-modules within SAMRAS is also receiving attention for example the SCM and contract management modules are in the implementation phase.

George Municipality implemented mSCOA version 5.4 in 2016. We are currently budgeting on mSCOA version 6.8 for the 2024/25 financial year.

#### **1.4.4 Review of Budget Related Policies**

In terms of section 17 (3) (e) of the Municipal Finance Management Act, No. 56 of 2003 it prescribes that the Municipality must review the budget related policies and by-laws (where applicable) annually.

This administration has reviewed the policies below:

- 1) Tariff Policy and By-law;
- 2) Customer Care, Credit Control and Debt Collection Policy and By-law;
- 3) Property Rates Policy and By-law;
- 4) Indigent Policy;
- 5) Budget Implementation and Monitoring Policy;
- 6) Cash Management and Investment Policy;
- 7) Unauthorized Irregular and Fruitless and Wasteful Expenditure Policy;
- 8) Unauthorized Irregular and Fruitless and Wasteful Expenditure Policy (UIF & W) Reduction Policy;
- 9) Virement Policy;
- 10) Asset Management Policy;
- 11) Funding Borrowing & Reserve Policy;
- 12) Liquidity Policy;
- 13) Cost Containment Policy;
- 14) Travel & Subsistence Policy;
- 15) Cell Phone Allowance Policy.
- 16) Supply Chain Management Policy;
- 17) Supply Chain Management (FIDPM) Policy;
- 18) Preferential Procurement (PPPFA) Policy;
- 19) Information and Communications Technology (ICT) Policy;
- 20) Long Term Financial Plan (LTFP).

The draft policies were placed on the municipal website for public comment. The LTFP will be reworked to include the 2024/25 MTREF and will be tabled along with the final budget for Council approval.

### **1.4.5 Municipal Budget and Reporting Regulations**

The Local Government: Municipal Finance Management Act (Act No. 56 of 2003): Municipal Budget and Reporting Regulations regulate the format of the budget documentation as set out in Schedule A (version 6.6) of the Municipal Budget and Reporting Regulations. This includes the main Tables A1 – A10 as well as the supporting tables SA 1 – SA 38.

### **1.4.6 George Integrated Public Transport Network (GIPTN)**

George Municipality has commenced with the phased roll-out of the GO GEORGE public transport service that aims to provide reliable, affordable, accessible scheduled public transport service to the community of George. The first trial phase commenced on 8 December 2014 and subsequently phases two (2) and three (3) were rolled out in accordance with the schedule agreed to with the Vehicle Operating Company (VOC), George Link (Pty) Ltd, during the 2015/2016 financial year. Phase 4B was successfully rolled-out on 22 March 2020. The first route in Phase 4A was rolled on 5 November 2023 and operates from Thembaletu to Blanco. The Phase 4A routes to the Industrial Area, Garden Route Mall, and CBD will be implemented by the end of the 2024 calendar year.

The Automatic Fare Collection System (AFC) was successfully implemented on 14 November 2018. The implementation of the AFC system allowed for the introduction of additional product categories. Passengers are able to purchase any combination of trips suited to their individual travel needs.

The GIPTN has expanded substantially since the implementation of the first phase in 2014. In the year 2023, the bus service carried more than 5.5m passenger trips and achieved 75% coverage of households in George, following the roll-out of the Thembaletu route.

The revenue generated from the annual tariffs is a critical source of income to ensure the continued implementation of the GO GEORGE service. The introduction of the GIPTN service required that the fare structure be included in the tariff list and that the approved fare structure be gazetted. The key principles that underpin the GO GEORGE fare tariffs are listed below:

- **Affordability:** Tariffs must be affordable to the poorest households in George.
- **Financial Sustainability:** Tariffs must be structured to facilitate long-term financial sustainability for the project.



- Alignment with municipal services: Tariffs should be developed in alignment with other municipal services and within the prescriptions of the supporting regulations under the Municipal Finance Management Act.

There is currently a process underway with Council for the fare tariff to be reviewed and increased by a weighted average between 7.1 – 7.59% for the various product categories. The tariffs need to be increased annually to align with the increased costs of providing the service and to ensure the financial sustainability of GIPTN. The competitiveness of the tariffs is also compared to other Integrated Public Transport Networks (IPTNs) and the current local Taxi fares. The proposed fare increase is in line with the increase for other municipal services.

The GIPTN has also been investigating various revenue generating opportunities. Outdoor advertising revenue has been identified as one of the funding sources for the project. The intention is to appoint a service provider to manage the outdoor advertising for the GIPTN based on a profit-sharing model between the parties. The project is intended to contribute towards the long-term financial sustainability of the GIPTN through increased revenue generation.

The following municipal processes are included within the GIPTN project, and must be managed to meet the project milestones:

- Legislatively required approvals from Council;
- Legislatively required public comment processes;
- Progress updates to the Section 79 Committee; Mayoral Planning, MAYCO and Council;
- Supply chain management processes for contracting (on-going);
- National grant funding requires milestones for coming years;
- Transfer of PTIG/PTNOG funds are contingent on reaching milestones;
- High-level milestones will be submitted to DoT and NT for the payment schedule.
- An Annual Operations Plan is submitted to DoT

The following key milestones of the GIPTN project have been set for the 2024/25 financial period:

#### Capital Budget

The construction of a section of Beer Street. This project will be funded by the Public Transport Network Grant (PTNG) and contributions from the Capital Replacement Reserve (CRR). Funding has also been made available toward Universally Accessible Sidewalks.

#### Operating Budget

The system continues to operate, and the project is in the eighth (9<sup>th</sup>) year of the twelve (12) year contract period. The main operating cost drivers for the project during the period under review is:

- Vehicle maintenance for the 104 municipal owned vehicles. The tender is currently in the second (2<sup>nd</sup>) year of a three (3) year contract period.
- Intelligent Transport System (ITS), Automated Fare Collection (AFC) System and implementation support costs which are incurred in terms of the Reimbursement Agreement signed between the Municipality and the Western Cape Mobility Department (WCMD). An annual addendum to the main Reimbursement Agreement is signed between the parties to confirm the budget for the relevant period. The required notifications will be submitted to National Treasury, Provincial Treasury and the Transferring Officer in terms of section 16 (3) of the Division of Revenue Bill.
- Field monitoring services to ensure adequate service standards are being maintained. The tender is currently in the second (2<sup>nd</sup>) year of a three (3) year contract period.
- Facilities management services to ensure locations are adequately maintained, cleaned and secured. The tender is currently in the second (2<sup>nd</sup>) year of a three (3) year contract period.
- The new marketing and communication tender commenced on 1 February 2024.

In addition to the above there is currently a process underway to transfer the sprinter vehicles to the Vehicle Operating Company (VOC) in line with the requirements of the Operator Contract.

An agreement governing this transfer was signed by the Contracting Authority and VOC during September 2023 following Section 79 and Council approval thereof in that same month. A public participation process was undertaken during October and November 2023 and the Municipality is currently awaiting any comments from the NDoT, National and Provincial Treasuries on the proposed transfer which will need to be referred back to Council, if any. Thereafter or where no comments are received, the Municipal Manager shall finalise the terms of transfer.

#### Grant Funding: National Grant: Public Transport Network Grant (PTNG)

A funding application for additional funding in the 2023/24 financial year toward the costs of further upgrading the six infrastructure programmes of the GIPTN was submitted to National Treasury via the National Department of Transport in September 2023. As part of this application, the Municipality committed to contributing a certain percentage toward the road rehabilitation if funding was made available by the Department of Transport. The application proved

successful, resulting in an in-year allocation of R505 million toward GIPTN. It is however anticipated that the full allocation will not be utilised by 30 June 2024. A roll-over application will be submitted to Treasury in this regard. Procurement processes have already commenced to ensure that the necessary commitments are in place by year end.

MFMA Circular 126 of 2023 noted that over the 2024 MTEF period, the conditional grants to local municipalities will reduce R3.2 billion. The DORA of 2024 confirmed the re-instatement of the discretionary incentive component of the Public Transport Network Grant (PTNG) with George receiving R38 million of the available R303 million. The PTNG base allocation to George increased from R144.8 million (2023/24) to R184.7 million (2024/25).

#### Provincial Grant: George Integrated Transport Network Grant - Operations

The municipality received in-year funding of R60 million during the 2023/24 financial year from their partner the Western Cape Mobility Department. The Provincial baseline allocation to GIPTN increased by R30 million for the 2024/25 financial period which further shows the commitment from DTPW for the continued success of the project.

The gazetted national 2024/25 three-year budget for public transport is as follows:

Description	2024/25 (R '000)	2025/26 (R '000)	2026/27 (R '000)
<b>National Grant:</b>			
- Operations	155 541	133 751	129 309
- Infrastructure	29 192	10 000	10 000
<b>Provincial Grant:</b>			
- Operation	257 994	263 075	269 898
<b>Total - Grants</b>	<b>442 727</b>	<b>406 826</b>	<b>409 207</b>

In terms of paragraph 4.2.4.4 of the Financial Agreement the allocation of the Municipal GIPTN Infrastructure financing shortfall after the sixth year of operation shall be as agreed between the parties. At this stage, such an agreement is not in place, but it should be prioritised to ensure the sustainability of the infrastructure program going forward.

#### **1.4.7 Budgeted Surplus versus Depreciation**

The depreciation budget for the MTREF, calculated on the existing assets, is R205 million for 2024/25, R237 million and R259 million respectively for the two outer years.

Depreciation is calculated by using the straight-line method over the life-span of the asset. The assets in the asset register are funded from different funding sources and the depreciation of these assets is also treated differently.

George Municipality has used the “cost model” to implement GRAP 17. The fact that George Municipality has created 75% of its depreciable asset base in the last ten years has increased the depreciation cost beyond normal tariff increases.

As example, a filtration plant was constructed with funds from the emergency drought relief grant. A capital asset of ± R95 million was created with an estimated life span of 20 years. The impact on the depreciation budget was an additional depreciation to the amount of R4.75 million per year.

It is impossible to give this burden through to the inhabitants of George. To soften the impact of this depreciation a “claw back” of depreciation is done during the budget process as part of the tariff setting. This inevitably leads to a budgeted deficit on the Budgeted Statement of Financial Performance.

## 1.5 Budget Overview of the 2024/25 MTREF

This section provides an overview of the George Municipality’s 2024/25 to 2026/27 MTREF. It includes an assessment of how the budget links with the national and provincial government contexts along with a review of the fiscal position of George Municipality.

The Municipality’s budget must be seen within the context of the policies and financial priorities of national, provincial and district government. The spheres of Government are partners in meeting the service delivery challenges faced in George. George alone cannot meet these challenges. It requires support from the other spheres of Government through the direct allocation of resources as well as the achievement of their own policies.

Per MFMA Circular No. 128, the following headline inflation forecasts underpin the national 2024 Budget:

Table 1: Macroeconomic performance and projections, 2022 - 2027					
Fiscal year	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Estimate	Forecast		
CPI Inflation	6.9%	6.0%	4.9%	4.6%	4.6%

Source: 2024 Budget Review



The growth parameters apply to tariff increases for property rates, user and other charges raised by municipalities and municipal entities, to ensure that all spheres of government support the national macroeconomic policies, unless it can be shown that external factors impact otherwise.

The budget process in George followed the requirements of the MFMA. A Table of key deadlines was tabled in Council by the Mayor during August 2021.

A Budget Committee was established to examine, review and prioritise budget proposals from departments.

Over the 3-year period, the Municipality is planning to spend R2 503 million on capital investment for the infrastructure needs of the City. In 2023/24 the capital budget is R785 million. Operating expenditure in 2023/24 is budgeted at R2 871 billion and the operating revenue is budgeted at R3 424 billion.

The MFMA requires municipalities to set out measurable performance objectives when tabling their budgets. These “key deliverables” link the financial inputs of the budget to service delivery on the ground.

As a further enhancement to this, quarterly service targets and monthly financial targets are contained in the Draft Service Delivery and Budget Implementation Plan (SDBIP). This must be approved by the Mayor within 28 days after the approval of the final budget and forms the basis for the Municipality’s in year monitoring.

The following table is a consolidated overview of the proposed MTREF:

**Table 1 – Consolidated Overview of the 2024/25 MTREF**

	<b>ADJUSTMENTS BUDGET 2023/24 R</b>	<b>BUDGET YEAR 2024/25 R</b>	<b>BUDGET YEAR 2025/26 R</b>	<b>BUDGET YEAR 2026/27 R</b>
Total revenue	4 545 427 084	3 941 995 638	3 863 893 409	4 151 642 575
Total expenditure	3 167 495 936	3 501 713 253	3 748 113 138	4 018 879 104
<b>Total Capital Expenditure</b>	<b>1 728 729 492</b>	<b>1 224 723 645</b>	<b>1 114 730 460</b>	<b>774 569 458</b>

## 1.6 Revenue Budget - 2024/2025

George Municipality is encouraged by National Treasury to ensure cost reflective tariffs; to maintain tariff increases within affordable levels on the one

hand and to ensure the financial sustainability of the municipality on the other hand.

The CPI inflation targets are projected by the Reserve Bank and National Treasury at 4.9% - 2024/25, 4.6% - 2025/26 and 4,5% - 2026/27.

Tariff increases for bulk electricity purchases of 12.72% was announced by ESKOM and approved by NERSA. This increase is more than double the National Treasury projected inflation target for 2024/25. The increases announced by ESKOM over the past decade has eroded the municipality's ability to charge cost reflective tariffs for their own basic services.

The Budget Committee went through a process of tariff modelling that clearly indicated that additional revenue had to be generated over and above the inflation targets set by National Treasury to fund its asset renewal programme through additional external funding and contributions to the CRR.

### **3.1 Implementation of General Valuation Roll**

The new General Valuation Roll was implemented on 1 July 2023 and is valid to 30 June 2027. The Valuation Roll is based on the current market value of a property. It applies to residential, agricultural, business, and commercial properties and is used to calculate the monthly rates that property owners are required to pay for services such as street lighting, parks, libraries, fire station equipment, etc.

The process to compile the General Valuation Roll in the greater George area, indicates a total of 55 230 properties with a combined market value of R73 495 100 925. The General Valuation Roll was published for public inspection from 9 February 2023 until 31 March 2023. In total 2046 valuation objections were received and finalized. The Valuation Appeal Board meetings were held from 13 to 16 November and 20 to 23 November 2023.

### **3.2 Rates**

#### **3.2.1 Municipal Valuation Threshold – Increased**

On qualifying residential properties, up to a maximum valuation of R230 000 which amount includes the R15 000 as per Section 17(1)(h) of the MPRA and the R215 000 reduction granted as per paragraph E1.1.2 of the approved Rates Policy will be deducted from the total valuation before rates are levied.

### **3.2.2 Rates Revenue**

The public's reaction to the ever-increasing tariff hikes in electricity charges has resulted in a decline in revenue from electricity sales with many customers electing to find alternative renewable energy sources. George Municipality must reduce its reliance on electricity as its main source of revenue and must focus on the rates revenue. Given the afore mentioned it is proposed that overall municipal revenue from property rates increase by 6%.

### **3.2.3 Low-income owner and pensioners**

All owners of residential properties, used for residential purposes, are entitled to:

- a rebate of 40% on the property rates on such properties, if their total income as defined in the Municipality's Property Rates Policy is less than R156 000 per annum (30% increase in rebate); or
- a rebate of 20% on the property rates on such properties, if their total income as defined in the Municipality's Property Rates Policy is R156 000 or more per annum but less than R174 000 per annum (26% increase in rebate).
- A rebate of 30%, up from 15%, of property rates will be applicable to Pensioners earning up to R330 000, up from R276 000 per annum, on the first two-million-Rand valuation of the property (up from R1 million). This will apply to persons over the age of 65 years for their single primary residence.

## **3.3 Electricity**

### **3.3.1 NERSA's increase guideline for electricity**

A tariff increase of 12.72% is estimated for the electricity from 1 July 2024 and has been used for the electricity revenue in the draft budget. NERSA's guidelines have not been issued at this stage. The bulk purchases from ESKOM will increase by 12.72%.

The local authority tariff increase is effective from 1 July 2024 to 30 June 2025. During the April 2024 to June 2024 three-month period, the 2023/24 local authority tariffs are still applicable.

NERSA sets benchmark tariffs as a guideline and it should be noted that the guideline is not an automatic increase in tariffs. This municipality has a distribution license and is still required to apply to NERSA for the approval of our tariffs.

### 3.3.2 Small Scale Energy Generators, distributed generators, and wheeling customers

George Municipality applied to the Ministry: Finance for exemption, amongst other, from provisions of MFMA Section 33 when it purchases electricity from small-scale embedded generators, distributed generators, and wheeling customers.

A public consultation process will be incorporated in George Municipality's IDP and budget process to alert the public of the proposed project.

The purchase of electricity from customers will be managed via an Electricity Surplus Agreement signed with these customers. These contracts/agreements will impose financial obligation on the municipality for a period longer than the three (3) financial years covered in the 2024/25 MTREF. These agreements will be subject to a technical approval.

### 3.4 Proposed Tariff Adjustments for 2023/24 – 2025/26 Medium Term Revenue Expenditure Framework (MTREF)

The Budget Committee made use of tariff modelling to determine realistic tariff increases. The Budget Committee endeavoured to contain the increase within the 4% to 6 % inflation target band forecasted. MFMA Circular No. 126 under paragraph 3. Revenue Management states that:

*“National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation is forecasted to be within the 4 to 6 per cent target band; therefore, municipalities are required to justify all increases in excess of the projected inflation target for 2024/25 in their budget narratives and pay careful attention to the differential incidence of tariff increases across all consumer groups. In addition, municipalities should include details of their revenue growth assumptions for the different service charges in the budget narrative.*

To have a funded budget the following average increases in municipal revenue from tariffs are recommended for the MTREF:

Average Tariff Increase Applied in Budget 2024/25 and MTREF				
Category	Base Budget 2023/24	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
Property Rates	12.50%	6.00%	6.00%	6.00%
Electricity (NERSA)	14.75%	12.72%	12.00%	12.00%



Average Tariff Increase Applied in Budget 2024/25 and MTREF				
Category	Base Budget 2023/24	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
Water	11.00%	6.00%	6.00%	6.00%
Sanitation	9.00%	6.00%	6.00%	6.00%
Refuse	9.00%	6.00%	6.00%	6.00%
Other (general increase)	6.00%	6.00%	6.00%	6.00%

### 3.5 Water Service

The budget committee elected to increase the fixed cost portion of the overall water tariff fee by 6% to achieve closer alignment in the basic cost tariff in relation to the cost to supply the water infrastructure service. Incremental revisions are proposed to the consumption charges per block with the addition of a 75 kilolitre block. Generally, the tariff for water reflects a 6% increase in both the fixed cost and the consumption tariffs.

This approach achieves an overall balance of 35% of municipal revenue from water tariffs being derived from fixed / basic charges, thereby contributing to the fixed operating cost needed to service and maintain the water infrastructure network. The cost reflective tariff model indicates that the fixed charge component of the water tariffs should be significantly higher, however increasing the basic charge to the required level will have to be phased in over several years to achieve closer alignment.

### 3.6 Electricity Service

The Department of Minerals and Energy published the Electricity Pricing Policy (EPP) of the South African Electricity Supply Industry in Government Gazette 31741 on 19 December 2008.

The National Energy Regulator (NERSA) is a regulatory authority established as a juristic person in Terms of Section 3 of the National Energy Regulator Act, 2004 (Act No. 40 of 2004). NERSA's mandate includes regulation of the electricity supply industry. According to Section 4(ii) of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), the Energy Regulator must regulate electricity prices and tariffs. Policy position 23 of the Electricity Pricing, 1998 (GG No. 31741 of 19 December 1998) ("the EPP") states that:

Electricity distributors shall undertake Cost of Supply (COS) studies at least every five years, but at least when significant licensee structure changes occur,

such as in customer base, relationships between cost components and sales volumes. This must be done according to the approved National Energy Regulator of South Africa (NERSA or 'the Energy Regulator') standard to reflect changing costs and customer behaviour.

Accordingly, and in complying with National Legislation, George Municipality completed its cost of supply study in 2019. The study was approved by NERSA and implementation thereof commenced in July 2022 after approval by Council.

George Municipality introduced a fixed charge component in its electricity tariff structure during the 2022/2023 financial year. This is in line with the strategy to set all tariffs as close as possible to the cost of supply as required by NERSA.

The implementation of the first phase of the approved electricity tariffs was communicated on various platforms, forums and IDP meetings held with Ward Committees.

In order to protect the indigent from having to pay a fixed charge, the 20A tariff was brought in, while also allowing clients (indigent or non-Indigent) who require a higher capacity (30A, 40A, 50A, 60A), to be able to do so and have the benefit of paying a lower energy charge. Indigent consumers also receive a subsidised basic fee and do not lose their indigent status and free basic electricity at capacity selections above 20A.

Free basic electricity (FBE) should only be offered to the registered indigent customers.

For the 2023/24 (prior) financial year NERSA approved a 18,49% tariff increase for the bulk purchase of electricity from Eskom with municipalities only permitted to increase their tariffs by 15,1% to customers. Council have agreed to limit the increase to 14,75%. This equates to a subsidy of R2.8m. A further R12.8m was ringfenced as a subsidy to allow indigent households to be able to select a higher capacity on their prepaid electricity meter.

Subsequent to the approval and implementation of the 2023/2024 MTREF budget the national economy took a severe turn for the worse. The prime lending rate was hiked several times by the South African Reserve Bank and along with the destructive financial consequences of Eskom's persistent loadshedding – the general cost of living and CPIX inflation rate increased beyond the Reserve Bank target range. This has brought unexpected hardship to many households who now struggle to make ends meet on a monthly basis.

It was clear that the roll-out will need to be suspended to shield households from a potential 40% increase in fixed charges for electricity. Thus, the cost of supply study full implementation has been suspended and will be revisited to

determine the best approach to comply with the National Electricity Pricing Strategy, whilst also factoring in the devastating impact of load shedding and the consistent migration to go off-grid by consumers to renewable energy sources.

An increasing number of electricity consumers is moving towards cheaper and renewable electricity alternatives, thereby reducing revenue, but also shrinking the future customer base. George Municipality is likewise pursuing opportunities to make greater use of renewable energy sources, whilst assessing the possibility to harness or generate revenue from customers willing to sell electricity to the municipality.

### 3.7 Summary of Revenue by Source – Table A4

Description	2023/24	MTREF		
	Adjustments Budget - February 2024	2024/25	2025/26	2026/27
<b><u>Revenue by Source</u></b>				
Property Rates	441 877 370	480 506 360	509 336 740	539 896 960
Service Charges - Electricity	919 999 999	1 128 510 292	1 263 931 530	1 415 603 310
Service Charges - Water	229 656 561	256 130 616	271 498 460	287 788 370
Service Charges - Sanitation	165 693 080	177 016 820	187 637 830	198 896 100
Service Charges - Refuse	156 469 520	166 788 890	176 796 220	187 403 990
Fines, Penalties and Forfeits	89 083 270	92 960 590	95 932 750	99 003 240
Licences or Permits	4 838 117	5 083 840	5 338 060	5 604 970
Agency Services	19 734 020	20 720 720	21 756 760	22 844 600
Rental from Fixed Assets	5 231 360	5 324 940	5 591 200	5 870 750
Transfers and Subsidies - Operational	635 441 098	697 179 206	688 722 000	725 528 000
Interest Earned - External Investments	42 414 834	59 978 300	62 657 650	65 458 180
Interest Earned - Outstanding Debtors	11 724 200	21 933 630	23 249 650	24 644 630
Operational Revenue	34 088 550	40 706 970	42 701 590	44 793 970
Transport Fees	91 097 474	113 672 581	147 144 409	159 092 535
Gain On Disposal Of Property, Plant & Equipment	237 810 407	244 944 719	252 293 060	254 815 990
<b>Total Revenue before capital grants</b>	<b>3 085 159 860</b>	<b>3 511 458 474</b>	<b>3 754 587 909</b>	<b>4 037 245 595</b>

The table above gives the year-on-year realistically movement expected in revenue sources.

## 6. INDIGENT SUPPORT AND HOUSEHOLD BILLS

### 6.1 Indigent support

The indigent qualification criteria set in the Indigent policy is aligned to the various guidances issued by the National and Provincial Treasuries, The Department of Cooperative Governance and Traditional Affairs (COGTA) and the Auditor-General of South Africa.

Implementation and compliance to the indigent benefit is specifically reviewed annually by the Auditor-General as part of their external audit. The clean audits issued to George Municipality over the past three years indicates that the indigent policy is being correctly applied.

As indicated earlier, the general cost of living has increased dramatically in South Africa in recent years and lower income households are impacted by the this and the simultaneous destructive impact of unemployment caused by the failing National economy, exaggerated by the persistent high levels of loadshedding, high interest rates and fuel price levies.

Indigent support is not subsidised from services charges collected from the citizens of George, but from the equitable share allocation received annually through the Division of Revenue Act (DORA). The DORA of 22 February 2024 indicates that the equitable share allocation to municipalities country wide is being reduced. For George the reduced allocations are:

Equitable Share	2023/24	2024/25	2025/26	2026/27
Previous DORA	214 691	235 747	260 334	-
Current DORA	-	230 472	248 659	268 556
Reduction		(5 275)	(11 675)	
Difference %		- 2.24%	- 4.48%	

Funding for the indigent support programme is thus limited to the available funding from the equitable share allocation. Currently the Municipality is expensing the entire equitable share received towards the benefit of lower income, poor and indigent households. There is currently no room to increase the indigent benefit.

Yet, the Municipality has determined that it will not reduce the indigent support offered to low qualifying households, despite the reduction in allocated funding. It is therefore imperative that the indigent support reaches those households that truly qualifies for and needs this essential subsidising of basic services. A continuous indigents verification and registration process

is being done to eliminate abuse of this essential subsidy and to ensure that it reaches only those that qualify for it.

The above commitment to support poor and low-income households is further supplemented by the credit control measures that assist struggling households with debt relief and the writing off for bad debts in qualifying cases. In July 2023 Council approved that R47 million debt be written off for indigent household water losses. For the financial year 2023/24 up to April 2024 R70.8 million in debt relief has been provided to low-income households.

The proposed package of free basic services allocated to the indigents consists of the following components (Vat included values):

<b>Indigent Benefit</b>	<b>Increase (%)</b>	<b>2023/24 (R)</b>	<b>2024/25 (R)</b>
Water (Fixed cost)	6%	159.97	169.58
Water (6kl Free)	6%	135.45	143.59
Valuation Rebate	From R150 000 increased to R230 000	112.05	119.33
Sewerage	12.72%	340.80	361.25
Refuse Removal	6%	340.40	360.82
Electricity 70 kWh	6%	145.61	164.13
<b>Total</b>		<b>R1 234.29</b>	<b>R1 318.70</b>
<b>Increase in benefit:</b>			<b>6.84%</b>



## 6.2 Monthly Households Bills

The follow spreadsheets give the monetary impact of the tariff increases on the monthly household bills.

The monthly account for a “middle” income range” household uses as basis a property value of R700 000, 1 000 kWh electricity and 30kl water. Given the increase in the property values as per valuation roll a value off R1.2 million was used. See table below.

WC044 George - Supporting Table SA14 Household bills						
				2024/25 Medium Term Revenue & Expenditure Framework		
Description	Ref	Actual 2022/23	Budget Year 2023/24 % incr.	Budget Year 2023/24	Budget Year 2024/25 % incr.	Budget Year 2024/25
Rand/cent						
<b>Monthly Account for Household - 'Middle Income Range'</b>	1					
<b>Rates and services charges:</b>						
Property rates (new val. R1 200 000)		469,17	0,7%	472,55	6,0%	500,92
Electricity: Basic levy (<30Amps)		75,19	13,9%	85,64	12,00%	95,92
Charge(R5.78/Amp)		136,20	13,7%	154,80	12,00%	173,38
Electricity: Consumption		2 100,40	13,9%	2 392,40	12,00%	2 679,49
Water: Basic levy		111,00	25,3%	139,11	6,0%	147,46
Water: Consumption		504,73	19,0%	600,62	6,0%	636,64
sub-total for water		615,73	20,1%	739,73	6,0%	784,10
Sanitation		271,88	9,0%	296,35	6,0%	314,13
Refuse removal		277,00	6,9%	296,00	6,0%	313,76
Other						
<b>Sub-total</b>		<b>3 945,57</b>	12,5%	<b>4 437,47</b>	9,6%	<b>4 861,70</b>
VAT on Services		521,46		594,74		654,12
<b>Total large household bill:</b>		<b>4 467,03</b>	12,7%	<b>5 032,21</b>	9,6%	<b>5 515,82</b>
<b>Increase</b>			<b>565,18</b>		<b>483,61</b>	<b>9,6%</b>

The below monthly account for an “affordable range” household uses as basis a property value of R500 000, 500kWh electricity and 25 kl water. Given the increase in the property values as per valuation roll a value of R850 000 was used.

Description	Ref	Actual 2022/23	Budget Year 2023/24 % incr.	2024/25 Medium Term Revenue & Expenditure Framework		
				Budget Year 2023/24	Budget Year 2024/25 % incr.	Budget Year 2024/25
Rand/cent						
<b>Monthly Account for Household - 'Affordable Range'</b>	2					
<b>Rates and services charges:</b>						
Property rates (new val. R850 000)		332,18	(9,1%)	302,04	6,0%	320,18
Electricity: Basic levy (<30Amps)		75,19	13,9%	85,64	12,0%	95,92
Charge(R5.78/Amp)		136,20	13,7%	154,80	12,0%	173,38
Electricity: Consumption		1 050,20	13,9%	1 196,20	12,0%	1 339,74
Water: Basic levy		111,00	25,3%	139,11	6,0%	147,46
Water: Consumption		432,51	3,2%	446,32	6,0%	473,09
sub-total for water		543,51	7,7%	585,43	6,0%	620,55
Sanitation		271,88	9,0%	296,35	6,0%	314,13
Refuse removal		277,00	6,9%	296,00	6,0%	313,76
Other						
<b>Sub-total</b>		<b>2 686,16</b>	8,6%	<b>2 916,46</b>	9,0%	<b>3 177,66</b>
VAT on Services		353,10	11,1%	392,16		428,62
<b>Total small household bill:</b>		<b>3 039,26</b>	8,9%	<b>3 308,63</b>	9,0%	<b>3 606,28</b>
<b>Increase</b>			<b>269,36</b>		<b>297,66</b>	<b>9,0%</b>

Most of the indigent households live in housing units with a property value below the property rates threshold of R230 000 and therefore are exempted from paying property rates.

The electricity and water bill is based on a usage of 350 kWh and 25kl respectively. The indigent households receive 70kWh electricity units, 6kl water as well as the basic water charge for free.

The indigent household furthermore receives free basic sanitation and refuse removal.

				2024/25 Medium Term Revenue & Expenditure Framework		
Description	Ref	Actual 2022/23	Budget Year 2023/24 % incr.	Budget Year 2023/24	Budget Year 2024/25 % incr.	Budget Year 2024/25
Rand/cent						
<b>Monthly Account for Household - 'Indigent' Household receiving free basic services</b>						
<b>Rates and services charges:</b>						
Property rates				–		–
Electricity: Basic levy				–		–
Electricity: Consumption		634,48	14,75%	728,07	12,70%	820,54
less: free units		(126,90)	14,75%	(145,61)	12,70%	(164,11)
<b>Sub-total</b>		507,58	14,75%	582,46	12,70%	656,43
Water: Basic levy		111,00	25,3%	139,11	6,0%	147,46
Water: Consumption		268,90	12,4%	302,34	6,0%	320,46
less: equitable share		(100,91)	37,9%	(139,11)	6,0%	(147,46)
<b>Sub-total</b>		278,99	8,37%	302,34	5,99%	320,46
Sanitation		249,43	18,8%	296,35	6,0%	314,13
less: equitable share		(249,43)	18,8%	(296,35)	6,0%	(314,13)
<b>Sub-total</b>		–		–		–
Refuse removal		277,00	6,9%	296,00	6,0%	313,76
less: equitable share		(277,00)	6,9%	(296,00)	6,0%	(313,76)
<b>Sub-total</b>		–		–		–
<b>Sub-total</b>		<b>786,57</b>	12,5%	<b>884,80</b>	10,4%	<b>976,89</b>
VAT on Services		99,58	11,3%	110,83		146,53
<b>Total indigent household bill:</b>		<b>886,15</b>	12,4%	<b>995,63</b>	12,8%	<b>1 123,43</b>
<b>Increase</b>			<b>109,48</b>		<b>127,80</b>	<b>12,8%</b>

## 1.7 Operational Expenditure

### Proposed accepted outer limits:

The budget steering committee decided on the following outer limits for the expenditure categories:

Salary increase	: 6% - awaiting increase as set by the Bargaining Council agreement. Currently in negotiations with trade unions and roll players
Repairs & maintenance – infrastructure	: 5-6%
Repairs & maintenance – other	: 5-6%
Electricity Bulk Purchases	: 12.72% (NERSA)
General Expenses	: 2% based on adjustments budget and adjusted per motivation by departments
Contracted Services	: 2% on the adjustment budget figures

### 1.7.1 Electricity Service: Eskom Bulk Tariff Increases

The National Energy Regulator of South Africa (NERSA) has not yet published their “Municipal Tariff Approval Process for the 2024/25 Financial Year” consultation paper.

The continued increase in bulk purchases above inflation rate targets given through by Eskom is having a huge impact on the municipality to set affordable, cost reflective tariffs throughout the various municipal services.

George Municipality has introduced a fixed charge component in its electricity tariff structure. NERSA has approved the George Municipality electricity tariff structure as it complies with the National Electricity Pricing Strategy that requires all tariffs to be set as close as possible to the cost of supply. Free basic electricity (FBE) should only be offered to the registered indigent customers.

An increasing number of electricity consumers is moving towards cheaper and renewable electricity alternatives, thereby reducing revenue. George Municipality is likewise pursuing opportunities to move to making greater use of renewable energy sources, whilst assessing the possibility to harness or generate revenue from customers willing to sell electricity to the municipality.

### 1.7.2 Expenditure by type -Table A4

Description	2023/24	MTREF		
	Adjustments Budget - February 2024	2024/25	2025/26	2026/27
<b><u>Expenditure by Type</u></b>				
Employee Related Cost	714 413 283	823 626 328	858 506 693	905 480 504
Remuneration Of Councillors	30 548 078	31 120 110	32 364 890	33 659 500
Contracted Services	692 524 771	827 577 183	850 096 573	876 542 623
Bulk Purchases	707 250 400	784 617 850	907 802 850	1 036 710 850
Operating Leases	4 805 234	4 685 436	4 962 265	5 257 496
Operational Cost	176 523 924	151 156 171	152 073 009	155 822 079
Depreciation and Amortisation	187 800 195	205 288 314	237 937 686	259 084 099
Loss On Disposal of Property, Plant & Equipment	47 783 880	50 113 590	54 122 680	54 663 910
Irrecoverable debts written off	8 772 450	11 289 742	15 190 161	15 493 970
Debt impairment	95 146 000	99 903 001	104 898 001	106 995 970
Transfers and Subsidies	40 971 219	90 392 375	81 643 682	86 942 550
Inventory Consumed	319 163 147	362 039 920	369 624 795	377 340 678
Interest Expense	40 388 003	59 903 233	78 889 853	104 884 875
<b>Total Expenditure</b>	<b>3 066 090 584</b>	<b>3 501 713 253</b>	<b>3 748 113 138</b>	<b>4 018 879 104</b>

The table above gives the year-on-year realistically movement expected in operating expenditure sources. In conjunction with the revenue by source table above, this results in an overall result as follow:

Description	2023/24	MTREF		
	Adjustments Budget - February 2024	2024/25	2025/26	2026/27
<b>Surplus/(Deficit) before capital grants &amp; development charges</b>	<b>19,069,276</b>	<b>9,745,221</b>	<b>6,474,771</b>	<b>18,366,491</b>
Transfers and Subsidies - Capital	846,673,170	387,488,794	64,350,000	67,439,000
Sale of Erven	2,226,000	4,906,000	4,906,000	4,906,000
Development Charges	30,610,035	38,142,370	40,049,500	42,051,980
<b>Accounting Surplus/(Deficit)</b>	<b>898,578,481</b>	<b>440,282,385</b>	<b>115,780,271</b>	<b>132,763,471</b>



### 1.7.3. Employee related costs

The following factors were considered during the budget for employee related cost:

- The salary and wage Collective Agreement will come to an end on 30 June 2024 and a new agreement is under consultation. Therefore, in the absence of any information a projected 6.13% increase was used.

## 1.8 Capital Budget

The Budget Committee went through several stages of prioritizing the capital budget to contain the budget within the available funding. This commenced with the preparing of the 2023/24 adjustments budget in February 2024.

The budget committee has prioritized the upgrading of the core services infrastructure. Below are a few of the main focus areas:

- R250 million is allocated from the RBIG grant to finalise the various BFI funded projects.
- R51.8 million is appropriated over the MTREF for the for the installation of solar panels (PV-panels) and battery energy storage systems (BESS) across the municipal infrastructure network. A further R8.96 million is planned to provide directorates with alternative energy solutions, other than backup generators. These capital projects are part of the George Municipality's strategy to find local solutions to the national energy crisis. The various initiatives aim to enable economic stability and growth in George and reduce the levels of loadshedding experienced by all.
- R28 million is allocated to upgrading the York Street Hostel. This will increase the available office space for the Municipality and uplift the surrounding CBD over the MTREF period.
- R45.8 million will be used to procure new fleet vehicles for various directorates to ensure that service delivery is maintained and expanded to meet the growing public demand in 2024/25 with R95.4 million over the MTREF.
- R69 million is allocated over the MTREF to ensure Water Security for George through the Rehabilitation of the Ultra Filtration (UF) Plant.
- R53.4 million allocated on the budget for the Upgrading of the Gwaiing Waste Water Treatment Works over the MTREF to unlock necessary Industrial erven for future development within George.
- An overall R701 million is allocated to street and storm water projects over the MTREF period.

This capital budget has been compiled with due consideration of the direct impact that it would have on the operating budget and our cash position where projects are to be funded from either internal sources or from external borrowings.

The Capital Budget was prioritized within the available funding as indicated in table below. Full provision has been made for the grant funded projects.

The Capital Budget for 2024/25 to 2026/27 is attached as annexure “A” to the agenda.

### 1.8.1 Capital Budget - 2024/2025 to 2026/2027

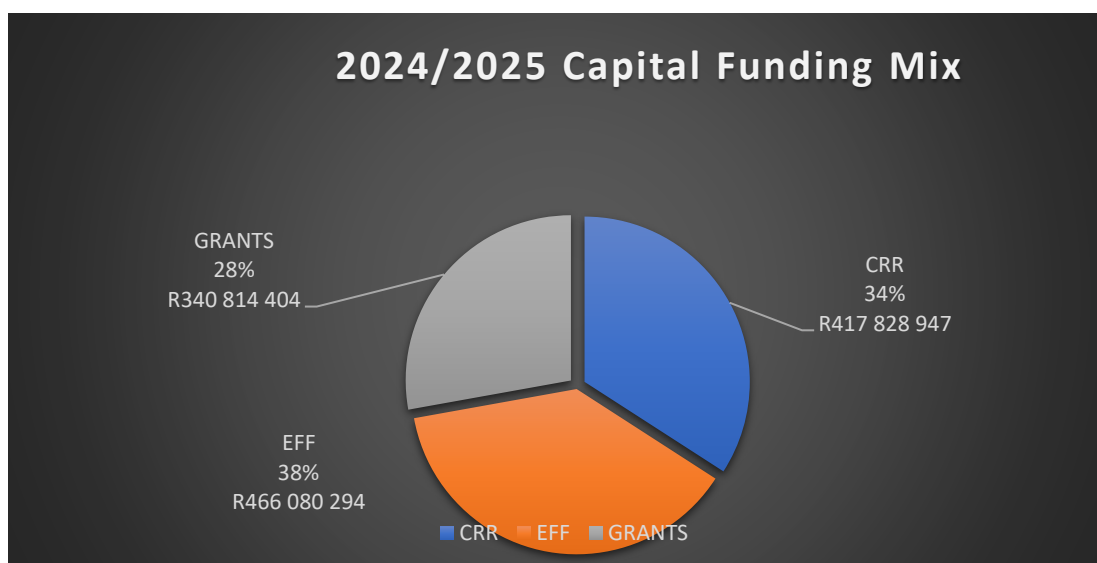
The projects to be funded from the Capital Replacement Reserve (CRR) for 2024/25 were capped at R294.6 million and R466.9 million for projects linked to external funding (EFF).

Full provision was made for grant funded projects as contained in the Division of Revenue Act. An amount of R340.8 million is budgeted for grants.

#### Capital Budget per department

DIRECTORATE	2024/25	2025/26	2026/27	MTREF
Municipal Manager	155 500	30 000	72 500	258 000
Financial Services	3 245 500	4 106 500	3 330 000	10 682 000
Corporate Services	10 600 900	3 505 000	2 080 000	16 185 900
Human Settlements, Planning & Development & Property Management	42 127 326	19 853 565	8 839 565	70 820 456
Civil Engineering Services	859 899 038	799 074 069	568 764 133	2 227 737 240
Electro-Technical Services	194 930 000	202 015 326	146 958 260	543 903 586
Community Services	113 765 381	86 146 000	44 525 000	244 436 381
<b>TOTAL</b>	<b>1 224 723 645</b>	<b>1 114 730 460</b>	<b>774 569 458</b>	<b>3 114 023 563</b>

The pie chart below indicates the funding mix of the Capital Budget.



The pie chart below indicates the funding mix of the Capital Budget.

FUNDING SOURCE	2024/25 R	2025/26 R	2026/27 R	MTREF R
Capital Replacement Reserve	417 828 947	410 122 089	208 887 500	1 036 838 536
External Financing Fund (EFF)	466 080 294	645 847 500	505 735 000	1 617 662 794
Grants And Subsidies	340 814 404	57 260 871	59 946 958	458 022 233
Separate Operating Account	0	1 500 000	0	1 500 000
<b>Total</b>	<b>1 224 723 645</b>	<b>1 114 730 460</b>	<b>774 569 458</b>	<b>3 114 023 563</b>

## 1.8.2 Internal Funding

One of the main challenges impacting on the capital budget is the expected contributions to the Capital Replacement Reserve (CRR) for the current year. This situation also emphasizes the need to expand our current additional revenue base (sources) and exploring other revenue sources. The Budget Committee re-affirmed the need to broaden the revenue base.

The table below provides a breakdown of the available balances of the Capital Replacement Reserve fund:

CRR FUNDING FOR 2024/25							
Description of CRR	Projected balance at 30/06/2024	Annual Projected Capital Contributions	Budgeted contribution to CRR	Projected VAT Income on Grants	Amount available for Capital Expenditure in 2024/25	Draft CRR Capital Budget for 2024/25	Total amount available for Capital Expenditure for 2024/25
General	302,355	2,457,830	-	47,267,063	50,027,247	152,762,017	-
Electricity	500,000	14,545,550	-	-	15,045,550	55,600,000	-40,554,450
Water	28,213,341	11,988,550	-	-	40,201,891	31,254,787	8,947,104
Sewerage	500,000	9,097,940	-	-	9,597,940	46,354,000	-36,756,060
Sale of Property	10,127,003	4,906,000	-	-	15,033,003	4,071,000	10,962,003
Cleansing		52,500	-	-	52,500	4,636,500	-4,584,000
Parking Facilities	732,147		-	-	732,147	-	732,147
Contribution from Working Capital	-		164,000,000	-	164,000,000	-	164,000,000
<b>Total CRR</b>	<b>40,374,846</b>	<b>43,048,370</b>	<b>164,000,000</b>	<b>47,267,063</b>	<b>294,690,278</b>	<b>294,678,304</b>	<b>11,974</b>

Various projects have been launched to ensure that all properties are billed for services. Stricter credit control measures are applied and account holders in arrears are flagged for automatic deductions through the electricity pre-paid vending system.

Although the budgeted income and expenditure are realistically anticipated, the situation regarding the available internal funds will be monitored closely and expenditure on capital projects linked to the CRR will be managed per the available cash.

### 1.8.3 External Financing Funding

Although the Long-Term Financial Plan indicates that George Municipality's gearing allows for the municipality to take up external funding, the magnitude of external funding required over the MTREF compelled the Budget Committee to further scrutinize the different planning scenarios before budgeting to taking up loans of R1 617.6 million over the MTREF. The multi-year planning needs to be spread out over a 5-7-year period to soften the impact of interest and redemption payments on tariffs to the customers.

The Budget Committee considered the requests by the technical departments to take up external loans to fund major upgrading of infrastructure and new infrastructure to provide for the demand created by new developments.

The projects funded from the external financed funding (EFF) are indicated as such on the capital schedule in annexure “A”.



## **Part 2 – Supporting documentation**

### **2.1 Disclosure on implementation of the MFMA & other applicable legislation**

#### **Municipal Finance Management Act – No 56 of 2003**

The MFMA became effective on 1<sup>st</sup> July 2004. The Act aims to modernise budget and financial management practices within the overall objective of maximising the capacity of municipalities to deliver services.

The MFMA covers all aspects of municipal finance including budgeting, supply chain management and financial reporting.

The various sections of the Act are phased in according to the designated financial management capacity of municipalities. George has been designated as a high capacity municipality. The MFMA is the foundation of the municipal financial management reforms which municipalities are implementing.

#### **The MFMA and the Budget**

The following explains the budgeting process in terms of the requirements in the MFMA. It is based on National Treasury's guide to the MFMA.

### **2.2 – The budget preparation process**

#### **2.2.1 – Overview**

A central element of the reforms is a change to the way that municipalities prepare their budgets.

The MFMA requires a council to adopt three-year capital and operating budgets that take into account, and are linked to, the municipality's current and future development priorities (as contained in the IDP) and other finance-related policies (such as those relating to free basic service provision).

These budgets must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and particulars on borrowing, investments, municipal entities and service delivery agreements, grant allocations and details of employment costs.

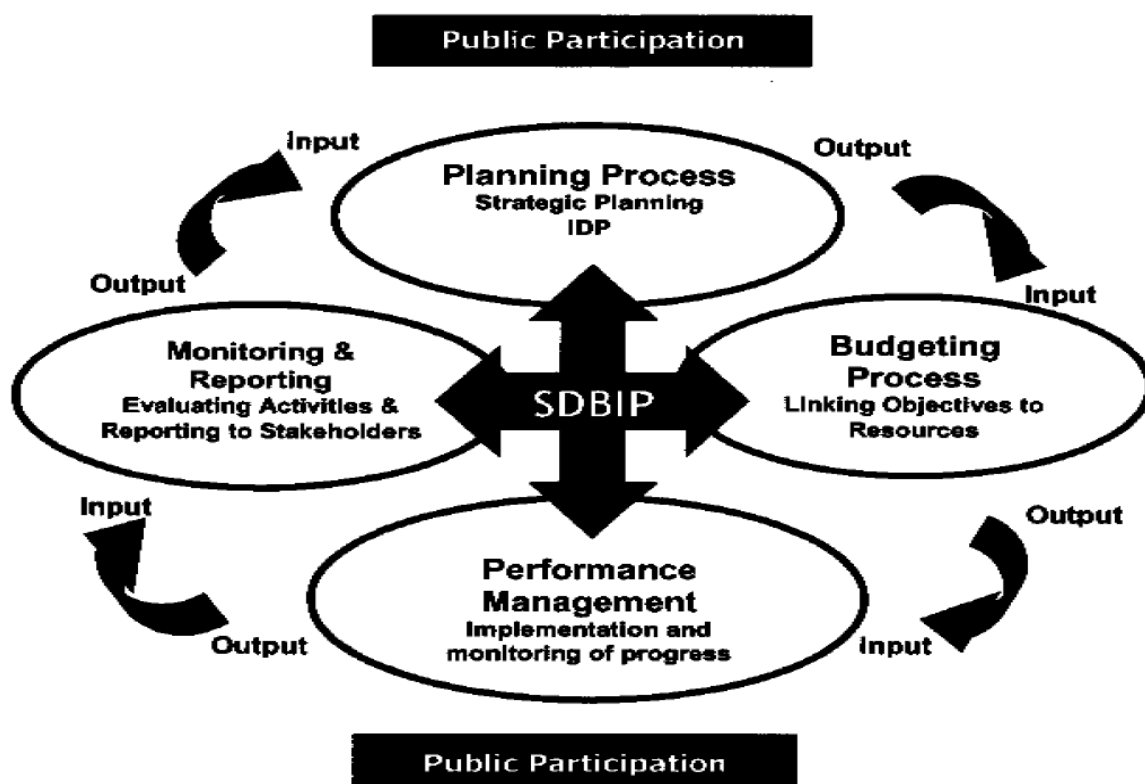
The budget may be funded only from reasonable estimates of revenue and cash-backed surplus funds from the previous year and borrowings (the latter for capital items only).

### 2.2.2 – Budget preparation timetable

The first step in the budget preparation process is to develop a timetable of all key deadlines relating to the budget and to review the municipality's IDP and budget-related policies.

The budget preparation timetable should be prepared by senior management and tabled by the mayor for council adoption ten months before the commencement of the next budget year.

The next diagram depicts the planning, implementation and monitoring process that is followed in George Municipality.



In terms of Section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year a time schedule of key deadlines that sets out the process to revise the IDP and prepare the budget.

**Table 27 – Schedule of Key Deadlines relating to the budget process**

SDF / IDP / BUDGET TIME SCHEDULE FOR 2024/25

(In accordance with Section 21(1)(b) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and Section 29 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) and the Regulations made under these Acts)



ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
AUGUST 2023									
1	Place 4th Quarter Performance Report 2022/23 on website (must be placed on the website not later than 5 days) after its tabling in the council or on the date on which it must be made public, which ever occurs first)	MFMA - Section 75 (2) MSA 21(b)					01 August 2023		Snr Manager: Financial Management  Services/Manager:IDP/PM S/PP
2	Submit 4th Quarter Performance Reports 2022/23 - SDBIP and Finance Performance Reports to National and Provincial Treasury	MPPMR - Reg 13						01 August 2023	Snr Manager: Financial Management  Services/Manager:IDP/PM S/PP
3	Municipal Managers Forum & District Forum (MMF & DCF)	IGR Framework Act 13 of 2005						03 August 2023	Municipal Manager
4	Establishment of a IDP Committee (Municipal Departments)	MPBL - Chapter 2 Section 4(1), (2) and Section 8(1)	04 August 2023	04 August 2023					Director: Human Settlements, Planning and Development
5	Joint District IDP and Public Managers Forum Meeting	IGR Framework Act 13 of 2005	08 August 2023						Manager: IDP/PMS/PP

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
	to discuss District Framework and IDP/Budget/SDF/PMS Process Plan								
6	Executive Mayor and Mayoral Committee considers the 2023/24 Capital Roll-Over Budget	MFMA - Sec 28(2)(e) MBRR - Reg 23(5)				16 August 2023			Chief Financial Officer
7	Executive Mayor and Mayoral Committee recommend that SDF/IDP/Budget Time Schedule / Process Plan (at least 10 months before the start of the budget year) , IDP Public Participation Meeting Schedule, be approved by Council	MFMA - Sec 21(1)(b); MPBL - Chapter 2 Section 7(1)(a)	31 August 2023						Manager: IDP/PMS/PP
8	Departmental SDF/IDP/Budget Work Sessions to review and provide feedback on projects, key initiatives and programmes from the 2023/24 Community IDP Needs  List and identified actions emanating from the 2023/24community engagement and sector plan analysis	Not Applicable	7 - 31 August 2023						Manager: IDP/PMS/PP together with All Departments

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
9	Council considers the 2023/24 Capital Roll-Over Budget (to be tabled before 25 August 2023)	MFMA - Sec 28(2)(e) MBRR - Reg 23(5)				25 August 2023			Chief Financial Officer
10	Executive Mayor and Mayoral Committee considers the 2022/23 Capital Roll-Over Budget	MFMA - Sec 28(2)(e) MBRR - Reg 23(5)				18 August 2021			Chief Financial Officer
11	Council considers the 2021/22 Capital RollOver Budget (to be tabled before 25 August 2023)	MFMA - Sec 28(2)(e) MBRR - Reg 23(5)				25 August 2021			Chief Financial Officer
12	Place 2021/22 Capital Roll-Over Budget on website (must be placed on the website not later than 5 days after its tabling in the council or on the date on which it must be made public, which ever occurs first)	MFMA - Sec 75(2) MSA - Sec 21(b)				27 August 2023			Snr Manager: Financial Management Services

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
1	Council approve the SDF/IDP/Budget Time Schedule / Process Plan for 2024/25 (at least 10 months before the start of the budget year)-, IDP Public Participation Meeting Schedule	MFMA - Sec 21(1)(b)	31 August 2023						Manager: IDP/PMS/PP
13	Submit the SDF/IDP/Budget Time Schedule / Process Plan for 2024/25 to the MEC for Local Government in the Western Cape and the Provincial Minister (DEA&DP), confirming the intention not to amend the MSDF2023 in the 2023/24 year.	MPBL - Chapter 2 Section 3.2(b)		31 August 2023					Manager: Spatial Planning
14	Place advertisement to notify the public of the approved SDF/IDP/Budget Time Schedule on website, local newspapers and notice boards	MSA - Sec 21, 21A, 28(3); MPBL - Chapter 2 Section 3(2)(a)	28 August 2023						Manager: IDP/PMS/PP
15	Place 2023/24 Capital Roll-Over Budget on website (must be placed on the website not later than 5 days after its tabling in the council or on the date on which it must be made public, which ever occurs first)	MFMA - Sec 75(2) MSA - Sec 21(b)				28 August 2023			Snr Manager: Financial Management Services



ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
16	Submit Annual Financial Statements (AFS) and Annual Performance Report (APR) 2022/23 to the Auditor - General for auditing (the accounting officer of a municipality must prepare the annual financial statements of the municipality and within 2 months after the end of the financial year to which those statements relate, submit the statements to the Auditor - General for auditing)	MFMA Sec 126 (1)(a) MSA - Sec 46 (1) (2)					31 August 2023	31 August 2023	Chief Financial Officer Manager: IDP/PMS/PP
SEPTEMBER 2023									
17	District IDP Managers Forum	MSA Section 24	01 September 2023						Manager: IDP/PMS/PP
18	JDMA interface Meeting (Garden Route District Municipality and Department Of Local Government)	MSA Section 24	01 September 2023						Manager: IDP/PMS/PP
19	Circular Economy Cluster (Garden Route Joint District and Metropolitan Approach / Growth and Development Strategy)	MSA Section 24	02 September 2023						Manager: IDP/PMS/PP

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
20	Technical Steering (Garden Route Joint District and Metropolitan Approach /Growth Development Strategy)	MSA Section 24	07 September 2023						Manager: IDP/PMS/PP
21	Water & Secure future Cluster (Garden Route Joint District and Metropolitan Approach /Growth Development Strategy)	MSA Section 24	27 September 2023						Manager: IDP/PMS/PP
22	Green Energy Cluster (Garden Route Joint District and Metropolitan Approach /Growth Development Strategy)	MSA Section 24	28 September 2023						Manager: IDP/PMS/PP
23	Review of Long Terms Financial Plan	MSA Section 26(a)				1 September 2023 - 30 January 2024			Chief Financial Officer

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
OCTOBER 2023									
24	IDP Public Participation period: during this period the community and stakeholders will be able to submit inputs for the review of the 5th Generation IDP 2022 - 2027 (joint process)	MSA Section 29(1)(b)(i)	1 October - 13 October 2023						Manager: IDP/PMS/PP
25	Sustainable Tourism Cluster (Garden Route Joint District and Metropolitan Approach /Growth Development Strategy)	MSA Section 24	10 October 2023						Manager: IDP/PMS/PP
26	Support Wellbeing and Resilience Cluster (Garden Route Joint District and Metropolitan Approach /Growth Development Strategy)	MSA Section 24	11 October 2023						Manager: IDP/PMS/PP
27	Convene and IGR Reference Team for the Citizen interface (Garden Route Joint District and Metropolitan Approach /Growth Development Strategy)	MSA Section 24	11 October 2023						Manager: IDP/PMS/PP
28	Capture and refine all community inputs from the	Not Applicable	2 October -	2 October -					Manager: IDP/PMS/PP

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
	needs analysis process and sector engagement		13 October 2023	13 October 2023					
29	Finalise all IDP/SDF inputs (Chapters) and distribute to all Departments for input and revisions	MSA Section 34	15 October 2023	15 October 2023					Manager: IDP/PMS/PP
30	Submission of priority requests to sector departments and the district municipality	Not Applicable	17 October 2023	17 October 2023					Manager: IDP/PMS/PP
31	The formulation of disaster strategies: Prevention and mitigation strategies, Vulnerability reduction strategies, Capacity building, Contingency building, Emergency preparedness.	DM Act, No 57 of 2002, Section 53(1) (a-d), Section 53(2)(a)			30 October 2023				Manager: Fire and Disaster
32	Submit 1st Quarterly report for period ending 30 September 2023 on implementation of the budget and financial state of affairs of the Municipality to Council	MFMA - Sec 52(d) MFMA - Sec 71(1) MBRR - Reg 28						25 October 2023	Snr Manager: Financial Management Services/Manager:IDP/PMS/PP
33	Submit 1st Quarter Performance Reports 2023/24 - SDBIP and Finance Performance Reports to National and Provincial Treasury	MFMA - Sec 75(2) MSA - Sec 21(b)						25 October 2023	Snr Manager: Financial Management Services/Manager:IDP/PMS/PP

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
34	Place 1st Quarter Performance Report 2023/24 on the website (must be placed on the website not later than 5 days after its tabling in the council or on the date on which it must be made public, which ever occurs first)	MFMA - Sec 75(2) MSA - Sec 21(b)						30 October 2023	Snr Manager: Financial Management Services/Manager:IDP/PM S/PP

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
35	Operationalise disaster management in the municipality by means of identifying projects such as setting up the relevant structures.	DM Act, No 57 of 2002, Section 53(1) (a-d), Section 53(2)(a)			30 October 2023				Manager: Fire and Disaster
NOVEMBER 2023									
36	Municipal Managers Forum & District Forum (MMF & DCF)	IGR Framework Act 13 of 2005 - District Process	02 November 2023					02 November 2023	Municipal Manager
37	District IDP Managers Strategic Planning Session (IDP, IGR&Public Participation)		10 November 2023						
38	Municipal Strategic Session							15 November 2023	Municipal Manager/

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
			15 November 2023						Manager IDP/PMS/PP
39	IDP Budget & PMS Representative Forum	IGR Framework Act 13 of 2005 IGR Framework Act 13 of 2006	29 November 2023						Municipal Manager/ Manager IDP/PMS/PP
40	MinMay	IGR Framework Act 13 of 2007	30 November 2023					29 November 2023	Municipal Manager/
41	Green Energy Cluster (Garden Route Joint District and Metropolitan Approach /Growth Development Strategy)								Manager: IDP/PMS/PP
42	Revise Departmental SDBIP 23/24 and Draft Top Layer SDBIP 25/25							6-10 November 2023	Manager: IDP/PMS/PP
43	Submit inputs for 2023/24 Operating and Capital Adjustments Budget to Manager: Budgeting and Costing	MFMA - Section 21 and 28				17 November 2023			Snr Manager: Financial Management Services and All Directorates
44	Identify all plans and planning requirements binding on the municipality in terms of national and provincial legislation	MSA - Sect 29(1)(c)	01 - 30 November 2023						Manager: IDP/PMS/PP

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
45	Operationalise disaster management in the municipality by means of identifying projects such as setting up the relevant structures.	DM Act, No 57 of 2002, Section 53(1) (a-d), Section 53(2)(a)			30 November 2023				Manager: Fire and Disaster

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
DECEMBER 2023									
46	Provincial IDP Managers' Forum	MSA - Sec 24	08 December 2023						Manager: IDP/PMS/PP
47	Submission of priority requests to sector departments and the district municipality	Not Applicable	16 December 2023						Manager: IDP/PMS/PP & DP
48	District Municipality (DM): Project alignment between the DM and Local Municipalities (LM's)	MSA - Sec 24	17 December 2023						Manager: IDP/PMS/PP
49	Design of disaster management projects	DM Act, No 57 of 2002, Section 53(1) (a-d), Section 53(2)(a)			30 December 2023				Manager: Fire and Disaster



ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
JANUARY 2024									
50	Directorates complete template for 2024 - 2027 Capital and Operational Budget for Budget Prioritisation	MSA Section 26(h)				19 January 2024			Snr Manager: Financial Management Services
51	Submit Mid-year Budget and Performance Assessment Report 2023/24 to Executive Mayor	MFMA - Sec 72				25 January 2024	25 January 2024		Manager: IDP/PMS/PP
52	Submit Mid-year Budget and Performance Report 2023/24 to Provincial Treasury and National Treasury by 25 January	MFMA - Section 72(1)(b) MBRR - Reg 35				25 January 2024			Manager: IDP/PMS/PP and Chief Financial Officer
53	Submit 2nd Quarterly report for the period ending 31 December 2023 on implementation of the budget and financial state of affairs of the Municipality to the Council	MFMA - Sec 52(d)  MFMA - Sec 71(1) MBRR - Reg 29						25 January 2024	Chief Financial Officer and Manager: IDP/PMS/PP
54	Submit Mid-year Budget and Performance Assessment Reports 2023/24 to Council	MFMA - Section 72(1)(b) MBRR - Reg 35				25 January 2024	25 January 2024	25 January 2024	Snr Manager: Financial Management Services
55	Council considers the Draft Annual Report 2022/23 before advertising it for public comment	MFMA - Sec 127						25 January 2024	Manager: IDP/PMS/PP and Chief Financial Officer

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
56	Make public the Mid-Year Budget and Performance Report 2023/24 in the local newspaper and on municipal website	MFMA - Section 75 (2) MSA - Sec 21(b)						30 January 2024	Chief Financial Officer and Manager: IDP/PMS/PP

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
57	Submit the Draft Annual Report 2022/23, within five (5) days via e-mail and hard copy to the National Treasury, the Western Cape Department of Local Government, the Western Cape Provincial Treasury and the Auditor General	MFMA - Section 127(5)(b)					30 January 2024		Manager: IDP/PMS/PP
58	Place 2nd Quarter Performance Report 2023/24 on website	MFMA - Section 75 (2) MSA - Sec 21(b)						30 January 2024	Snr Manager: Financial Management Services/Manager:IDP/PMS/PP
FEBRUARY 2024									
59	Place advertisement in local newspapers to notify the public and other stakeholders to	MFMA - Sec 127(5)(a)					01 February 2024		Manager: IDP/PMS/PP

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
	submit written comments on the Draft Annual Report 2022/23	MSA - Sec 21A							
60	Advertise the approved Adjustments Budget 2023/224and Revised SDBIP 2023/224and submit budget and B Schedules to National Treasury and Provincial Treasury as required per legislation (within 10 working days)	MFMA - Sec 28(7) MSA - Sec 21A MBRR - Part 4				03 February 2024	03 February 2024		Snr Manager: Financial Management Services and Manager: IDP/PMS/PP
61	District IDP Managers Meeting	IGR Framework Act 13 of 2005	05 February 2024						Manager: IDP/PMS/PP
62	Municipal Managers Forum & District Forum (MMF & DCF)							08 February 2024	Municipal Manager
63	Table the draft Annual Report 2022/23 to the MPAC to considers and evaluates the content of the Annual Report 2022/23	MFMA 127 and 129 (1)					05 - 09 February 2024		Manager: IDP/PMS/PP
64	Public Hearing: Consultation on the draft Annual Report 2022/23 with the local community	MFMA - Sec 127(5) MFMA - Sec 127(6)					12 February 2024		Manager: IDP/PMS/PP

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
65	Complete tariff setting exercise for 2024/25	MFMA Section 71				15 February 2024			Snr Manager: Financial Management Services
66	Review current budget related policies and compile newly needed budget related policies	MFMA - Sec 21 MBRR - Part 3				15 February 2024			Snr Manager: Financial Management Services
67	MAYCO considers and adopts 2023/24 Adjustments Budget and Draft Revised SDBIP 2023/24	MFMA - Sec 28 MBRR - Part 4				14 February 2024	14 February 2024		Snr Manager: Financial Management Services and Manager: IDP/PMS/PP

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
68	Feedback from officials confirming internal arrangements if the content of the Annual Report 2022/23 are credible, reliable and accurate.  (Modification to the report before tabling it to Council)	MFMA Sec 121 and 122					19 February 2024		Manager: IDP/PMS/PP
69			19-23 February 2023						Manager: IDP/PMS/PP

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
70	Provincial IDP INDABA 2	IGR Framework Act 13 of 2006	28 February 2024						Manager: IDP/PMS/PP
71	Technical Integrated Municipal Engagements with Provincial Sector Departments	IGR Framework Act 13 of 2006	19-20 February 2024						Manager: IDP/PMS/PP
	District Institutional Strategic Planning Session	IGR Framework Act 13 of 2007							
72	Council considers the 2023/24 Adjustments Budget and Draft Revised TL SDBIP 2023/24	MFMA - Sec 28 MBRR - Part 4 MSA - Sec 28 and 29				21 February 2024	21 February 2024		Manager: IDP/PMS/PP and Snr Manager: Financial Management Services
73	Annual (2022/23) Performance Assessments for the Municipal Manager and Managers directly accountable to the Municipal Manager	MPPMR - Reg 13 GN 21-17/01/2014					26 February 2024		Manager: IDP/PMS/PP
74	Technical Integrated Municipal Engagements (TIME)	MSA - Chapter 5	28 February 2024						Municipal Manager
MARCH 2024									

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
75	Advertise the approved Adjustments Budget 2023/24 and Revised SDBIP 2023/24 and submit budget and B Schedules to National Treasury and Provincial Treasury as required per legislation (within 10 working days)	MFMA - Sec 28(7) MSA - Sec 21A MBRR - Part 4				01 March 2024	01 March 2024		Snr Manager: Financial Management Services and Manager: IDP/PMS/PP
76	Compilation of the Disaster Management Plan	DM Act, No 57 of 2002, Section 53 (1)(a-d) Section 53(2)(a))			15 March 2024				Manager: Fire and Disaster
77	Council considers Oversight Report and Annual Report 2022/23 for approval	MFMA - Sec 129					27 March 2024		Manager: IDP/PMS/PP
78	Review the Municipality's Performance Management System (PMS) - submit Revised Performance Management Policy to Council	MPPR - Reg 3(4)(b) and Reg 11(2)					27 March 2024		Manager: IDP/PMS/PP

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
79	Submission of the draft IDP, budget, tariffs, budget related policies and SDBIP (at least 90 days before the start of the budget year) to Council for approval for the purpose of obtaining public comment and inputs (21 days)	MFMA - Sec 16(2) MSA - Sec 25 (b)(c) MBRR - Part 3				27 March 2024	27 March 2024		Manager: IDP/PMS/PP and Snr Manager: Financial Management Services
80	District Municipality submit draft IDP and budget to Council	MFMA - Sec 16(2) MSA - Sec 25 (b)(c) MBRR - Part 3	30 March 2024						Garden Route District Municipality
APRIL 2024									
81	Submit the budget to Department of Local Government, National and Provincial Treasury, prescribed national or provincial organs of state and to other municipalities affected by budget	MFMA - Sec 22(b) MBRR - Reg 20				01 April 2024			Snr Manager: Financial Management Services
82	District IDP Managers' Forum	MSA - Sec 24	08 April 2024						Manager: IDP/PMS/PP
83	Place advertisement for the Oversight Report and the Annual Report 2022/23 to be released for information which must be placed on the municipal website within five (5) days after it is approved	MFMA - Sec 129(3) MFMA - Sec 75 ©					01 April 2024		Manager: IDP/PMS/PP



ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
84	Submit the Draft IDP, Draft SDBIP 2024/25 to Department of Local Government, National and Provincial Treasury, prescribed national or provincial organs of state and to other municipalities affected by the IDP and budget	MFMA - Sec 22(b) MSA - Sec 29(3)(b) MSA - Sec 32(1) MBRR - Reg 20	05 April 2024				05 April 2024		Manager: IDP/PMS/PP and Manager: Spatial Planning and Snr Manager: Financial Management Services
85	Ensure that the Oversight Report and Annual Report 2022/23 are made available at all municipal offices and libraries for information	MFMA - Sec 129(3)					05 April 2024		Manager: IDP/PMS/PP
86	Advertise the Draft IDP and Draft Budget and other required documents -and provide at least 21 days for public comments and written submissions	MFMA - Sec 22(a) MSA - Sec 21A, 42 MPPMR - Reg 15(3)	02 - 22 April 2024			02 - 22 April 2024	02 - 22 April 2024		Manager: IDP/PMS/PP and Snr Manager: Financial Management Services
87	Public Participation Meetings to consult the Draft IDP, Draft SDBIP 2024/25 and Draft Budget	MFMA - Sec 22(a) MSA - Sec 21A, 42 MPPMR - Reg 15(3)	09 - 16 April 2024			09 - 16 April 2024	09 - 16 April 2024		Manager: IDP/PMS/PP and Snr Manager: Financial Management Services

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
88	Submit 3rd Quarter report for period ending 31 March 2024 on implementation of the budget and financial state of affairs of the Municipality to Council	MFMA - Sec 52(d) MFMA - Sec 71(1) MBRR - Reg 29						24 April 2024	Snr Manager: Financial Management Services

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET DATES						RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
89	Submit 3rd Quarter Performance Reports 2023/24 - SDBIP and Performance Reports to National and Provincial Treasury	MPPMR - Reg 13						29 April 2024	Snr Manager: Financial Management Services/manager:IDP/PMS/PP
90	Place 3rd Quarter Performance Report 2023/24 on website	MFMA - Sec 75(2) MSA - Sec 21(b)						29 April 2024	Manager: IDP/PMS/PP
MAY 2024									
91	SIME / LG MTEC 3 IDP and Budget Assessments by Provincial Treasury and Department of Local Government	MSA Chapter 5 MFMA	06 May 2024			06 May 2024	06 May 2024		Manager: IDP/PMS/PP and Snr Manager: Financial Management Services

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET		DATES				RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
97	MAYCO meeting to consider the draft IDP,-Draft Budget and Draft SDBIP 2023/24 (at least 30 days before the start of the budget year)	MFMA - Sec 24 MPBL Section 7(3)	22 May 2024			22 May 2024	22 May 2024		Manager: IDP/PMS/PP and Snr Manager: Financial Management Services Manager Spatial
98	Council meeting to adopt final IDP, re-adopt the 2023 MSDF, Performance Management Measures and targets and the budget (at least 30 days before the start of the budget year)	MFMA - Sec 24; MFMA - Sec 24 MPBL Section 7(3)	29 May 2024	29 May 2024		29 May 2024	29 May 2024		Manager: IDP/PMS/PP and Snr Manager: Financial Management Services, Manager Planning Manager Spatial
99	District Municipality adopt final IDP and budget	MFMA - Sec 24	31 May 2023						Garden District Municipality
JUNE 2024									
100	Place the adopted IDP, multi-year budget, all budgetrelated documents and all budget-related policies on the website	MFMA - Sec 22 and 75 (1)(2) MSA - Sec 21A and 21B	03 June 2024			03 June 2024			Manager: IDP/PMS/PP and Snr Manager: Financial Management Services
101	Submit approved budget to National and Provincial Treasuries (both printed and electronic formats)	MFMA - Sec 24(3) MBRR - Reg 20				03 June 2024			Snr Manager: Financial Management Services

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET		DATES				RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
102	Municipal Managers Forum & District Forum (MMF & DCF)	IGR Framework Act 13 of 2005						06 June 2024	Municipal Manager
103	Provincial IDP Managers' Forum	IGR Framework Act 13 of 2006	10-14 June 2024						Manager: IDP/PMS/PP

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET		DATES				RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
104	Submit a copy of the IDP to the MEC for LG (within 10 days of the adoption of the plan)	MSA - Sec 21, 21A, 28(3)	07 June 2024						Manager: IDP/PMS/PP
105	Give notice to the public of the adoption of the IDP and Budget (within 14 days of the adoption of the plan) and budget (within 10 working days)	MBRR - Reg 18 MSA - Sec 25(4)(a)(b) MFMA - Sec 75(1)	07 June 2024			07 June 2024			Manager: IDP/PMS/PP and Snr Manager: Financial Management Services
106	Submit to the Executive Mayor the TL SDBIP 2024/25 (no later than 14 days after the approval of an annual budget)	MFMA - Sec 69(3)(a)					12 June 2024		Manager: IDP/PMS/PP

ACTIVITY / TASK		LEGISLATIVE REQUIREMENTS	TARGET		DATES				RESPONSIBLE OFFICIAL
NO	DESCRIPTION		IDP/ PP	SDF	DISASTER MANAGEMENT	BUDGET	PMS	REPORTING	
107	Executive Mayor takes all reasonable steps to ensure that the SDBIP is approved (within 28 days after approval of the budget)	MFMA - Sec 53(1)(c) (ii)					26 June 2024		Manager: IDP/PMS/PP
JULY 2024									
108	Make public the projections, targets and indicators as set out in the TL SDBIP (no later than 14 days after the approval of the SDBIP) and submit to National and Provincial Treasuries (no later than 10 working days after the approval of the SDBIP)	MFMA Section 53(3)(a) MBRR Reg 19					10 July 2024		Manager: IDP/PMS/PP
109	Make public the performance agreements of the Municipal Manager and Managers directly accountable to the Municipal Manager (no later than 14 days after the approval of the SDBIP)	MFMA Section 53(3)(b)					10 July 2024		Manager: IDP/PMS/PP

### **2.2.2 – Tabling of the draft budget**

The initial draft budget must be tabled by the mayor before council for review by 31 March.

Once tabled at council, the municipal manager must make public the appropriate budget documentation and submit it to both the national and the relevant provincial treasury and any other government departments as required. At this time, the local community must be invited to submit representations on what is contained in the budget.

The municipal budget was tabled before Council on 25 March 2024.

### **2.2.3 – Consultation with the community and key stakeholders**

When the draft budget is tabled, council must consider the views of the local community, the national and the relevant provincial treasury and other municipalities and government departments that may have made submissions on the budget.

The consultation with National and Provincial Treasuries regarding the MTREF is set to take place during May 2024.

The first round of public participation with all the 27 ward committees commenced in October/November 2020 in order to provide feedback on progress made on existing projects and share information on future projects and to afford ward committees an opportunity to review ward priorities and make further submissions.

The second round of public participation aims to:

- invite the public comments on the Draft IDP review and Budget including engagements with all the 27 ward committees.
- To provide feedback on current and future IDP projects as proposed by wards; and
- To create an opportunity for further inputs on key highlights & proposals from the Draft Budget

A complete report regarding the feedback on the public participation process will be included in the Final IDP document.

## **2.3 – Service Delivery and Budget Implementation Plan (SDBIP)**

The municipal manager must within fourteen days after the approval of the annual budget submit to the mayor for approval a draft service delivery and budget implementation plan and draft annual performance agreements for all pertinent senior staff.

A service delivery and budget implementation plan is a detailed plan for implementing the delivery of municipal services contemplated in the annual budget and should

indicate monthly revenue and expenditure projections and quarterly service delivery targets and performance indicators.

The mayor must approve the draft service delivery and budget implementation plan within 28 days of the approval of the annual budget.

This plan must then be monitored by the mayor and reported on to council on a regular basis. The municipal manager is responsible for implementation of the budget and must take steps to ensure that all spending is in accordance with the budget and that revenue and expenditure are properly monitored.

Generally, councils may incur expenditure only if it is in terms of the budget, within the limits of the amounts appropriated against each budget vote – and in the case of capital expenditure, only if council has approved the project. Expenditure incurred outside of these parameters may be considered to be unauthorised or, in some cases, irregular or fruitless and wasteful. Unauthorised expenditure must be reported and may result in criminal proceedings.

## 2.4 – Alignment of Annual Budget with IDP

Local priorities were identified as part of the IDP process which is directly aligned to that of national and provincial priorities.

The IDP strategic objectives and goals are set out in the IDP document.

George is a city for all reasons and this along with the strategic vision and mission has led to the conceptualisation of five strategic goals for George. These goals are as follows:



The above strategic goals are set to become the catalysts to ensure that the vision and mission is achieved in the next five years.



## **2.5 – Overview of budget related policies**

In terms of section 17 (3) (e) of the Municipal Finance Management Act, No. 56 of 2003 it prescribes that the Municipality must review the budget related policies and by-laws (where applicable) annually.

This administration has reviewed the policies below:

1. Tariff Policy and By-law;
2. Customer Care, Credit Control and Debt Collection Policy and By-law;
3. Property Rates Policy and By-law;
4. Indigent Policy;
5. Budget Implementation and Monitoring Policy;
6. Cash Management and Investment Policy;
7. Unauthorized Irregular and Fruitless and Wasteful Expenditure Policy;
8. Unauthorized Irregular and Fruitless and Wasteful Expenditure Policy (UIF & W) Reduction Policy;
9. Virement Policy;
10. Asset Management Policy;
11. Funding Borrowing & Reserve Policy;
12. Liquidity Policy;
13. Cost Containment Policy;
14. Travel & Subsistence Policy;
15. Cell Phone Allowance Policy.
16. Supply Chain Management Policy;
17. Supply Chain Management (FIDPM) Policy;
18. Preferential Procurement (PPPFA) Policy;
19. Information and Communications Technology (ICT) Policy;
20. Long Term Financial Plan (LTFP).

The policies are contained in the budget documentation and will be placed on the municipal website.

## **2.6 – Budget Assumptions**

Budgets are prepared in an environment of uncertainty. To prepare meaningful budgets, assumptions need to be made about internal and external factors that could influence the budget. Documentation of the assumptions used in preparing the budget assists understanding of the information. This section provides a comprehensive summary of all the assumptions used in preparing the budget.

### **2.6.1 – National Treasury MFMA Circular No 126 & 128**

These Circulars was issued on 06 December 2023 and 08 March 2024 respectively, and it provides further guidance to municipalities for the preparation of the 2024/25 budget and MTREF. The circulars were used in preparing this budget.

## 2.6.2 – Inflation Outlook

In MFMA Circular No 128, inflation forecasts are estimated at 4.9%, 4.6% and 4.6% respectively for the years 2024 to 2026.

## 2.6.3 – Rates, tariffs, charges and timing of revenue collection

The Budget Committee made use of tariff modelling to determine realistic tariff increases. The Budget Committee endeavoured to contain the increase within the 3 to 6 % inflation target band forecasted, but due to significant negative impact of loadshedding and the need to fund upgrades to core infrastructure, higher increases had to be used.

Average Tariff Increase Applied in Budget 2024/25 and MTREF				
Category	Base Budget 2023/24	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
Property Rates	12.50%	6.00%	6.00%	6.00%
Electricity (NERSA)	14.75%	12.00%	12.00%	12.00%
Water	11.00%	6.00%	6.00%	6.00%
Sanitation	9.00%	6.00%	6.00%	6.00%
Refuse	9.00%	6.00%	6.00%	6.00%
Other (general increase)	6.00%	6.00%	6.00%	6.00%

The cash flow statement shows when rates and tariffs are expected to be collected over the financial year. In general terms, the timing of rates, tariffs and charges is based on the following;

Rates	Monthly billing. Interim billing throughout the year.
Tariffs	Monthly billing. On-going prepayment meters. Seasonal fluctuations.
Charges	Generally steady state throughout the financial year with seasonal fluctuations.

## 2.6.4 – Collection rates for each revenue source and customer type

The following bad debt provisions and collection rates are assumed in the MTREF for rates and tariffs.

	2024/25	2025/26	2026/27
Debt Impairment	R99.9m	R104.8m	R106.9m

Assumed collection rate	96%	96%	96%
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### 2.6.5 – Price movements on specifics e.g. bulk purchases

The following amounts are included in the MTREF for increases in bulk purchases;

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
ESKOM	R784m	R907m	R1 036m

### 2.6.6 – Average salary increases

The MTREF includes the following average percentage increases for wages and salary and for councillors' allowances;

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
Councillors	6.13%	6%	6%
Staff	5%	5%	5%

### 2.6.7 – Industrial relations climate, reorganisation and capacity building

The ability of the Municipality to deliver quality services is virtually entirely dependent on its staff. Failure by the Municipality to invest in its staff to ensure that the capacity and skills exist to meet the challenges being faced by George will ultimately mean a failure to deliver services.

The Municipality has made the following amounts available for training over the MTREF period.

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
Training Budget	5 898 000	5 898 000	5 898 000

## 2.6.8 – Trends in demand for free or subsidised basic services

The indigent qualification criteria set in the Indigent policy is aligned to the various guidance issued by the National and Provincial Treasuries, The Department of Cooperative Governance and Traditional Affairs (COGTA) and the Auditor-General of South Africa.

Implementation and compliance to the indigent benefit is specifically reviewed annually by the Auditor-General as part of their external audit. The clean audits issued to George Municipality over the past three years indicates that the indigent policy is being correctly applied.

As indicated earlier, the general cost of living has increased dramatically in South Africa in recent years and lower income households are impacted by the this and the simultaneous destructive impact of unemployment caused by the failing National economy, exaggerated by the persistent high levels of loadshedding, high interest rates and fuel price levies.

Indigent support is not subsidized from services charges collected from the citizens of George, but from the equitable share allocation received annually through the Division of Revenue Act (DORA). The DORA of 22 February 2024 indicates that the equitable share allocation to municipalities country wide is being reduced. For George the allocations are:

<b>Equitable Share</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
Previous DORA	214 691	235 747	260 334	-
Current DORA	-	230 472	248 659	268 556
Reduction		(5 275)	(11 675)	
Difference %		- 2.24%	- .48%	

Funding for the indigent support programme is thus limited to the available funding. Currently the Municipality is expensing the entire equitable share received towards the benefit of lower income, poor and indigent households.

Yet, the Municipality has determined that it will not reduce the indigent support offered to low qualifying households, despite the reduction in allocated funding. It is therefore imperative that the indigent support reached those households that truly qualifies for and needs this essential subsidising of basic services. A continuous indigents verification and registration process is being done to eliminate abuse of this essential subsidy and to ensure that it reaches only those that qualify for it.

The above commitment to support poor and low-income households is further supplemented by the credit control measures that assist struggling households with debt relief and the writing off for bad debts in qualifying cases.

In July 2023 Council approved that R47 million debt be written off for indigent household water losses.

The proposed package of free basic services allocated to the indigents consists of the following (Vat included values):

<b>Indigent Benefit</b>	<b>Increase (%)</b>	<b>2023/24 (R)</b>	<b>2024/25 (R)</b>
Water (Fixed cost)	6%	159.97	169.58
Water (6kl Free)	6%	135.45	143.59
Valuation Rebate	From R150 000 increased to R230 000	112.05	119.33
Sewerage	12.72%	340.80	361.25
Refuse Removal	6%	340.40	360.82
Electricity 70 kWh	6%	145.61	164.13
<b>Total</b>		<b>R1 234 29</b>	<b>R1 318.70</b>

## **2.6.9 – Ability of the municipality to spend and deliver on the programmes**

Spending is monitored closely throughout the year and Directors must ensure that capital programmes are supported by robust planning. The Municipality is currently reviewing its capital planning processes and will soon implement the capital rating and ranking programme of Ignite Advisory Service.

The SDBIP includes monthly cash flows of expenditure and is used as the basis for budget monitoring. Monthly Section 71 meetings with portfolio councillor, municipal manager, directors and the budget office also forms part of the monitoring tool and directorates must give reasons for poor performance and over spending and put corrective measures in place.

## **2.6.10 – Capital Budget**

The Budget Committee went through several stages of prioritizing the capital budget to contain the budget within the available funding. This commenced with the preparing of the 2023/24 adjustments budget in February 2024.

The budget committee prioritized the upgrading of the core services infrastructure. Below are a few of the main focus areas:

- R250 million is allocated from the RBIG grant to finalise the various BFI funded projects.
- R51.8 million is appropriated over the MTREF for the for the installation of solar panels (PV-panels) and battery energy storage systems (BESS) across the municipal infrastructure network. A further R8.96 million is planned to provide directorates with alternative energy solutions, other than backup generators. These capital projects are part of the George Municipality's strategy to find local solutions to the national energy crisis. The various initiatives aim to enable economic stability and growth in George and reduce the levels of loadshedding experienced by all.

- R28 million is allocated to finalise upgrading the York Street Hostel. This will increase the available office space for the Municipality and uplift the surrounding CBD over the MTREF period.
- R45.8 million will be used to procure new fleet vehicles for various directorates to ensure that service delivery is maintained and expanded to meet the growing public demand in 2024/25 with R95.4 million over the MTREF.
- R69 million is allocated over the MTREF to ensure Water Security for George through the Rehabilitation of the Ultra Filtration (UF) Plant.
- R53.4 million allocated on the budget for the Upgrading of the Gwaiing Waste Water Treatment Works over the MTREF to unlock necessary Industrial erven for future development within George.
- An overall R701 million is allocated to street and storm water projects over the MTREF period.

This capital budget has been compiled with due consideration to the direct impact that it would have on the operating budget and our cash position where projects are to be funded from either internal sources or from external borrowings.

The Capital Budget was prioritized within the available funding as indicated in table below. Full provision has been made for the grant funded projects.

The Capital Budget for 2024/25 to 2026/27 is attached as annexure “A” to the agenda.

#### **2.6.11 – Service level standards**

MFMA circular No. 72 indicated that all municipalities must formulate service level standards which must form part of the tabled MTREF budget documentation.

A broad guideline was provided on the minimum service standards to be incorporated in the budget documentation. In addition to the guideline, a framework was developed as an outline to assist municipalities in finalising their service level standards.

It is accepted that it is not possible to have the same service level standards across all municipalities. Therefore, the outline must be used as a guideline and be amended accordingly to align to the municipality’s specific circumstances.

The municipality is currently busy updating the service level standard document.

## **2.7 MTREF Budget Benchmark Assessment Report**

The benchmark assessment meeting did not take place. Only a highlevel technical meeting was held via MS Teams.

## **2.8 2024 Mid-year Budget and Performance visit**

Below is a brief report received from National Treasury regarding the 2024 mid-year and performance visit to George Municipality.





**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

1 of 7

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FROM: Mr Jan Hattingh, Tel: 012 315 5009, Email: [jan.hattingh@treasury.gov.za](mailto:jan.hattingh@treasury.gov.za)

Ref No: WC044/12

Dr Michele Gratz  
The Municipal Manager  
George Local Municipality  
P O Box 19  
GEORGE  
6530

Email: [mgratz@george.gov.za](mailto:mgratz@george.gov.za)

Dear Dr Gratz

#### OBSERVATIONS AND RECOMMENDATIONS EMANATING FROM THE MID-YEAR BUDGET AND PERFORMANCE ENGAGEMENT HELD ON 22 & 23 FEBRUARY 2024

The annual mid-year budget and performance assessment engagement focused on the municipality's 2022/23 financial year's performance, the 2023/24 mid-year performance and preparations for the 2024/25 Medium Term Revenue and Expenditure Framework.

The delegation comprised of various units within the National Treasury and officials from the Department of Cooperative Governance and Traditional Affairs (CoGTA), South African Local Government Association (SALGA) and the Development Bank of South Africa (DBSA).

A summation of the observations, recommendations and resolutions emanating from the discussions is presented below; these should inform the municipality's 2024/25 MTREF where appropriate.

#### KEY OBSERVATIONS

##### *Institutional Arrangements*

The municipality's institutional arrangements are rated as sound. Although the municipality is governed through a coalition government there is stability and a good interface between politicians and the administration. The MM and CFO positions are filled.

- The municipality's organizational structure remains stable with only one key position, Director Electrotechnical Services, currently vacant. However, filling this role has proven challenging due

Nkosama wa Tiko • Gwama la Muvhuso • Nazionale Tesourie • Lefapha la Bosetihaba la Matlotlo • uMnyango wezozimali • Litiko la Tetimali taFelonkhe • Tinko ya Matlotlo a Bosetihababa  
Tshebeletso ya Matlotlo a Naha • UMnyango weziMali • Iubebe leNgqosa Mali yeLizwe

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to the specific requirement for a National Qualifications Framework (NQF) Level 8 qualification as well as upper limits on salaries;

- A persistent challenge lies in the shortage of skilled professionals in critical Senior positions, particularly within the fields of Civil and Electrical Engineering;
- The vacancy rates within the municipal hierarchy are as follows: 14.3 per cent at the top management level (unchanged from 2023), 0 per cent at the Senior management level (improved from 20 per cent in 2023), and a vacancy rate of 20.2 per cent for middle management professionals (up from 18.5 per cent in 2023);
- Concerns have been raised about the timing of disaster funds and the inconsistent compensation from the national government for work completed by the municipality;
- The municipality is also apprehensive about the potential loss of customers to alternative energy renewal options, highlighting the need for proactive measures to retain the customer base;
- The lack of proper onboarding guidance from the national government for the Integrated Urban Development Grant (IUDG) is a notable issue. Adequate onboarding is crucial for the successful implementation of government programmes and initiatives; and
- Load shedding has resulted in a substantial loss of R 100 million from the municipality's electricity revenue.

#### *Financial health*

The municipality's financial health is sound as the municipality having a good collection rate and are able to meet obligations when they are due.

- The collection rate for the financial year 2022/23 was reported at 92 per cent, representing a decrease from the previous year's 97 per cent achievement in 2021/22. At the mid-year point, the collection rate demonstrated improvement, reaching 93 per cent;
- The tender for co-sourcing credit control and indigent management has been awarded.
- Cost coverage stands at a commendable 2 months, indicating a solid financial position;
- Net debtors saw an increase from R221 million in 2022 to R274 million in 2023. This rise can be attributed to challenges faced by some customers in meeting their payment obligations;
- Expenditure on conditional grants was 59 per cent in the financial year 2022/23. However, at the mid-year, conditional grant performance dropped to 46 per cent;
- An area of concern is the reported increase in overtime, surpassing the norm at 9.3 per cent, compared to the expected 5 per cent;



- Electricity revenue was revised down by 8 per cent in 2022/23 due to the impact of load shedding. Additionally, bulk purchases were revised down to 5 per cent, resulting in a loss of R10 million in electricity revenue;
- Municipality is concerned about the long time it takes to receive the disaster funds and the fact that national government does not always compensate the municipality for remedial work done whilst waiting for the approval or receipt of disaster funds and understand the lengthy processes in terms of environmental legislation and SCM legislation;
- The municipality is still waiting for National Treasury to approve the Neighbourhood Development Partnership Grant (NDPG) Project Implementation Plan (PIP) since November 2023.
- The municipal operational expenditure was R3 billion and the operational revenue was R2.9 billion, which resulted in the municipality realising a R107.7 million "accounting" deficit.; and
- The influx of inward migration is posing challenges, particularly in the rise of indigents, while the Equitable Share (ES) is getting reduced. This dynamic is causing strain on the municipality's resources and service provision capabilities.

#### *Financial governance*

The municipality's financial governance is sound because the municipality demonstrates commendable financial prudence by maintaining a low level of unauthorized, irregular, fruitless, and wasteful expenditure. Notably, there have been no instances of unauthorized expenditure. Historical instances of fruitless and wasteful expenditure primarily stem from penalties and interest incurred due to late submissions of Workmen's Compensation, though these occurrences are non-recurring.

- The Audit Action Plan, as stipulated by Circular 113, has been meticulously developed and duly approved;
- The Municipality has received an unqualified audit finding, without findings from the Auditor-General for the third year in a row;
- Audit Committee reports quarterly to Council;
- George Municipality is firmly dedicated to nurturing a culture of Enterprise-wide Risk Management. Through this commitment, the Municipality enhances its capacity to effectively manage risks in accordance with its approved risk appetite;
- While the municipality assumes responsibility for the majority of tasks related to the Annual Financial Statements (AFS), consultants are engaged to provide technical interpretations of Generally Recognized Accounting Practices (GRAP) and support in utilizing CaseWare AFS software. Additionally, the Internal Audit function focuses on conducting performance reviews. The draft AFS undergoes thorough review by the Provincial Treasury (PT);



- Unauthorized, irregular, fruitless, and wasteful (UIFW) expenditure is promptly tabled to the Municipal Public Accounts Committee (MPAC) for thorough investigation and subsequent recommendations to the Council;
- A functional Disciplinary Board is in place, serving as a pivotal mechanism for ensuring accountability and adherence to municipal regulations;
- Cases pertaining to misconduct are referred to the Disciplinary Board for deliberation and, when needed, are escalated to the South African Police Service (SAPS) and Hawks;
- The utilisation of fingerprints has proven instrumental in instilling a culture of punctuality among employees, effectively regulating both start and finish times;
- The municipality has multiple backup generators in place; however, due to excessive diesel costs the long-term strategy entails investing in more sustainable alternative sources of electricity, such as solar panels and batteries;
- Municipality agreed to submit:
  - Financial ratios: restated for 2021/22.
  - Muni eMonitor Q1 and Q2 Evaluations – due 23 February 2024; and
- National Treasury to assist with training on the Financial Management Capability Maturity Model (FMCMM) system, with a particular focus on FMCMM 456.

#### *Service delivery*

The municipality's service delivery is fragile due to the following concerning reasons:

- Capital expenditure for 2023 amounted to 63 per cent, marking a decline from the 92 per cent recorded in 2022. As of mid-year, it stands at only 34 per cent;
- In 2023, R222.4 million was allocated to repairs and maintenance, which saw an increase from R221.2 million in 2022;
- Electricity losses currently stand at 8.5 per cent, while water losses are below 30 per cent, specifically at 27.2 per cent;
- There are no tenders in dispute for an extended period and/or under suspension;
- The annual performance review is conducted concurrently with the Integrated Development Plan (IDP) review, ensuring that priority projects are seamlessly incorporated into the IDP, and the necessary funds are allocated accordingly;
- The municipality is currently in the process of installing smart meters;
- The Asset Register is integrated into the financial system and undergoes monthly updates;

- Asset maintenance is currently at 3 per cent far below the guiding norm of 8 per cent;
- About 37.9 per cent of the budget is allocated to strategic infrastructure;
- There is a tender advertised for battery storage aimed at mitigating the impact of load shedding. The municipality has appointed contractor for Battery Energy Storage System (BESS), construction will start soon. This will only mitigate the impact of load shedding in certain parts of the municipality;
- The Capital Expenditure Framework has been adopted by the Council to enhance capital budget spending;
- About 97 per cent for residential customers in George is equipped with smart water meters;
- The municipality mentioned that Environmental Impact Assessment (EIA) Approval Process is prolonged, thus affecting the timely rollout of infrastructure projects;
- The municipality is experiencing significant in-migration, placing strain on existing infrastructure;
- The estimated cost for the municipality to withstand the first four stages of load shedding and achieve self-sufficiency through its own plants is approximately R1.6 billion;
- Regional landfill remains a concern as there is no consensus on the funding for the project regarding admin costs, as well as concerns regarding the ability of all signatories to pay;
- Other concerns include the performance of the contractor who is months behind, the manner in which the District dealt with the variation request post-appointment and the probability that at least one of the municipalities will not be able to meet its financial responsibilities.
- The Budget Facility for Infrastructure (BFI) grant has been delayed and there has been a reduction on the Regional Bulk Infrastructure Grant (RBIG). The municipality mentioned that it need R1.6 billion in BFI grant assistance to procure energy alternatives that will alleviate the impact of loadshedding; and
- The George municipality presently provides 70Kwh of free basic electricity, surpassing the recommended 50Kwh allocation. This incurs an annual cost of R8 231 101 for the municipality, which is not covered by the equitable share.

## RECOMMENDATIONS

It is recommended that:

- National Treasury explore and implement strategies to streamline the supply chain management (SCM) process in order to facilitate the efficient procurement of renewable energy sources;





- The municipality provided with clear guidance from relevant authorities on the conditions, reporting template, and expenditure requirements related to the Integrated Urban Development Grant (IUDG), particular reference to 40 per cent expenditure target by 31 December 2023;
- Municipality needs National Treasury support to approve waivers from upper limits gazette for senior managers, in order to attract and retain suitable NQF 8 candidates;
- There should be collaborative communication between the municipality, the Department of Cooperative Governance and Traditional Affairs (COGTA), and the National Treasury to prevent confusion regarding the allocation and utilization of disaster funds;
- The National Treasury support the municipality for relaxation of rules on:
  - Environmental impact assessments processes;
  - Time of use of disaster grants;
  - Wheeling exemptions; and
  - Renewable energy processes.
- The National Treasury explains through a formal response why the BFI application was not successful; and
- As the municipality provides free basic electricity of 70Kwh instead of the recommended 50Kwh, given the current economic situation, it may be prudent to reconsider the allocation of the additional units of free basic electricity.

## RESOLUTIONS

It was resolved at the engagement that:

- NT needs to assist with expediting the energy procurement from Independent Power Producers (IPP's) for municipalities;
- National Treasury arrange a meeting between the municipality and Sadesb from the revenue management unit regarding the issue around the renewable energy;
- National Treasury arrange a meeting with the Office of the Chief Planning Officer (OCPO) to explain reasons for the rejection of the exemption regarding the Small-Scale Embedded Generators (SSEGs) to feed back to the grid and the power sold to the Municipality i.e. the customer becomes a net producer;
- National Treasury to engage with CoGTA regarding disaster relief grant timeframes and what emergency work is allowed that can be claimed back post repair;



- National Treasury to give feedback on the National Development Plan (NDP) Grant Project Implementation Plan (PIP) approval;
- National Treasury request the BFI office to provide clear communication regarding the rejection of the BFI application for the municipality;
- National Treasury to assist CoGTA with expediting remuneration of senior managers as this is a crisis; and
- National Treasury to relay the challenges of the staffing regulations and the impediments to filling posts, particularly technical posts and the difficulty with filling Directors positions (requirement: NQF 8).

Yours faithfully

**MANDLA GILIMANI**

**DIRECTOR: LOCAL GOVERNMENT BUDGET ANALYSIS**

**DATE: 27 February 2024**

Cc: CFO, George Municipality – Mr Riaan Du Plessis [Caduplessis@george.gov.za](mailto:Caduplessis@george.gov.za)  
MFMA Coordinator – Mr Steven Kenyon [Steven.Kenyon@westerncape.gov.za](mailto:Steven.Kenyon@westerncape.gov.za)

## 2.9. Municipal Manager's Quality Certificate

### Municipal Manager's Quality Certificate

I, Dr Michele Gratz, the Municipal Manger of George Municipality hereby certify that the annual budget and supporting documentation for the 2024/2025 Financial Year, have been prepared in accoradance with the Municipal Finance Management Act and regulations made under the Act, and that the budget and supporting documentation are consistent with the Integrated Development Plan.

Print Name                      Dr Michele Gratz

Municipal Manager of        George WC044

Signature

  
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Date

04/06/2024  
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### **Part 3 – Budget Schedules**

The Municipal Budget and Reporting Regulations are designed to achieve a range of objectives, including improving the local government sphere's ability to deliver basic services by facilitating improved financial sustainability and better medium-term planning and policy choices on service delivery.

Narrative will only be provided at certain tables to clarify certain aspects otherwise it will be a repetition of what has already been documented.